



Proposed Staff Recommendation Consent Calendar for June 23, 2011

IMPORTED WATER COMMITTEE

- 9- 1. Approve agreement with Brownstein Hyatt Farber Schreck, LLP, for special counsel services for fiscal years 2012 and 2013.
Authorize General Counsel to execute an agreement for legal and other professional services with Brownstein Hyatt Farber Schreck, LLP for fiscal years 2012 and 2013.

ADMINISTRATIVE AND FINANCE COMMITTEE

- 9- 2. Treasurer's report.
Note and file the monthly Treasurer's report.
- 9- 3. Purchase Water Authority Business Insurance – Property, Liability, and Workers' Compensation.
Authorize the General Manager to purchase three lines of business insurance – property, liability, and workers' compensation - from the Special Districts Risk Management Authority in the amount of \$844,000 for coverage of the period July 1, 2011 through June 30, 2012, contingent upon Board approval of the General Manager's Recommended Budget for Fiscal Years 2012 and 2013.
- 9- 4. Approval of the General Manager's Recommended Budget for Fiscal Years 2012 and 2013.
Approve adoption of Resolution No. 2011-___, a Resolution of the Board of Directors of the San Diego County Water Authority approving the General Manager's Recommended Budget for Fiscal Years 2012 and 2013, for operations and capital improvements and appropriating \$1.417 billion consistent with the approved budget.
- 9- 5. Adopt the Water Authority's rates and charges for calendar year 2012 and continue the annual Standby Availability Charge for fiscal year 2011-2012 as currently imposed.
Adopt Ordinance No. 2011-___ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities and provision of services. Adopt Resolution 2011-___ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge.

- 9- 6. Authorize the issuance of Subordinate Lien Water Revenue Refunding Bonds—Series 2011S-1—to refund certain outstanding Tax-Exempt Commercial Paper; and Senior Lien Water Revenue Refunding Bonds—Series 2011A to refund certain outstanding long-term debt to yield debt service savings.

Adopt a resolution authorizing the issuance of Subordinate Lien Water Revenue Refunding Bonds, Series 2011S-1, in an aggregate principal amount not to exceed \$100 million for the purpose of refunding \$100 million in outstanding tax-exempt commercial paper; authorize a negotiated method of sale for the issuance; and approve the selection of firms to serve as the underwriting team. Adopt a resolution authorizing the issuance of Senior Lien Water Revenue Refunding Bonds, Series 2011A, for the purpose of refunding certain existing long-term debt; and authorize the Director of Finance to determine the method of sale for the issuance closer to the pricing date. Approve the forms of financing documents for both refunding bond issuances, including the Preliminary Official Statements for the 2011S-1 Bonds and the Series 2011A Bonds.

ENGINEERING AND OPERATIONS COMMITTEE

- 9- 7. Construction contract for Pipelines 3 and 4 Miramar Hill to Scripps Ranch Relining Project, Specification 606, with J. Fletcher Creamer & Son, Inc. and Spiniello Companies, A Joint Venture.

Deny the bid protest. Authorize the General Manager to award a construction contract to J. Fletcher Creamer & Son, Inc. and Spiniello Companies, a Joint Venture in the amount of \$18,964,750 for the Pipelines 3 and 4 Miramar Hill to Scripps Ranch Relining project, Specification 606.

WATER PLANNING COMMITTEE

- 9- 8. Adoption of Water Authority’s 2010 Urban Water Management Plan.
Adopt the resolution approving the Water Authority’s 2010 Urban Water Management Plan and submit the 2010 Plan to the State of California by July 23, 2011, in order to comply with the Urban Water Management Planning Act of the California Water Code.

- 9- 9. Approve guiding principles for member agency purchases of potential Water Authority-owned local water supplies from the Carlsbad Desalination Project and corresponding revisions to the Local Supply Conveyance and Exchange Policy.

Adopt the proposed guiding principles solely for allowing member agency purchases of potential Water Authority-owned local water supplies from the Carlsbad Desalination Project. Approve corresponding revisions to the Local Supply Conveyance and Exchange Policy.

LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE

- 9- 10. Adopt a position of Support on SB 900 (Steinberg).
Adopt a position of Support on SB 900 (Steinberg).



June 23, 2011

Attention: Imported Water Committee

Metropolitan Water District Delegates' Report (Information)

Background

The MWD committees and board met on June 13 and 14. The next regular MWD board and committee meetings are scheduled for July 11 and 12.

Discussion

This section summarizes discussions held and key decisions made at the June MWD committee and board meetings, as reported by the MWD delegates. Attachment 1 is a copy of MWD's June board meeting agenda.

Communications and Education Committee

The committee heard a report on education activities and on communications and messaging from Renee Fraser from Fraser Communications. She described social media as the use of web-based and mobile technologies to turn communication into interactive dialogue. She highlighted some challenges and concerns for consideration. MWD started the use of social media with a pilot program focusing on conservation messaging.

Engineering and Operations Committee

The committee and board approved four items, which included appropriation of \$3 million and authorization for the General Manager to execute contracts on capital projects costing less than \$250,000. Staff also reported blends at Skinner continue to be 45 percent SWP and that May demands on MWD were 131 taf, which was about 25 taf lower than the May 2010 demands. The CRA is currently operating at seven pump flow (out of eight). Diamond Valley Lake is currently at 789 taf (97 percent of 810 taf maximum capacity). Staff also reported that discounted replenishment deliveries were made available beginning in May and would continue through December 31, 2011. Staff said that the deliveries are currently limited by groundwater basin spreading capacity, which is largely being dedicated to recharging local runoff. To-date, MWD received replenishment requests for 288 taf from seven agencies; staff reported that the actual deliveries would be limited to the 225 taf authorized by the board in May.

The committee also received an update on Jensen Solids Handling Project, which serves Ventura, Los Angeles, and Orange County, and is the only facility with ozone serving the Central Pool. MWD currently leases two lagoons from Los Angeles Department of Water and Power (LADWP) to handle 15 percent of the design capacity solids. Staff reported that a new solids handling facility is needed by 2015 to reduce operational and financial risks. The site MWD is evaluating for the new facility is owned by LADWP and is being used as a recreational baseball park. Staff is working with LADWP on the feasibility of a 50-year lease for a lagoon site. A project update will be provided to the committee in August 2011. Staff also reported that the Western Electricity Coordinating Council (WECC) performed its first audit of MWD's compliance with national electric reliability standards and found MWD to be

fully compliant during the period of June 2007 to May 2011. The next audit will be in 2016 or 2017.

Finance and Insurance Committee

The committee and board approved two items, which included: 1) MWD's annual Statement of Investment Policy and delegation of authority to the Treasurer to make investments on behalf of MWD; and 2) up to \$1.085 million to purchase insurance coverage for MWD's Property and Casualty Insurance Program.

Interim Chief Financial Officer Tom DeBacker briefly reviewed MWD's Swap and Water Revenue Refunding Bonds Reports. DeBacker said that Standard and Poor's and Moody's reaffirmed MWD's ratings as AAA and AA1, respectively, while Fitch assigned MWD an AA+, a downgrade from AAA. DeBacker said MWD went to the bond rating agencies because it planned two refunding transactions to lower debt service cost, estimated at \$37.0 million in net present value. Staff said the impact of the Fitch downgrade could be potentially higher costs for bank liquidity facilities in support of MWD's variable rate debt program; however, there appear to be no measurable impacts. Fitch's downgrade, according to staff, reflected multiple years of water supply variability and regional sales volatility along with declining financial performance, resulting in reduction in debt service coverage.

DeBacker also reported on the financial highlights. Actual water sales through the cash year (ending April 30th) were about 300 taf lower than the budgeted 1.928 maf (inclusive of the Water Authority's transfer water and the sale of 34,000 af of water to Las Posas), resulting in about \$204 million lower revenues than budget. Cumulatively, with the reduced water sales revenues (\$204 million) and interest (\$15 million), the total revenues are down by about \$164 million due to favorable receipts from state grants (\$11 million), a return from the Department of Water Resources for a gas hedge advance (\$8 million), the Las Posas sale (\$28 million), and other items (\$8 million).

