



Proposed Staff Recommendation Consent Calendar for March 22, 2012

WATER PLANNING COMMITTEE

- 9- 1. Amendments to professional services contracts for the 2012 Regional Water Facilities Optimization and Master Plan Update.

Approve an amendment to the professional services contract with CH2M Hill to provide additional planning services for preparation of the 2012 Regional Water Facilities Optimization and Master Plan Update for a not-to-exceed amount of \$266,900. Approve an amendment to the professional services contract with HCG, LLC to provide additional environmental planning services for the preparation of the Program Environmental Impact Report for the 2012 Regional Water Facilities Optimization and Master Plan Update for a not-to-exceed amount of \$45,000. Increase the current Capital Improvement Program 2-year appropriation and life budget for the 2012 Regional Water Facilities Optimization and Master Plan Update by \$410,000.

ENGINEERING AND OPERATIONS COMMITTEE

- 9- 2. Agreement for the Operations and Maintenance of the Lake Hodges Pumped Storage Projects.

Authorize the General Manager to award a contract to ProTrans USA, LLC, a wholly owned subsidiary of SNC-Lavalin for operations and maintenance of the Lake Hodges Pumped Storage Projects, for an amount not-to-exceed \$8,035,340 for 62 months with the option to renew for an additional 24 months.

ADMINISTRATIVE AND FINANCE COMMITTEE

- 9- 3. Treasurer's report.
Note and file the monthly Treasurer's report.

LEGISLATIVE, CONSERVATION AND OUTREACH COMMITTEE

- 9- 4. Adopt positions on various state bills:
1. Co-sponsor and adopt a position of Support on AB 2398 (Hueso)
 2. Adopt a position of Support on AB 2595 (Hall)
 3. Adopt a position of Support on SB 250 (Rubio)
 4. Adopt a position of Support on SB 1169 (Kehoe)
- 9- 5. Small Contractor Outreach and Opportunities Program Committee recommended modifications related to goals for fiscal years 2012 and 2013.
Establish a 25 percent SCOOP goal for fiscal years 2012 and 2013. Develop a sheltered market procurement program for small businesses on procurements greater than \$10,000 and up to \$150,000. Evaluate surety bonding requirements on a case-by-case basis based on risk exposure. Contact member agencies to solicit interest in a clearinghouse system.



March 22, 2012

Attention: Imported Water Committee

Metropolitan Water District Delegates' Report (Information)

Background

The MWD committees and board met on March 12 and 13. The next regular MWD board and committee meetings are scheduled for April 9 and 10.

Discussion

This section summarizes discussions held and key decisions made at the March MWD committee and board meetings, as reported by the MWD delegates. The Water Authority delegation supported 20 of 27 action items approved by the MWD Board. The Water Authority delegates were successful in advocating and keeping MWD's action on rates and budgets in April, but their motion to hold another budget workshop to look for ways to reduce expenditures and reduce recommended rate increases failed. The delegates did not support six Local Resources Program agreements because, among other things, there is no demonstrated need for these programs, MWD's current rate structure misallocates the costs of these subsidies for supplies to MWD's transportation rate categories, and because the Water Authority does not support paying MWD for local water supply projects when it is prohibited by MWD from receiving benefits from those payments. The Water Authority delegates abstained on an item, which increased the maximum amount paid to Bingham McCutchen for legal services pertaining to the rate litigation. The contract's new not to exceed amount is \$4 million, an increase of \$2.6 million from the previous approval.

Attachment 1 is a copy of the March committee and board meeting agendas and MWD's summary of actions.

Communications and Legislation Committee

The board voted to "watch" H.R. 1837 (Nunes, R-CA) – the Sacramento-San Joaquin Valley Water Reliability Act. In the committee meeting, Directors Record (Eastern) and Barbre (Municipal Water District of Orange County) stated that it was not in MWD's best interest to take sides on this bill and recommended that the committee take a "watch" position rather than taking an "oppose" position. However, the committee voted to take a position to "oppose" the bill, but the board changed it to a "watch" position. The committee and board also voted to express opposition to AB 1686 (Jeffries, R-Riverside) – Waterways: Lake Mathews. The committee also heard reports on legislative activities from Sacramento and Washington, D.C. MWD's State Legislative Representative Kathy Cole reported that the Legislature will recess for spring-break beginning March 29; April 27 is the Policy Committee deadline for fiscal bills, while non-fiscal bills must clear policy committees by May 11.