DeBacker reported that cumulative expenditures are tracking about \$84 million lower than budget due to lower Pay-As-You-Go or PAYGo (\$50 million), lower Colorado River power costs (\$12 million), lower debt service costs (\$10 million), and other decreased costs (\$12 million). Together with the reduced expenditures, DeBacker said MWD would further offset the remaining revenue shortfall by using about \$72.2 million in reserve funds. DeBacker said that the reserves fund balance is about \$38.1 million over the minimum target (which includes \$12.6 million held in escrow related to the Water Authority rate litigation).

PAYGo is an amount of money MWD budgets each year from water rates to cash-fund a portion of its capital improvement program; it debt-finances the rest. With the revenue shortfalls it experienced, MWD has been using revenues collected for PAYGo use as a defacto rate stabilization fund to cover revenue shortfalls. For example, it has made significant "draws" on the PAYGo fund in five of the past six years, and projects that it will do so again in 2012, 2013 and, potentially, additional future years. By using PAYGo – intended for the CIP – to cover revenue shortfalls in its operating budget, MWD is increasing debt financing of its capital program. With its recent action on the biennial budgets for FYs 2012 and 2013, MWD is on track to use more than \$300 million in PAYGO funds to help cover revenue shortfalls in its operating budget between 2006 and 2013.

Legal and Claims Committee

The committee went into closed session to hear a number of closed session items including a report on the Rate Structure Integrity (RSI) mediation with the Water Authority. The Water Authority delegation did not participate in the RSI discussion. In open session, Surfrider Policy Coordinator Joe Geever commented on the RSI item and urged the support for Option 3. Geever commented that the Water Authority entered into contracts with the RSI language and if MWD were not to enforce the terms of the agreement, it would send a signal to other agencies that agreements are meaningless. Option 3 would terminate all contracts with the Water Authority containing the RSI language, except for the regional commercial and residential conservation rebates. Geever commented that Option 3 would impose repercussions for litigation, but would not undermine the ongoing conservation program. Conner Everts of the Southern California Watershed Alliance and the Desal Response Group echoed Geever's support for Option 3. Everts added that ocean desalination efforts should be redirected to other local supply programs. Wunderlich (Beverly Hills) added that three letters were submitted as part of public comment.

Staff reviewed the RSI provisions of the Local Resources Program and conservation agreements with the Water Authority. Staff's recommendation was to adopt Option 1, which would terminate all contracts with the Water Authority containing the RSI language and to not enter into any future agreements with the Water Authority. MWD Board Chair Foley (Municipal Water District of Orange County) commented on the Water Authority's "campaign" to denigrate MWD and labeled the Water Authority a "Benedict Arnold." Foley said MWD should take the "high road" and support Option 3, because it recognizes the "dignity of the individual consumer." Ultimately, the committee approved Option 3, to terminate all Water Authority contracts with the RSI language except for two regional commercial and residential conservation rebate programs, and to not enter into any future agreements with the Water Authority.

When the RSI item was discussed at the board, Director J. Murray (Los Angeles) made a substitute motion for Option 1, on the basis that adherence to the RSI language placed into the contract should be carried out. In the motion, he included direction to the General Manager to bring the RSI policy back for discussion and review. Director Blake (Fullerton) also urged the support for Option 1. Director Griset (Santa Ana) and Director Peterson (Las Virgenes) advocated for Option 3, citing that rebates paid directly to consumers should not be impacted, and that by terminating those rebates, MWD could be risking its regional goal of reducing 20 percent of its water use by 2020. J. Murray's motion failed with 30.62 percent supporting the motion, 50.08 percent opposing, and 17.99 percent abstaining. The 17.99 percent abstention is the San Diego delegation's vote entitlement. The Water Authority is required to abstain because this issue impacts the Water Authority. In the end, the board supported Option 3 with 56.23 percent supporting the motion, 24.47 percent opposing, and 17.99 percent abstaining. Prior to the vote, Director Record (Eastern) commented that the board may appear to be divided, but supporters of both options (Option 1 and 3) have strong points. He said the issue is that the Water Authority continues to take MWD into court on how MWD operates; he also supported regardless of the vote outcome, revisiting the RSI language. Kightlinger said that staff would return with the RSI language for further discussion.

Legislation Committee

The committee and board approved three items that expressed support for SB 900 (Steinberg, D-Sacramento), expressed support and sought amendments for S. 629 (Murkowski, R-AK), and

expressed support, if amended on S. 138 (Feinstein, D-CA). S. 138 may have impact on MWD's operations on the Colorado River Aqueduct because it would restrict access to, use of, and development of these federal lands that border the Aqueduct. Despite concerns expressed by several directors over staff's recommended position, since the actual map of the impacted lands would not be known until after the legislation is adopted and therefore whether MWD's facilities and operations would be free of impact would not be known until after the legislation, the committee, and subsequently the board, moved forward with the position to support if amended.

Bay-Delta Initiatives Manager Steve Arakawa reviewed provisions in the proposed H.R. 1837 (Nunes, R-CA), which restores the Central Valley Project Improvement Act (CVPIA) by setting the federal Environmental Species Act requirements consistent with the Bay-Delta Accord and Decision-1641. In addition, the CVPIA had a provision that dedicated 800 taf for protection and enhancement of fish and wildlife; under this proposed Act, the Bureau of Reclamation is to replace the 800 taf for the Central Valley water users by 2016, and if unsuccessful, the water dedicated to fish and wildlife would revert back to the responsibility of the water users. Kightlinger added that the controversial portion is mainly in the San Joaquin settlement and that MWD is not seeking a position until some of its issues are sorted out.

Staff also reported on state and federal legislative issues.

Joint Meeting of the Organization, Personnel and Technology Committee and the Audit and Ethics Committee

Audit and Ethics Committee Chair Friedman (Glendale) described the proposed amendments to the Ethics Officer's terms of employment. Earlier this year, the Ethics Officer requested the board to amend her contract and increase her work schedule to an average of 20 hours per week; this would entitle the Ethics Officer to qualify as a CalPERS member and receive MWD's paid health insurance, and other benefits. Under the Ethics Officer's current employment contract with MWD, her work is limited to an average of no more than 18.5 hours per week. Director Dick (Municipal Water District of Orange County) pointed out that MWD now has a good ethics program; as a result, he suggested various options: 1) the program maintains its status quo; or 2) reducing the program costs; or 3) set aside the discussion until other labor issues are resolved. Director Barbre (Municipal Water District of Orange County) and Director Evans (Western) expressed concern that this item may impact current labor negotiations. Evans also questioned the need for increased hours as described in the amendment. Discussion ensued over contributions to CalPERS and when the Ethics Officer would vest. General Counsel Scully clarified that part-time employee working on 20 hours per week would be eligible to receive retirement benefits after 10 years of service to MWD (benefits earned at the prorated rate). Friedman commented that the Ethics Department was reduced from three employees to two; as a result, this action would not increase its annual budget. Evans made a motion, which was seconded by Blake, to defer this item until after labor negotiations are completed and to receive more information on the Ethics Officers' tasks and whether it could be accomplished within the existing time provided in the contract.

Steiner pointed out that the employer and employee contributions to CalPERS are paid entirely by MWD and should an employee leave MWD's employment and is not vested, the employee would receive the employee portion of the CalPERS contribution that had been paid for by MWD. MWD Human Resources staff agreed with Steiner's assessment. Steiner also clarified that if an employee should work more than the contracted hours and MWD is aware of it, MWD

could be responsible for paying the associated benefits. As such, Steiner suggested the motion be modified to include the Ethics Officer's work hours be specifically limited per the existing contract; Evans clarified that this was part of his motion. The joint committee then went into closed session to further discuss the contract as a result of a request from Director Ballin (San Fernando). Following the closed session, the joint committee voted to support Evans' motion to table the item with Steiner's suggested modification to limit the Ethics Officers' work hours. During the board meeting, Steiner requested that a memo written in January by the Ethics Officer be distributed to the board members.

MWD staff reported that the department heads' evaluations are scheduled to be completed by the end of July and that the Chief Financial Officer recruitment/search continues. To-date, 15 qualified CFO candidates were vetted, with seven of the 15 short-listed by the search committee. The search committee includes Directors Grunfeld (Los Angeles) and Blake. The committee also returned to closed session to conference with labor negotiators.