Engineering and Operations Committee

The committee and board approved an item that appropriated \$5.43 million and awarded a \$3.67 million procurement contract for a turbine generator at the Yorba Linda Power Plant, one of five treatment plants in MWD's system. The committee heard an update on current water system

operations. Staff said that the State Water Project blend at Weymouth is 50 percent and Diemer is 35 percent. The Skinner plant is at 70 percent because it is taking SWP water directly from Diamond Valley Lake due to the Colorado River Aqueduct shutdown. Staff added that the March demand is trending about 45 taf higher than March 2011.

Finance and Insurance Committee

The committee held a public hearing on MWD's proposed rates and charges effective January 1, 2013 and January 1, 2014. More than 40 speakers were heard, including 26 people representing 28 agencies from the Water Authority's service area who expressed concerns with the proposed rate increase, and asked the board to consider further reduction in expenses and take actions on the rates and charges in April rather than March. Several representatives from member agencies and cities within the Water Authority's service area also provided their respective governing bodies' resolutions supporting the Water Authority's lawsuit against MWD. Water Authority's Chair Michael Hogan addressed the committee and pointed out that major decisions at MWD have not been determined in an open and deliberative process, but outside the public's view, and then rubber-stamped by a majority of MWD's Board of Directors. Water Authority's Assistant General Manager Dennis Cushman provided testimony regarding MWD's illegal rate structure and submitted documents obtained under the California Public Records Act demonstrating how MWD and a majority of its member agencies worked together behind closed doors to set rates, develop policies and discriminate against San Diego County water ratepayers.

Following the public comments at the Committee meeting, Director Lewinger said it was irresponsible of the committee to adopt the rates without providing an opportunity to review the information presented, as a result he made a motion to not adopt rates until April. Director Wilson seconded the motion, and added that MWD should work to "right-size" its organization, including its staffing levels, to match its revenues. As a result of an inquiry by Barbre, Chief Financial Officer Gary Breaux stated that MWD staff has not provided presentations in San Diego because it was not requested to do so; he also responded to a follow-up question and said San Diego pays the same rates as other member agencies. Director DeJesus (Three Valleys) expressed support to adhere to the administrative code and consider the budget and rates and charges in April (a month after the public hearing). Director Little (West Basin) requested that MWD staff take the opportunity to respond to the Water Authority's inquiry. Little also commented that the Water Authority did not pay an annexation fee when it joined MWD's service area and asked how much the Water Authority "marks-up" its cost before it sells the water to its member agencies. General Manager Jeff Kightlinger responded by saying that the Water Authority had significant savings as a result of not paying the annexation fee, which was waived by MWD. Subsequently, during the public comment portion of the board meeting, Water Authority General Counsel Dan Hentschke described and submitted a letter on the terms and conditions of the Water Authority's annexation requirements (See Attachment 2). Hentschke stated, among other things, that the Water Authority indeed paid its proportional share of the back taxes as was required by MWD as part of annexation requirements, in addition, the city of San Diego also assigned its fifth priority Colorado River Water rights to MWD, and MWD and the Water Authority agreed to equally share in the cost of the San Diego aqueduct. Kightlinger said, as requested by Little, that staff will provide its written report in April.

Lewinger's motion to have the MWD board consider budget and rates in April narrowly passed the committee; the board subsequently approved the committee's recommendation to follow its

own Administrative Code and vote to adopt its next two-year budget and rate increases in April. Following the Board's decision to keep the budget and rate adoption in April, Lewinger made a motion requesting that staff hold a board workshop before the April rate consideration and return with budget reductions that lower the proposed water rate increases. That motion failed.

The committee also authorized entering into a five-year contract with Richardson and Company, the single respondent to the RFP, to conduct an audit of MWD's state water project charges. Barbre asked how closely this auditor worked with KPMG, in light of previous differing opinion on how to attribute SWP costs. MWD's General Auditor said that Richardson and Company has no material effect on the KPMG audit.

Legal and Claims Committee

In closed session, the committee discussed several issues, including litigation with the Water Authority. The committee and board approved two items; the first provided legal and environmental expert services for MWD in *Orange County v. Northrop Corporation*. The second item authorized an increase to a new not to exceed amount of \$4,000,000 to represent MWD in *San Diego County Water Authority v. MWD, et al.* The San Diego delegation abstained on the latter item when it was approved by the board.