Water Planning and Stewardship Committee

The committee and board approved three items, including payments for participation in the State Water Contractors, Inc. and the State Water Project Contractors Authority for fiscal year 2011/12.

Returning from the previous month was an item regarding a proposed local resources program with Inland Empire Utilities Agency, Western Municipal Water District and Chino Basin Desalter Authority (CDA) for the Chino Basin Desalination Program. Approval of the item would consolidate two existing agreements and a pending agreement into a new agreement that staff described would reduce MWD's overall costs and simplifying administration of multiple contracts. The new agreement would be based on a set flat incentive, and MWD and CDA would share grant funding equally. A letter of support from Western Municipal Water District and Inland Empire Utilities Agency and another letter from the Water Authority, which outlines a number of issues that should be addressed, were received by the committee and board (See Attachment 2 and 3, respectively; and Attachment 4 for MWD's response to the Water Authority's letter). The Water Authority delegation voted no on the item.

The committee and board also authorized execution of the State and Federal Contractors Water Agency Activity Agreement for the Tule Red Habitat Restoration Project. Prior to committee approval of the item, staff provided an overview on the project, and then went into closed session to discuss terms of the agreement. The committee also heard reports on a potential land fallowing program in Bard Water District, participation in the Water Utility Climate Alliance, and matters related to the Bay-Delta, Colorado River and Water Resources Management.

Prepared by: Debbie Discar-Espe, Senior Water Resources Specialist
Approved by: *Communications and Education Committee* by Lynne Heidel
Finance and Insurance Committee by Lynne Heidel and Keith Lewinger
Engineering and Operations Committee by Fern Steiner
Legislation Committee by Lynne Heidel and Keith Lewinger
Legal and Claims Committee by Lynne Heidel and Fern Steiner
Organization, Personnel and Technology Committee by Fern Steiner

Water Planning and Stewardship Committee by Keith Lewinger and Fern Steiner

- Attachment 1: MWD's June board meeting agenda.
- Attachment 2: WMWD and IEUA support letter on LRP for Chino Basin Desalination Program, dated June 6, 2011.
- Attachment 3: Water Authority letter to the Board on LRP for Chino Basin Desalination Program, dated June 13, 2011.
- Attachment 4: MWD letter to the Board responding to Water Authority concerns on LRP for Chino Basin Desalination Program, dated June 14, 2011.



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

MWD MEETING AGENDA

REVISED AGENDA

Regular Board Meeting

June 14, 2011

12:00 p.m. -- Board Room

Tuesday, June 14, 2011 Meeting Schedule		
7:00-8:00 a.m.	Rm. 2-413	Dirs. Computer Training
8:00 a.m.	Rm. 2-145	LDC
9:30 a.m.	Rm. 2-456	Legislation
10:30 a.m.	Rm. 2-145	CCE
12:00 p.m.	Board Room	Board Meeting

MWD Headquarters Building

• 700 N. Alameda Street •

Los Angeles, CA 90012

1. Call to Order

- (a) Invocation: Stephen Hubbard, Senior Programmer Analyst,
Business Technology Group
- (b) Pledge of Allegiance: Director Brett R. Barbre

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 Gov. Code Section 54954.3(a))

Recognition of Solar Cup Staff Team

5. OTHER MATTERS

- A. Approval of the Minutes of the Meeting for May 10, 2011. (A copy has been mailed to each Director)
Any additions, corrections, or omissions

- B. Report on Directors' meetings attended at Metropolitan expense for month of May
- C. Presentation of 15-year pin to Director Judy Abdo, representing the City of Santa Monica
- D. Approve 60-day leave of absence for Director Anthony Fellow, effective July 1, 2011
- E. Approve amendment to Ethics Officer's terms of employment
[Public employee performance evaluation: Any discussion evaluating the performance of the Ethics Officer will be heard in closed session pursuant to Gov. Code Section 57957(b)] (To be mailed separately)
- F. Approve committee assignments
- G. Chairman's Monthly Activity Report

6. DEPARTMENT HEADS' REPORTS

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

7. CONSENT CALENDAR ITEMS — ACTION

- 7-1** Approve up to \$1.085 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program. (F□I)

Recommendation:

Option 1:

Adopt the CEQA determination and approve up to \$1.085 million to renew or replace the Aircraft Liability, Crime, Property Damage, Excess General Liability Policies, and Excess Workers Compensation Policy maintaining the existing \$5 million self-insured retention, coverage limits of \$50 million; and obtain coverage for the employees in Washington, D.C.

- 7-2** Appropriate \$260,000; and authorize two pipeline cathodic protection projects (Approp. 15441). (E/O)

Recommendation:

Option 1:

Adopt the CEQA determination and

- a. Appropriate \$260,000;**
- b. Authorize construction of current drain stations for the Calabasas Feeder; and**
- c. Authorize preliminary design of current drain stations for the Sepulveda Feeder South.**

- 7-3** Appropriate \$510,000; and authorize agreement with Roctest, Inc. for upgrades of the Automated Data Acquisition System at Garvey Reservoir (Approp. 15441). (E/O)

Recommendation:

Option 1:

Adopt the CEQA determination and

- a. Appropriate \$510,000; and**
- b. Authorize agreement with Roctest, Inc., in an amount not to exceed \$425,000, for Automatic Data Acquisition System upgrades at Garvey Reservoir.**

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

- 8-1** Approve Metropolitan's annual Statement of Investment Policy and delegation of authority to the Treasurer to make investments on behalf of Metropolitan. (F□I)

Recommendation:

Adopt the CEQA determination and

- a. **Approve staff's recommendation to adopt the Statement of Investment Policy set forth in Attachment 1 of the board letter; and**
- b. **Delegate authority to invest to the Treasurer.**

Revised

- 8-2** Authorize execution of the State and Federal Contractors Water Agency Activity Agreement for the Tule Red Habitat Restoration Project, appoint the General Manager to serve as Metropolitan's representative on the Activity Agreement Steering Committee, and approve payment for Metropolitan's share of costs. (WP□S)

[Conference with real property negotiators; Property is approximately 378 acres located at 1903 Grizzly Island Road, Suisun Marsh, Solano County, CA; agency negotiators: Roger Patterson, Randall Neudeck, and John Schlotterbeck; negotiating parties: Metropolitan and SFCWA; under negotiation: price and terms of real property related payments; to be heard in closed session pursuant to Gov. Code Section 54956.8]

- 8-3** Appropriate \$3 million; and authorize capital program for projects costing less than \$250,000 for fiscal year 2011/12 (Approp. 15470). (E□O)

Recommendation:

Option □1:

Adopt the CEQA determination and

- a. **Appropriate □3 million for capital projects costing less than □250,000 for fiscal year 2011/12;**
- b. **Authorize the General Manager to initiate capital projects costing less than □250,000 and perform all work including the preparation of necessary environmental documentation; and**
- c. **Designate the General Manager as the decision-making body for purposes of reviewing, approving, and certifying any environmental documentation that may be required for such projects.**

- 8-4** Appropriate \$4.86 million; and award \$3,599,284.68 contract to ERS Industrial Services, Inc. for replacement of filter media at the Robert B. Diemer Water Treatment Plant (Approp. 15436). (E□O)

Recommendation:

Option □1:

Adopt the CEQA determination and;

- a. Appropriate □4.86 million; and**
- b. Award □3,599,284.68 contract to ERS Industrial Services, Inc. to replace filter media at the Diemer plant.**

- 8-5** Authorize payment of \$2.63 million for participation in the State Water Contractors, Inc. and payment of \$815,000 to the State Water Project Contractors Authority for fiscal year 2011/12. (WP□S) **(Two-thirds vote required)**

Recommendation:

Option □1:

Adopt the CEQA determination and, by two-thirds vote,

- a. Authorize the General Manager to make payment of □2.63 million to the State Water Contractors**
- b. Authorize the General Manager to make payment of □815,000 to the State Water Project Contractors Authority**

- 8-6** Authorize entering into a consolidated agreement under the Local Resources Program with the Inland Empire Utilities Agency, Western Municipal Water District, and Chino Basin Desalter Authority for the Chino Basin Desalination Program. (WP□S)

Recommendation:

Option □1:

Adopt the CEQA determination and authorize the General Manager to enter into a Local Resources Program agreement with the Inland Empire Utilities Agency, Western Municipal Water District, and Chino Basin Desalter Authority for up to 35,200 acre-feet per year of recovered groundwater under terms included in this letter.