Water Planning and Stewardship Committee

The committee and board approved six local resources program (LRP), which the Water Authority delegation did not support. Committee Chair DeJesus noted that the reasons for the delegation's opposition to the LRP items were expressed in a letter (See Attachment 3). Lewinger asked staff when MWD planned to return to the board with its study on its future demand projections. Staff said July, a response prompting Lewinger to request that the committee not approve the LRP items until need for the demand is further documented. Despite Lewinger's concerns, the committee approved the items.

The committee also received reports on the Bay-Delta Initiatives and Colorado River matters. Staff reported that the complete public draft Bay Delta Conservation Plan and the associated draft Environmental Impact Statement were released for public review.

Board Meeting

The board approved three real property and asset management items, including the purchase of 2,175 acres in Riverside and Imperial Counties, which is in the Palo Verde Irrigation District service area. Jeff Cable was designated as the Interim Ethics Officer. The board also appointed Marcia Scully as General Counsel.

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

- Attachment 1: MWD's March board meeting agendas and Summary of Actions
- Attachment 2: Letter on Annexation, March 13, 2012
- Attachment 3: Letter on Local Resources Program, March 12, 2012



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

MWD MEETING AGENDA

Regular Board Meeting

March 13, 2012

12:00 p.m. -- Board Room

Tuesday, March 13, 2012 Meeting Schedule		
7:00-8:00 a.m.	Rm. 2-413	Dirs. Computer Training
8:30 a.m.	Rm. 2-145	L&C
10:00 a.m.	Rm. 2-456	C&L
12:00 p.m.	Board Room	Board Meeting

MWD Headquarters Building

• 700 N. Alameda Street

• Los Angeles, CA 90012

1. Call to Order

- (a) Invocation: (Guest)
- (b) Pledge of Allegiance: Director Kristine Murray

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 § 54954.3(a))

5. OTHER MATTERS

- A. Approval of the Minutes of the Meeting for February 14, 2012. (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 February
- C. Presentation of 10-year service pin to Vice Chairman David De Jesus, representing Three Valleys Municipal Water District

- D. Approve 30-day leave of absence for Director Thomas Evans, commencing March 28, 2012
- E. Approve committee assignments
- F. Chairman's Monthly Activity Report

6. DEPARTMENT HEADS' REPORTS

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

7. CONSENT CALENDAR ITEMS — ACTION

- 7-1** Authorize easements over various Metropolitan properties in the counties of Riverside and San Bernardino, pending project approvals. (RP&AM)

Recommendation:

Option #1:

Adopt the CEQA determination and authorize the General Manager to grant easements to the California Department of Water Resources, City of Riverside, City of Temecula, and City of Upland.

- 7-2** Authorize long-term leases on Metropolitan properties in the counties of Orange and Riverside, pending project approvals. (RP&AM)

Recommendation:

Option #1:

Adopt the CEQA determinations and authorize the General Manager to enter into lease agreements with New Cingular and Rados Properties.

- 7-3** Adopt final resolutions for annexation and to impose water standby charge for Annexation No. 96 to Calleguas Municipal Water District and to Metropolitan. (F&I)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Adopt resolution granting Calleguas' request for approval of Annexation No. 96 concurrently to Calleguas and Metropolitan, determine that Metropolitan's interests will not be adversely affected by the existence of a small window, and establishing Metropolitan's terms and conditions for the annexation; conditioned upon approval by Ventura Local Agency Formation Commission, and upon receipt of annexation fee of \$25,308.40; and**
- b. Adopt resolution to impose water standby charge at a rate of \$9.58 per acre, or per parcel of less than one acre, within the proposed annexation area.**

- 7-4** Authorize entering into a Local Resources Program agreement with Los Angeles Department of Water and Power for the North Atwater and Chevy Chase Park Water Recycling Project and the Los Feliz Golf Course Water Recycling Project. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination and authorize the General Manager to enter into a Local Resources Program agreement for the North Atwater and Chevy Chase Park Water Recycling Project and the Los Feliz Golf Course Water Recycling Project with Los Angeles Department of Water and Power for up to 50 acre-feet per year of recycled water under terms included in the board letter.