- 8-7** Review Rate Structure Integrity provisions of conservation and Local Resources Program funding agreements with San Diego County Water Authority; and consider termination of agreements. (L□C)

Recommendation:

Option 1:

Adopt the CEQA determination and approve termination of five conservation and Local Resources Program funding agreements with San Diego County Water Authority pursuant to the rate structure integrity provisions of those agreements.

- 8-8** Express support for SB 900 (Steinberg, D-Sacramento) — California regional water quality control boards: members. (Legis.)

Recommendation:

Option 1:

Adopt the CEQA determination and authorize the General Manager to express Metropolitan's support for SB 900.

- 8-9** Express support for S. 138 (Feinstein, D-CA) — California Desert Protection Act of 2011, if amended. (Legis.)

Recommendation:

Option 1:

Adopt the CEQA determination and express support of S. 138 if amended as described in this board letter.

- 8-10** Express support for S. 629 (Murkowski, R-AK) — Hydropower Improvement Act of 2011. (Legis.)

Recommendation:

Option 1:

Adopt the CEQA determination and express support for S. 629.

9. BOARD INFORMATION ITEMS

- 9-1** Review potential for future land fallowing program in Bard Water District. (WP/S)

10. FUTURE AGENDA ITEMS

11. ADJOURNMENT

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

Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parenthesis at the end of the description of the agenda item e.g. (E□O, B□F). 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.



Chino Basin Desalination, Inland Empire Utilities Agency - Thomas J. Evans, Western Municipal Water District

IEUA
6075 Kimball Ave.
Chino, CA 91708

WMWD
14205 Meridian Pkwy
Riverside CA 92518

June 6, 2011

Chairman Jack Foley
Members of the Board of Directors
The Metropolitan Water District of Southern California
PO BOX 54153
Los Angeles, CA 90054-0153

Re: Board Item 8-6
Local Resources Program Agreement with Inland Empire Utilities Agency, Western Municipal Water District and Chino Basin Desalter Authority for the Chino Basin Desalination Program.

Dear Chairman Foley and Members of the Board of Directors:

The Board of Directors of The Metropolitan Water District of Southern California (Metropolitan) has long supported local development of groundwater recovery, water recycling and conjunctive use projects. In April 2007, the Board established a goal of 174,000 AFY of new Local Resources Program (LRP) yield. Since then, the Board has approved nine projects totaling 63,970 AFY of production. This project would help meet the Board's goal for additional LRP yield consistent with the new Integrated Resources Plan (IRP) local resources augmentation goal.

To date, Metropolitan, Inland Empire Utilities Agency (IEUA), Western Municipal Water District (WMWD), and Chino Basin Desalter Authority (CDA) have entered into two groundwater recovery incentive agreements totaling 24,600 AFY of yield. Both agreements provide sliding scale incentives up to \$250 per acre-foot subject to an annual cost reconciliation process.

In December 2008, IEUA, WMWD and CDA submitted a LRP application proposing to expand the capacity of the existing projects from 24,600 AFY to 35,200 AFY. A proposed agreement has been developed that would consolidate the two existing projects and the proposed expansion under a single LRP agreement that would yield 35,200 AFY. Under the agreement, Metropolitan would provide a fixed cost incentive of \$139 per acre-foot for a term of 20 years. The agreement would also share grant funding contributions with Metropolitan, reducing the \$139/AF incentive if additional grant funding is obtained. Having a consolidated agreement provides the participating agencies resolution on outstanding cost issues, potential regional cost savings of as much as \$40 million over the life of the agreement, streamlined project administration and greater project accountability. Additionally a fixed incentive rate better enables participating agencies to secure bond funding and other financing mechanisms for project construction.

The Chino Desalters not only provide local potable water supplies for the IEUA and WMWD service areas, but they contribute to the protection of downstream water quality in the Santa Ana River watershed. This important project will greatly contribute to the reliability of water supplies in our southern California region.

Thank you for your consideration of this important matter. We respectfully request your support for Board Item 8-6. If you have any questions please feel free to contact us.

Sincerely,



Thomas P. Evans
Director
Western Municipal Water District



Michael Camacho
Director
Inland Empire Utilities Agency

cc: Curtis Paxton, Chino Basin Desalter Authority



San Diego County Water Authority

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

June 13, 2011

Jack Foley, Chairman
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

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

Vallecitos Water District

Valley Center
Municipal Water District

Vista Irrigation District

Yuima
Municipal Water District

OTHER REPRESENTATIVE

County of San Diego

Re: Board Memo 8-6 – Consolidated Agreement for Chino Basin Desalination Program – OPPOSE

Dear Chairman Foley and Members of the Board of Directors,

We have reviewed June Board Item 8-6 regarding the consolidation of local resources program agreements for the Chino Basin Desalination Program and must inform you that we cannot support approval of this item for reasons described below

No Showing of Regional Benefit

While the Chino Basin Desalination program is undoubtedly a wise local water supply project, Board Memo 8-6 fails to establish a regional benefit that would support the payment of MWD subsidies to pay for the project. No regional benefit is established by saying that, under this agreement MWD will pay less than it would pay under a different agreement with MWD– unless that agreement provides a regional benefit. Although the board memo states that MWD would be helping avoid the spread of contamination and the potential loss of additional groundwater resources, MWD does not have any water rights or other interest in the Chino groundwater basin. There is no indication that MWD has acquired any water or storage right or other regional benefit that would support its payment of these local water supply costs. While we strongly support local water supply development, we do not believe that San Diego County’s ratepayers may reasonably be required to fund local water supply projects solely for the benefit of other MWD member agencies, especially at a time when MWD’s own water sales are already plummeting.

The Analysis is Flawed Because it Depends on Outdated Facts

In addition to the above concerns, there is no rational basis for including a replenishment assessment (RA) as an eligible project cost when calculating MWD’s subsidy payments. The inclusion of RA makes clear that this project requires replacement water to sustain the production. The 1991 memorandum that purportedly supports inclusion of these costs is outdated and based on the notion that expanded groundwater use will be helpful during “drought” periods; written at a time when replenishment water continued to be available during non-drought periods. Today’s reality is just the opposite – with imported water expected to be available for storage in only three out of every 10 years and with MWD highly dependent on storage of this water to meet water supply demands in dry years. It does not make sense for MWD to subsidize one member agency’s purchase of imported water to replenish groundwater basins – for any reason. It is time

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

for a complete overhaul of MWD's LRP program to reflect current water supply and financial realities.

Agreement is Inconsistent with Board Policy Accounting for Grant Funding

The board's existing LRP policy is to reduce project costs by 100% of grant funding. This is done to ensure equity and that the recipient agency does not pay less for its subsidized local water supply project than the cost of MWD water. Under the proposed agreement, this protection is arbitrarily reduced by half – the result being that the rest of MWD's member agencies pay more in order for one member agency to pay less.

Agreement Violates Board Policy and Terms for All LRP Funding Agreements

At the time the Water Authority's Carlsbad seawater desalination project came before the board of directors, the following motion was passed by the board of directors:

Adopt the CEQA determination and authorize the General Manager to enter in an SDP agreement with SDCWA and its retail agencies for 56,000 AFY under terms included in this letter provided that the SDP agreement will terminate if **(A)** Metropolitan determines that it will no longer (i) provide incentives or other financial support to its member agencies for seawater desalination, water recycling or groundwater recovery projects through the Local Resources Program, Seawater Desalination Program or similar programs; or (ii) utilize the Water Stewardship Rate, or a similar charge to fund the Local Resources Program, Seawater Desalination Program or other similar programs; or (iii) include the Water Stewardship Rate as a charge for all water conveyed on the system; and **(B)** the member agency included in such SDP agreement or a delegate from that member agency votes in favor of such determination. These provisions would apply only so long as all new agreements contain similar provisions.

In accordance with this board policy, all subsequent LRP funding agreements have included this condition on funding. But the proposed agreement under Board Memo 8-6 violates this board policy by providing a firm financing commitment instead of an agreement that is consistent with board policy and can be terminated by MWD on the conditions noted above. While we agree that a fixed financing commitment improves the project proponent's ability to secure bond funding and other financing, that is exactly the argument that was made by the Water Authority and rejected by the MWD board when it adopted the board policy it is now disregarding. MWD is administering subsidy programs in an inconsistent and arbitrary and capricious manner.

MWD Should Collect the \$6 Million Overpayment to CDA and Increase Oversight

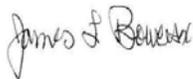
According to the board memo, CDA has been paid \$6 million more than it was entitled to receive under the existing agreement. Given MWD's current and projected budget deficits and rate pressures, MWD should require repayment of this money now, rather than "finance" it as part of a new agreement. Clearly, additional auditing and oversight is also needed to better track payments to member agencies under the LRP program.

Effect of Disqualification of the Water Authority from Subsidy Program Benefits

The Water Authority pays more to support MWD's conservation and local supply programs than any other MWD member agency. By MWD's own estimate, the Water Authority averages \$22.5 million annually in Water Stewardship Rate payments; yet, under MWD board policy and action under the RSI clause, the Water Authority and the ratepayers it serves are ineligible for program benefits. The Water Authority hereby makes formal demand that MWD cease collection of Water Stewardship Rate dollars from the Water Authority's ratepayers so we may fund our own conservation and local water supply development projects directly. The Water Authority will commit to spend these dollars on water conservation and local supply development in San Diego County *so that there will be no net impact to MWD in achieving its articulated water conservation and local water supply development objectives.* Those MWD member agencies that choose to "pool" their funding for the development of local water supplies would remain free to do so.

For these reasons, the Water Authority delegates do not support item 8-6.

Sincerely,



Jim Bowersox
Director



Lynne Heidel
Director



Keith Lewinger
Director



Fern Steiner
Director

cc: Jeff Kightlinger, MWD General Manager



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Manager

June 14, 2011

Metropolitan Water District Board Delegation
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123-1233

Dear Board Members:

Response to June 13, 2011, letter on June Board Item 8-6 – Chino Basin Desalination Program

Thank you for your letter to Chairman Foley on Board Item 8-6: *Authorize entering into a consolidated agreement under the Local Resources Program with the Inland Empire Utilities Agency, Western Municipal Water District, and Chino Basin Desalter Authority for the Chino Basin Desalination Program*. Your letter expresses your delegation's concern with The Metropolitan Water District of Southern California's (Metropolitan) staff's recommendation and I have been asked by the Chairman to respond. As you are aware, this item was approved by the Water Planning and Stewardship Committee meeting on June 13, 2011, and is scheduled to be considered at the Board meeting on June 14, 2011.

Your letter outlines concerns with moving forward with a consolidated agreement in several areas:

No Showing of Regional Benefit – Metropolitan supports the development of water recycling and groundwater recovery projects through the Local Resources Program (LRP). To qualify for LRP funding, a groundwater recovery project must provide regional benefit by increasing local groundwater production. As such, under the consolidated agreement, there are greater regional performance assurances as the local agencies are required to increase groundwater production over an established baseline prior to receiving LRP funding. This provision ensures increased regional water supply reliability and flexibility to meet imported water demands in other parts of the service area which is a regional benefit as defined by the program.

Analysis Depends on Outdated Facts – Since the inception of the Groundwater Recovery Program in 1991, replenishment costs have been included as an eligible cost for consideration. In 2006/07, Metropolitan convened a task force comprised of member and retail agencies to review the LRP. The task force reviewed replenishment cost eligibility and recommended no change to the program established in 1991. These recommendations were affirmed by the Board in April 2007. Staff is reviewing the replenishment program to see what modification may be appropriate to that program in a separate forum.

Metropolitan Water District Board Delegation

Page 2

June 14, 2011

Agreement is Inconsistent with Board Policy on Grant Funding – The proposed consolidated agreement accounts for grant funding. The negotiated incentive of \$139 per acre-foot assumes the project will receive about \$28 million in grant funding, equivalent to about 22 percent of the project's capital cost. This approach was based on past federal grants, which are typically capped at 25 percent of the project cost. Metropolitan's incentive payments will not increase if less grant funding is received. Should there be grants that exceed \$28 million, these additional grant funds would be shared equally between Metropolitan and the agencies, which would encourage continued pursuit of grants to help offset capital and operations and maintenance costs.

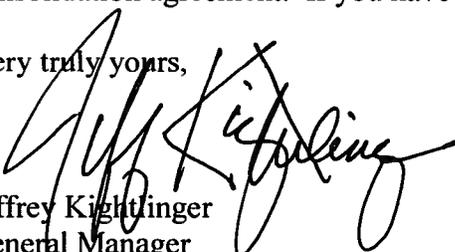
Agreement Violates Board Policy for LRP Agreements – Consistent with Board policy, the appropriate termination provisions will be included in the consolidated agreement. The provisions are consistent with the action cited in your letter.

Metropolitan Should Collect Overpayment and Increase Oversight – The dispute over \$6 million in payments was identified as part of the standard and anticipated reconciliation process performed at the conclusion of FY 2008/09. The proposed consolidation allows Metropolitan to recover this disputed payment and is consistent with past practices to work with member and retail agencies to identify an appropriate reconciliation.

Disqualification Effect on Water Authority Benefits – Metropolitan's Board is scheduled to consider termination of incentive agreements with the Water Authority that contain RSI language at the Legal and Claims Committee meeting and Board meeting on June 14, 2011. SDCWA can propose changes to existing Board policy in that context.

I hope this clarifies some of the questions and concerns you have with the proposed consolidation agreement. If you have any questions, please contact me or my staff.

Very truly yours,


Jeffrey Kightlinger
General Manager

AMH:vs

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cc: Board of Directors
Member Agency Managers



June 23, 2011

Attention: Imported Water Committee

Colorado River Board Representative's Report (Information)

Purpose

The Colorado River Board (CRB) Representative's Report summarizes monthly activities of the Colorado River Board.

Background

This report covers activities from the June 15, 2011 CRB meeting.

Discussion

The CRB took actions and heard informational reports from CRB staff on activities discussed below:

Water supply and reservoir operations

Water supply conditions continue to be well above average for the reservoir system. Water year precipitation to date in the upper basin is 127 percent of normal, and river flows into Lake Powell are projected to be 139 percent of normal for the water year ending September 30, 2011. As of June 20, Lake Powell held 16.1 maf, which is 66 percent of its capacity. Lake Mead held 11.6 maf, or 45 percent of its capacity. Lake Mead's elevation moved to above 1,100 feet, greatly reducing the chances of the reservoir falling below the shortage trigger of 1,075 feet over the next several years. Lake Mead is expected to gain significant amounts of water this year, as deliveries from Lake Powell are increased because of reservoir operating criteria designed to equalize the contents of the reservoirs.

Approval of Fiscal Year 2011/2012 Budget

The Board approved a \$1.587 million budget for the fiscal year 2011/2012. Although the Board is a state agency, funds for the budget come entirely from its six water agency members. The agencies pay an agreed-upon proportion of the total funding requirement. The Water Authority pays 10 percent of the total, or about \$159,000 for the budgeted fiscal year. The budget covers the Board's operational costs for the fiscal year, and funds the Board's participation in a salinity control program.

Status of Governor's proposal to eliminate the CRB

Board members and agency staff discussed the status of a recommendation made in the Governor's May revise to the 2011-12 state budget to eliminate the Board. The recommendation was made as part of a larger state effort to streamline state boards and commissions. No changes are anticipated to be made to the Board for the next fiscal year, but discussions are ongoing about ways to improve administrative processes for the Board and to ensure its continued service as the state's representative for matters related to the Colorado River.