- 7-5** Appropriate \$1.7 million; and authorize design of four hydroelectric plant rehabilitation projects (Approp. 15458). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Appropriate \$1.7 million;**
- b. Authorize final design to rehabilitate the Foothill and Sepulveda Canyon Hydroelectric Plants; and**
- c. Authorize preliminary design to rehabilitate the San Dimas and Venice Hydroelectric Plants.**

- 7-6** Appropriate \$930,000; and authorize (1) final design and procurement for seismic retrofit of the Upper Feeder's Santa Ana River Bridge; and (2) amendment to an agreement with IDS Group (Approp. 15441). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Appropriate \$930,000;**
- b. Authorize final design and procurement for seismic retrofit of the Upper Feeder's Santa Ana River Bridge; and**
- c. Authorize increase of \$150,000 to the existing agreement with IDS Group, for a new not-to-exceed total of \$300,000.**

- 7-7** Appropriate \$340,000; and authorize (1) final design for repair of the San Jacinto East Adit on the Colorado River Aqueduct; and (2) amendment to an agreement with Jacobs Associates (Approp. 15373). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Appropriate 340,000;**
- b. Authorize final design for repair of the San Jacinto Tunnel East Adit; and**
- c. Authorize increase of \$215,000 to the existing agreement with Jacobs Associates, for a new not-to-exceed total of \$365,000.**

- 7-8** Appropriate \$170,000; and authorize preliminary design for canal improvements on the Colorado River Aqueduct (Approp. 15438). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Appropriate \$170,000; and**
- b. Authorize preliminary design of canal improvements for the Colorado River Aqueduct.**

- 7-9** Appropriate \$1.74 million; award \$519,825 contract to Cascade Pump Company for procurement of backwash return pumps and authorize (1) rehabilitation of the drive shaft assemblies for the washwater reclamation plant; and (2) final design of dry polymer system upgrades at the F. E. Weymouth Water Treatment Plant (Approps. 15369 and 15440). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determinations and

- a. Appropriate \$1.74 million;**
- b. Award \$519,825 procurement contract to Cascade Pump Company for backwash return pumps;**
- c. Authorize Metropolitan force construction to rehabilitate drive shaft assemblies at the Weymouth washwater reclamation plant; and**
- d. Authorize final design of the Weymouth Dry Polymer System Upgrade project.**

- 7-10** Appropriate \$650,000; and authorize final design and procurement of a standby generator for Iron Mountain Pumping Plant (Approp. 15438). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Appropriate \$650,000; and**
- b. Authorize final design and procurement of a standby generator for Iron Mountain Pumping Plant.**

- 7-11** Appropriate \$460,000; and authorize two rehabilitation projects at the F. E. Weymouth Water Treatment Plant (Approp. 15369). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. Appropriate \$460,000;**
- b. Authorize preliminary design to replace filter valves in Weymouth Filter Building No. 1; and**
- c. Authorize preliminary design to complete the rehabilitation of the Weymouth plant's drop gates.**

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

- 8-1** Affirm the General Manager's surplus determination and authorize the General Manager to accept offers for the Sunset Parking Structure. (RP&AM)
[Conference with real property negotiators; Metropolitan's Parcel No. 1500-4-1A, -1B, -3, -5, -7A, -7B, -9, -11, -13A, -13B, -15A, -15B, -17A, -17B, -19, -21, -23, and -25, Los Angeles County Assessor Parcel No. 5406-030-904; agency negotiators: Gilbert Ivey, Ralph Hicks, and John Clairday; negotiating parties: Holy Hill Community Church; under negotiation: price and terms of payment; to be heard in closed session pursuant to Gov. Code 54956.8]
- 8-2** Affirm the General Manager's determination that two parcels acquired for the construction of the Inland Feeder, Metropolitan Water District of Southern California Parcel Nos. INFED 1-24-150 (APN 0299-111-02) and INFED 1-10-100 (APN 422-040-009) are surplus to Metropolitan's needs: 10 acres in Redlands, California (San Bernardino County) and 114 acres in Moreno Valley, California (Riverside County), respectively. (RP&AM)

Recommendation:

Option #1:

Adopt the CEQA determination and

- a. **Affirm the General Manager's determination that the subject property comprised of 10 acres in Redlands, California, and the 114 acres in Moreno Valley, California, are surplus and carry out disposition of the properties in their current conditions; and**
- b. **Market the properties for sale on the open market for their fair market value between \$3,760,000 to \$4,760,000, in a form approved by the General Counsel.**

- 8-3 Authorize the purchase of approximately 2,175 acres in Riverside and Imperial Counties. (RP&AM)
[Conference with real property negotiators; Riverside County Assessor Parcel Nos. 878-250-010, 878-240-023, Imperial County Assessor Parcel Nos. 006-090-022-000, 006-090-030-000, 006-090-032-000, 006-100-002-000, 006-100-001-000, 006-100-006-000, 006-100-012-000, 006-100-014-000, 006-100-017-000, 006-100-019-000; agency negotiators: Gilbert Ivey, Ralph Hicks, and John Clairday; negotiating parties: Gabrych Family Trust; under negotiation: price and terms of payment; to be heard in closed session pursuant to Gov. Code Section 54956.8]
- 8-4A Approve proposed biennial budget for fiscal years 2012/13 and 2013/14. (F&I) **(To be mailed separately)**
- 8-4B Adopt recommended water rates and charges, and resolutions to impose water rates and charges, for 2013 and 2014. (F&I) **(To be mailed separately)**
- 8-5** Authorize execution of professional services agreement with Richardson and Company in the amount of \$3.9 million for State Water Project Statement of Charges audit. (F&I)

Recommendation:

Option #1:

Adopt the CEQA determination and authorize the General Manager to enter into a five-year contract with Richardson and Company for the required State Water Project related audit services commencing March 2012, and for a maximum amount payable of \$3.9 million.

- 8-6** Authorize entering into a Local Resources Program agreement with Los Angeles Department of Water and Power for the Harbor Industrial Recycled Water Project. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination and authorize the General Manager to enter into a Local Resources Program agreement for the Harbor Industrial Recycled Water Project with Los Angeles Department of Water and Power for up to 9,300 acre-feet per year or recycled water under the terms included in the board letter.

- 8-7** Authorize entering into a Local Resources Program agreement with Los Angeles Department of Water and Power for the Hansen Dam Golf Course Water Recycling Project. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination and authorize the General Manager to enter into a Local Resources Program agreement for the Hansen Dam Golf Course Water Recycling Project with Los Angeles Department of Water and Power for up to 500 acre-feet per year of recycled water under terms included in the board letter.

- 8-8** Authorize entering into a Local Resources Program agreement with Los Angeles Department of Water and Power for the Griffith Park South Water Recycling Project. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination and authorize the General Manager to enter into a Local Resources Program agreement for the Griffith Park South Water Recycling Project with Los Angeles Department of Water and Power for up to 450 acre-feet per year of recycled water under terms included in the board letter.

- 8-9** Authorize entering into a Local Resources Program agreement with Eastern Municipal Water District for EMWD's Recycled Water System Expansion Project. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination and authorize the General Manager to enter into a Local Resources Program agreement for EMWD's Recycled Water System Expansion Project with Eastern Municipal Water District for up to 5,000 acre-feet per year of recycled water under terms included in the board letter.

- 8-10** Authorize entering into a Local Resources Program agreement with West Basin Municipal Water District for the West Basin Water Recycling Program Phase V Project. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination and authorize the General Manager to enter into a Local Resources program agreement for the West Basin Water Recycling Program Phase V Project with West Basin Municipal Water District for up to 8,000 acre-feet per year or recycled water under the terms included in the board letter.

- 8-11** Appropriate \$5.43 million; and award \$3.67 million procurement contract to James Leffel & Co. for the Yorba Linda Power Plant Turbine-Generator (Approp. 15446). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and
a. Appropriate \$5.43 million; and
b. Award \$3.67 million procurement contract to James Leffel & Company for a turbine-generator at the Yorba Linda Power Plant.

- 8-12** Report on *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.*, San Francisco County Superior Court Case No. CPF-10-510830; and authorize an increase in the maximum amount payable under contract with Bingham McCutchen for legal services by \$2,600,000 to an amount not to exceed \$4,000,000. (L&C)
[Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(a)]