Salinity control

The Colorado River Salinity Control Forum met May 23-26 to hear status reports on salinity control project implementation, to review budgets and available funds, and to review the draft 2011

Triennial Review, which considers and makes recommendations regarding water quality standards. The draft Triennial Review, which was approved for public comment, did not change recommended numeric water quality criteria, and found that there is a very small probability that the criteria would be exceeded over the next three years. The Forum provided direction for prioritizing salinity control projects and available funds, using a computer model to identify the most cost-effective projects.

Relocating uranium mine mill tailings

Board staff reported on the U.S. Department of Energy's announcement that the relocation of contaminated mill tailings near Moab, Utah was 25 percent complete, which is well ahead of schedule. About four million tons of the tailings material has been removed from a site adjacent to the river, where it posed a contamination threat, and relocated using trains to a location 30 miles north to a permanent disposal site. Federal stimulus funds allowed the project to expedite removal of the material.

Status of Colorado River Basin water supply and demand study

Reclamation released the Colorado River Basin Water Supply and Demand Study – Interim Report No. 1 on June 6. The report contains four technical papers: scenario development, water supply assessment, water demand assessment, and system reliability metrics. Before release of the report, the basin states had submitted a letter to Reclamation expressing the desire that the report not be used in any potential subsequent disputes among the states regarding “law of the river” issues, or in any future legal proceedings. Reclamation responded with a letter agreeing with the states’ view of the purpose and uses of the report. The next phase of the study involves quantifying future demands for river water, assessing future reliability, and developing ways to balance supplies and demands. The final report is expected to be issued in summer 2012.

Prepared by: Dave Fogerson, Senior Engineer
Reviewed by: Halla Razak, Colorado River Program Director
Approved by: W.D. “Bill” Knutson, CRB Representative

Attachment: Summary Water Report, Colorado River Basin

**SUMMARY WATER REPORT
COLORADO RIVER BASIN
June 6, 2011**

RESERVOIR STORAGE (as of June 5)	May 16, 2011					
	MAF	ELEV. IN FEET	% of Capacity	MAF	ELEV. IN FEET	% of Capacity
Lake Powell	14.498	3,626.8	60	13.305	3,615.6	55
Flaming Gorge	3.188	6,025.8	85	3.074	6,022.6	82
Navajo	1.453	6,068.0	86	1.377	6,062.3	81
Lake Mead	11.382	1,098.8	44	11.088	1,095.4	43
Lake Mohave	1.715	643.6	95	1.704	643.2	94
Lake Havasu	0.589	448.5	96	0.595	448.8	96
Total System Storage	33.583		56	31.856		53
System Storage Last Year	33.505		56	32.880		55

				May 16, 2011	
WY 2011 Precipitation (Basin Weighted Avg) 10/01/10 through 6/06/11			128 percent (32.5")		125 percent (29.8")
WY 2011 Snowpack Water Equivalent (Basin Weighted Avg) on day of 6/06/11 (Above two values based on average of data from 116 sites.)			264 percent (10.3")		109 percent (18.0")
				May 4, 2011	
June 3, 2011 Forecast of Unregulated Lake Powell Inflow		MAF	% of Normal	MAF	% of Avg.
2011 April through July unregulated inflow		12.600	159 %	11.500	145%
2011 Water Year forecast		16.598	138 %	15.384	128%

USBR Forecasted Year-End 2011 and 2010 Consum. Use, June 6, 2011 a.				
	MAF			
		2011	2010	
	Diversion	- Return =	Net	
Nevada (Estimated Total)	0.479	0.216	0.263	0.243
Arizona (Total)	3.643	0.863	2.780	2.792
CAP Total			1.579	1.653
<i>Az. Water Banking Authority</i>			0.134	0.134
OTHERS			1.202	1.140
California (Total) b./	4.727	0.627	4.100	4.363
MWD			0.598	1.099
3.85 Agriculture				
IID c./	<u>Total</u>	<u>Conserved</u>	<u>Forecasted</u>	<u>Estimated</u>
CVWD d./	3.130	-0.360	2.770	2.547
PVID	0.372	-0.031	0.341	0.304
YPRD	0.324	0	0.324	0.274
Island e./	0.045	0	0.045	0.039
<i>Total Ag.</i>	0.007	0	0.007	0.006
Others	3.878	-0.391	3.487	3.170
PVID-MWD following to storage (to be determined)			0.015	0.094
Arizona, California, and Nevada Total f./	8.849	1.706	7.143	7.399

- a./ Incorporates Jan.-Apr. USGS monthly data and 75 daily reporting stations which may be revised after provisions; data reports are distributed by USGS. Use to date estimated for users reporting monthly and annually.
- b./ California 2011 basic use apportionment of 4.4 MAF has been adjusted to 4.174 MAF for payback of Inadvertent Overrun and Payback Policy overruns (-1,213 AF), Intentionally Created Surplus Water by IID (-25,000 AF), Creation of Extraordinary Conservation ICS MWD (-200,000 AF)
- c./ 0.105 MAF conserved by IID-MWD Agreement as amended in 2007: 105,000 AF conserved for SDCWA under the IID-SDCWA Transfer Agreement as amended, 80,000 AF of which is being diverted by MWD; 16,000 AF required to conserved for CVWD under the IID-CVWD Acquisition Agreement, 67,700 AF conserved by the All-American Canal Lining Project.
- d./ 30,850 acre-feet conserved by the Coachella Canal Lining Project.
- e./ Includes estimated amount of 6,530 acre-feet of disputed uses by Yuma Island pumpers and 0 acre-feet by Yuma Project Ranch 5 being charged by USBR to Priority 2.
- f./ Includes unmeasured returns based on estimated consumptive use/diversion ratios by user from studies provided by Arizona Dept. of Water Resources, Colorado River Board of California, and Reclamation.