- 8-13 Reporting on existing litigation; and authorize an increase in (1) maximum amount payable under contract with Manatt, Phelps & Phillips, LLP for legal services by \$2 million to an amount not to exceed \$4,090,000; (2) maximum amount payable to Meyers, Nave, Riback, Silver & Wilson, PC by \$1.5 million to an amount not to exceed \$2.3 million; (3) maximum amount payable under contract with Shaw Environmental for expert services by \$300,000 to an amount not to exceed \$700,000; and (4) maximum amount payable under contract with Jacimaria R. Batista, Ph.D., P.E. by \$200,000 to an amount not to exceed \$300,000 for representation of Metropolitan in *Orange County Water District v. Northrop Corporation*, Orange County Superior Court Case No. 04CC00715. (L&C) [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(a)]
(To be mailed separately)
- 8-14 Express opposition to H.R. 1837 (Nunes, R-CA) – the Sacramento-San Joaquin Valley Water Reliability Act, unless amended. (C&L) **(To be mailed separately)**
- 8-15 Express opposition to AB 1686 (Jeffries, R-Riverside) – Waterways: Lake Mathews. (C&L) **(To be mailed separately)**

9. BOARD INFORMATION ITEMS

None

10. FUTURE AGENDA ITEMS

11. OTHER MATTERS

- 11-1 Designation of Interim Ethics Officer
[Public employee appointment—Interim Ethics Officer; to be heard in closed session pursuant to Gov. Code Section 54957]

- 11-2 Consideration of candidates for the position of General Counsel
[Public employee appointment—General Counsel; to be heard in closed session pursuant to Gov. Code Section 54957]

12. ADJOURNMENT

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

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

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

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

**Summary Report for
The Metropolitan Water District of Southern California
Board Meeting
March 13, 2012**

COMMITTEE ASSIGNMENTS

Dissolved Hoover Contract Subcommittee as the subcommittee's work was completed with the enactment of H.R. 407 (Heck) the Hoover Power Allocation Act of 2011. **(Agenda Item 5E)**

REAL PROPERTY AND ASSET MANAGEMENT COMMITTEE

Affirmed the General Manager's surplus determination and authorized the General Manager to accept offers for the Sunset Parking Structure. **(Agenda Item 8-1)**

Affirmed the General Manager's determination that the subject property comprised of 10 acres in Redlands, California, and the 114 acres in Moreno Valley, California, are surplus and carry out disposition of the properties in their current conditions. **(Agenda Item 8-2)**

Authorized the General Manager to purchase approximately 2,175 acres in Riverside and Imperial Counties. **(Agenda Item 8-3)**

FINANCE AND INSURANCE COMMITTEE

Action on Agenda Items 8-4A and 8-4B, regarding the FY 2012/13 and FY 2013/14 proposed budget and rate increases, was deferred to the April 9 Finance and Insurance Committee meeting and the April 10 Board of Directors meeting. **(Agenda Item 8-4A & 8-4B)**

Authorized the General Manager to enter into a five-year contract with Richardson and Company for State Water Project-related audit services commencing March 2012, and for a maximum amount payable of \$3.9 million. **(Agenda Item 8-5)**

WATER PLANNING AND STEWARDSHIP COMMITTEE

Authorized the General Manager to enter into a Local Resources Program agreement for the Harbor Industrial Recycled Water Project with Los Angeles Department of Water and Power for up to 9,300 acre-feet per year of recycled water under the terms included in the letter. **(Agenda Item 8-6)**

Authorized the General Manager to enter into a Local Resources Program agreement for the Hansen Dam Golf Course Water Recycling Project with Los Angeles Department of Water and Power for up to 500 acre-feet per year of recycled water under the terms included in the letter.
(Agenda Item 8-7)

Authorized the General Manager to enter into a Local Resources Program agreement for the Griffith Park South Water Recycling Project with Los Angeles Department of Water and Power for up to 450 acre-feet per year of recycled water under the terms included in the letter.
(Agenda Item 8-8)

Authorized the General Manager to enter into a Local Resources Program agreement for EMWD's Recycled Water System Expansion Project with Eastern Municipal Water District for up to 5,000 acre-feet per year of recycled water under the terms included in the letter.
(Agenda Item 8-9)

Authorized the General Manager to enter into a Local Resources program agreement for the West Basin Water Recycling Program Phase V Project with West Basin Municipal Water District for up to 8,000 acre-feet per year of recycled water under the terms included in the letter.
(Agenda Item 8-10)

ENGINEERING AND OPERATIONS COMMITTEE

Appropriated \$5.43 million; and awarded \$3.67 million procurement contract to James Leffel & Company for a turbine generator at the Yorba Linda Power Plant. **(Agenda Item 8-11)**