Monthly Total Colorado River Basin Storage

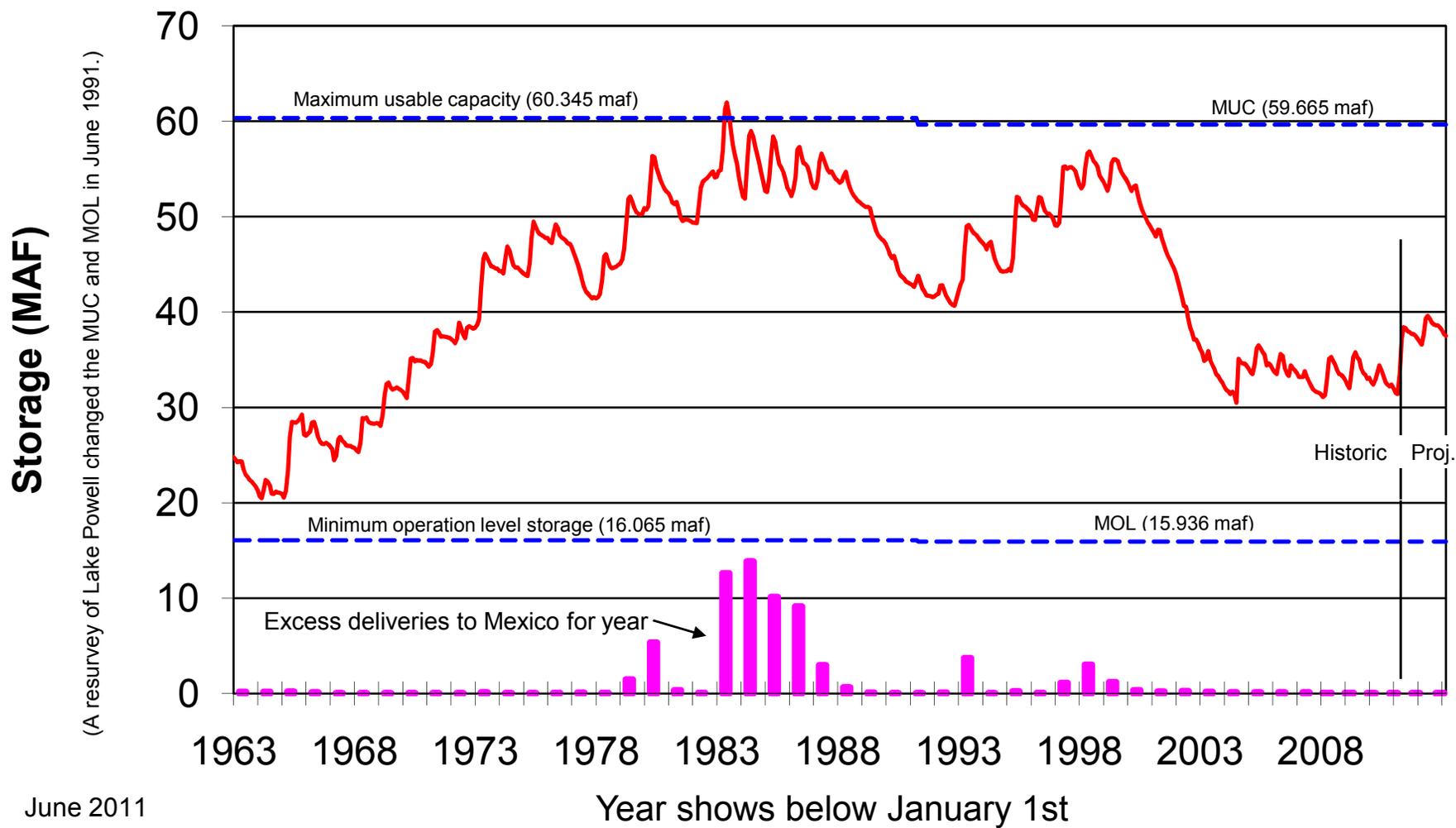
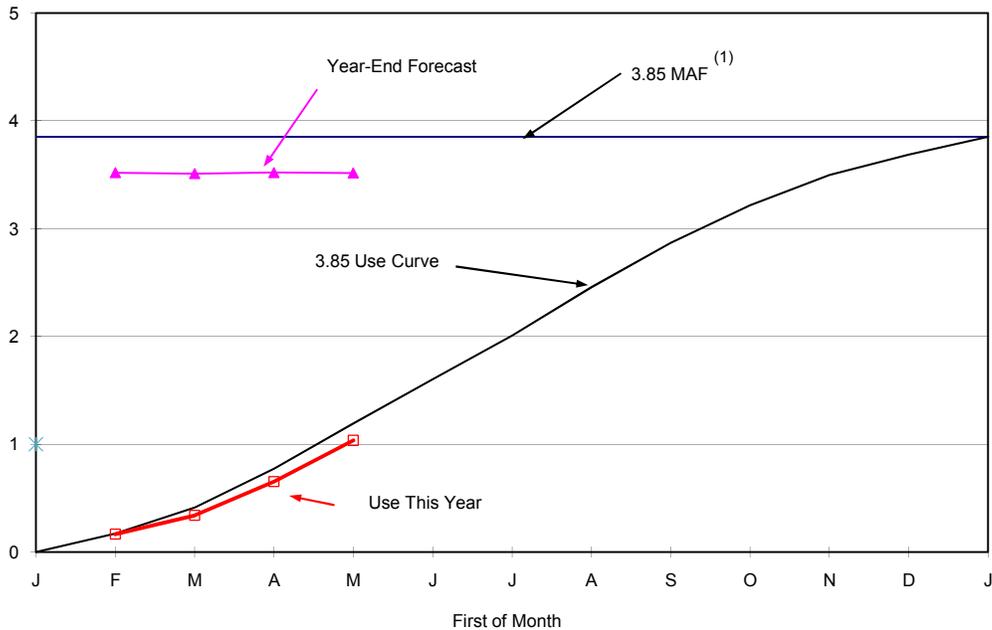


FIGURE 1
JUNE 1, 2011 FORECAST OF 2011 YEAR-END COLORADO RIVER WATER USE
BY THE CALIFORNIA AGRICULTURAL AGENCIES



Forecast of Colorado River Water Use by the California Agricultural Agencies (Millions of Acre-feet)			
Month	Use as of First of Month	Forecast of Year End Use	Forecast of Unused Water (1)
Jan	0.000	-----	-----
Feb	0.167	3.519	0.023
Mar	0.340	3.510	0.032
Apr	0.653	3.520	0.022
May	1.036	3.516	0.027
Jun			
Jul			
Aug			
Sep			
Oct			
Nov			
Dec			
Jan			

(1) The forecast of unused water is based on the availability of 3.542 MAF under the first three priorities of the water delivery contracts. This accounts for the 85,000 af of conserved water available to MWD under the 1988 IID-MWD Conservation agreement and the 1988 IID-MWD-CVWD-PVID Agreement as amended; 80,000 AF of conserved water available to SDCWA under the IID-SDCWA Transfer Agreement as amended being diverted by MWD; as estimated 29,000 AF of conserved water available to SDCWA and MWD as a result of the Coachella Canal Lining Project, 67,700 AF of water available to SDCWA and MWD as a result of the All American Canal Lining Project; 14,500 AF of water IID and CVWD are forbearing to permit the Secretary of the Interior to satisfy a portion of Indian and miscellaneous present perfected rights use and 25,000 AF of water IID is conserving to create Extraordinary Conservation Intentionally Created Surplus. 0 AF has been subtracted for IID's Salton Sea Salinity Management in 2011. As USBR is charging uses by Yuma Island pumpers to priority 2, the amount of unused water has been reduced by those uses - 6,530 AF. The CRB does not concur with USBR's viewpoint on this matter.



June 15, 2011

Attention: Engineering and Operations Committee

Pipeline 3, Gotham Street Urgent Repair (Information)

Purpose

This report informs the Board of the Pipeline 3, Gotham Street, Urgent Repair.

Fiscal Impact

The Replacement/Relining of Prestressed Concrete Cylinder Pipe Capital Improvement Program project will provide funding for this repair. A repair budget in the amount of \$9,000,000 was set aside as part of the above project to fund pipeline repairs. There are sufficient funds available in the project budget and the CIP appropriation to pay for the repair, which is estimated to not exceed \$250,000.

Background

The repair site is located in South San Diego County, on the Second Aqueduct, Pipeline 3, in the Otay Water District service area approximately one mile north of Otay Lakes Road. Pipeline 3 is a 69-inch diameter prestressed concrete cylinder pipeline which provides untreated water to the City of San Diego and Sweetwater Authority. The pipeline was constructed in 1961 and has a designed maximum flow of 140 cfs.

During the Water Authority's Aqueduct Protection Program (APP) Remote Field Eddy Current (RFEC) inspection conducted in 2008, a 20-foot section of prestressed pipe (Mk 688) showed indications of moderate corrosion damage and an extensive number of broken reinforcing wires (135). The Acoustic Fiber Optic (AFO) system was installed after the RFEC inspection in 2008 and has been used to monitor this section of prestressed pipeline. The AFO system has captured an additional 17 wire breaks since its activation in 2008, with a dramatic increase in the number and frequency of breaks occurring in the past eight months, most recently in May. The total number of wire breaks is now 152 and represents 30% of all the wires in this section of pipe, the most of any pipe in our system. This type of pipe gets approximately 90% of its strength from the wires. Therefore, the pipe condition rating has been downgraded from moderate to severe and presents a high probability for a pipeline failure.

Based on the combination of the RFEC inspection, AFO monitoring and staff analysis of the potential for failure, Water Authority staff has scheduled a shutdown on Monday, June 27, 2011, to conduct the urgent repair. The impacted member agencies have been contacted and have indicated that they can remain off the aqueduct during the required repair period.

Previous Board Action: None.

Discussion

Due to the urgent nature of the work, favorable site and pipeline access location, and the tight schedule, the repair technique of choice is carbon fiber lining. Carbon fiber contractors with previous pipeline repair experience have been notified and will be conducting a site visit and meeting with staff to develop and submit a proposal for the repair work. Once the proposals have been reviewed and approved by staff, the contract will be awarded in accordance with Section 4.08.030(d) "Authority to Contract" of the Administrative Code, which authorizes the General Manager to execute repair contracts to correct damaged pipelines and maintain system reliability.

The contractor is expected to begin work on Tuesday, July 5, 2011. The contractor's work will include the interior cleaning of the pipeline, installation of the carbon fiber, curing of the fiber, and installation of a potable water compatible coating. All work is to be completed and the pipeline filled and placed back into service by 8:00 a.m. on Thursday, July 14, 2011.

Prepared by: Gary A. Eaton, Director of Operations and Maintenance

Reviewed by: Frank Belock, Deputy General Manager 

GAE/GE:sif

Attachment

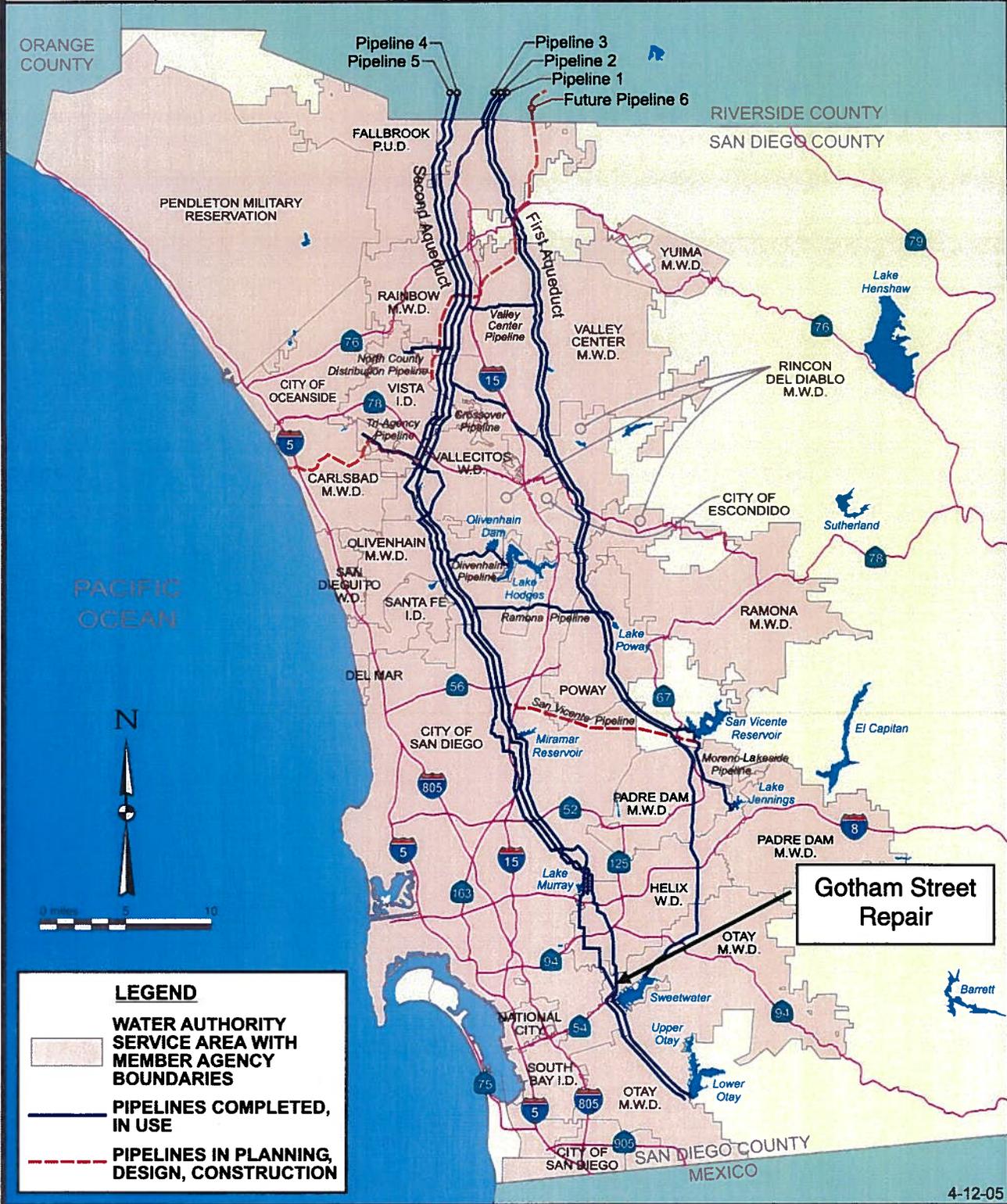
1. Figure 1 – Gotham Street Urgent Repair Location Map



San Diego County
Water Authority

SAN DIEGO COUNTY WATER AUTHORITY

MEMBER AGENCY MAP WITH DISTRICT BOUNDARIES AND CURRENT AQUEDUCT SYSTEM





Date: June 21, 2011
To: San Diego County Water Authority Board Members
From: Ken Carpi and Jonathan Clay
Legislative Representatives
Subject: Legislative Update

Sacramento

Budget □ Well, never a dull moment in Sacramento. The legislature passed a majority vote budget proposal on June 15, the constitutional deadline for a budget by the legislature. This is the first time in 23 years that this has happened, and the first time in my memory that it was done so quickly, during daylight hours, with all the respective bill language available prior to the vote. Not more than 16 hours after the completion by the legislature of the budget vote, Governor Brown vetoed the budget bills (not the trailer bills). This is the first time that a Governor has vetoed a budget bill. The fate of the trailer bills remains to be seen - the Governor has said that he will weigh each bill on its merits. That said, the Legislature has not sent the trailer bills to the Governor yet, and it is unclear whether they can or not since the budget bill has been vetoed already. Couple this information with the fact that State Controller John Chiang has determined that the budget proposal sent to the Governor was not balanced, thus under the provisions of Proposition 25, the legislators will not get paid until a balanced budget is sent to the Governor.

Sponsor bills - SB 759, our sponsor measure dealing with HOAs and artificial turf, has passed the Assembly Housing and Community Development Committee (6-0) and is now on the Assembly Floor awaiting its final vote prior to being considered by the Governor.

Washington, DC

FY 2012 Title XVI Water Reclamation Funding □ Last week the House Appropriations Committee took action on Title XVI Water Reclamation Funding for FY 2012. Included in the Energy and Water Development Appropriations Subcommittee markup was \$2.5 million for the San Diego Area Water Reclamation Program. This is in addition to the \$4.96 million that the Bureau of Reclamation recently approved for FY 2011 for the project.

The San Diego region continues to receive the highest amount of water reclamation funding of any region in the country.

Hoover Power Allocation Bill Moves Forward □ Last week H.R. 470, the Hoover Power Allocation Act of 2011, passed out of the House Committee on Natural Resources. The legislation is designed to allocate and expand the availability of hydroelectric power generated at Hoover Dam.

The existing Hoover power contracts are due to expire in 2017. H.R. 470 would authorize the distribution of electricity from Hoover Dam for the next 50 years, and create a new resource pool to make Hoover power available to Indian tribes and other customers who could not access this power in the past. Entities receiving power in Schedules A and B still would continue to receive Hoover power. In addition, each of the existing Hoover contractors would contribute 5% of their power to a pool that would be distributed under a new Schedule D. Schedule D power would be set aside for federally-recognized Indian Tribes, irrigation districts, rural electric cooperatives, military installations and other eligible entities.

Debt Limit Negotiations Enter Critical Week – Negotiators are approaching a crucial juncture this week that could determine how much deficit reduction is politically viable this summer – and how Congress will deal with the government’s imminent borrowing needs.

Vice President Biden will meet with the six negotiators from the Hill on Tuesday, the first of what could be four sit-down events this week. The group is looking at a July 1 deadline for a tentative deal, given that Treasury Secretary Geithner says he can avoid a government default only until August 2.

With the House out of town next week and the Senate gone the week of July Fourth, lawmakers may be forced to start making decisions about what can or cannot be included. Most believe it could take four weeks for Congress to process any deal through Congress.

Republicans are demanding that any increase in the \$14.3 trillion debt limit be paired with equally large, or larger, spending cuts — a demand the White House has not publicly accepted.

Senate Minority Leader Mitch McConnell, R-Ky., said that if the White House refuses to agree to changes in entitlement programs, Congress could resort to a short-term debt limit increase — thereby forcing a high-stakes debt showdown this autumn. But House GOP leaders have said that they want a long-term debt deal, not a short-term fix.

Satisfying the government’s borrowing needs through 2012, which is the goal many top lawmakers would like to meet, would require at least a \$2.4 trillion increase to the debt limit.