LEGAL AND CLAIMS COMMITTEE

Authorized an increase in the maximum amount payable under contract with Bingham McCutchen for legal services by \$2,600,000 to an amount not to exceed \$4,000,000 for representation in *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.*, San Francisco County Superior Court Case No. CPF-10-510830.
(Agenda Item 8-12)

Authorized an increase in (1) maximum amount payable under contract with Manatt, Phelps & Phillips, LLP for legal services by \$2 million to an amount not to exceed \$4,090,000; (2) maximum amount payable to Meyers, Nave, Riback, Silver & Wilson, PC by \$1.5 million to an amount not to exceed \$2.3 million; (3) maximum amount payable under contract with Shaw Environmental for expert services by \$300,000 to an amount not to exceed \$700,000; and (4) maximum amount payable under contract with Jacimaria R. Batista, Ph.D., P.E. by \$200,000 to an amount not to exceed \$300,000, for representation of Metropolitan in *Orange County Water District v. Northrop Corporation*, Orange County Superior Court Case No. 04CC00715.
(Agenda Item 8-13)

COMMUNICATIONS AND LEGISLATION COMMITTEE

The Board voted to “watch” H.R. 1837 (Nunes, R-CA) – the Sacramento-San Joaquin Valley Water Reliability Act. **(Agenda Item 8-14)**

The Board voted to express opposition to AB 1686 (Jeffries, R-Riverside) – Waterways: Lake Mathews. **(Agenda Item 8-15)**

OTHER MATTERS

The Board:

Designated Jeff Cable as the Interim Ethics Officer. **(Agenda Item 11-1)**

Appointed Marcia Scully as General Counsel. **(Agenda Item 11-2)**

CONSENT CALENDAR

In other action, the Board:

Authorized the General Manager to grant easements to the California Department of Water Resources, City of Riverside, City of Temecula and City of Upland. **(Agenda Item 7-1)**

Authorized the General Manager to enter into lease agreements with New Cingular and Rados Properties. **(Agenda Item 7-2)**

Adopted resolution granting Calleguas’ request for approval of Annexation No. 96 concurrently to Calleguas and Metropolitan, and establishing Metropolitan’s terms and conditions for the annexation; conditioned upon approval by Ventura Local Agency Formation Commission, and upon receipt of annexation fee of \$25,308.40; and adopted resolution to impose water standby charge at a rate of \$9.58 per acre, or per parcel of less than one acre, within the proposed annexation area. **(Agenda Item 7-3)**

Authorized the General Manager to enter into a Local Resources Program agreement for the North Atwater and Chevy Chase Park Water Recycling Project and the Los Feliz Golf Course Water Recycling Project with Los Angeles Department of Water and Power for up to 50 acre-feet per year of recycled water under the terms included in the letter. **(Agenda Item 7-4)**

Appropriated \$1.7 million; authorized final design to rehabilitate the Foothill and Sepulveda Canyon Hydroelectric Plants; and authorized preliminary design to rehabilitate the San Dimas and Venice Hydroelectric Plants. **(Agenda Item 7-5)**

Appropriated \$930,000; authorized final design and procurement for seismic retrofit of the Upper Feeder's Santa Ana River Bridge; and authorized increase of \$150,000 to the existing agreement with IDS Group, for a new not-to-exceed total of \$300,000. **(Agenda Item 7-6)**

Appropriated \$340,000; authorized final design for repair of the San Jacinto Tunnel East Adit; and authorized increase of \$215,000 to the existing agreement with Jacobs Associates, for a new not-to exceed total of \$365,000. **(Agenda Item 7-7)**

Appropriated \$170,000; and authorized preliminary design of canal improvements for the Colorado River Aqueduct. **(Agenda Item 7-8)**

Appropriated \$1.74 million; awarded \$519,825 procurement contract to Cascade Pump Company for backwash return pumps; authorized Metropolitan force construction to rehabilitate drive shaft assemblies at the Weymouth washwater reclamation plant; and authorized final design of the Weymouth Dry Polymer System Upgrade project. **(Agenda Item 7-9)**

Appropriated \$650,000; and authorized final design and procurement of a standby generator for Iron Mountain Pumping Plant. **(Agenda Item 7-10)**

Appropriated \$460,000; authorized preliminary design to replace filter valves in Weymouth Filter Building No. 1; and authorized preliminary design to complete the rehabilitation of the Weymouth plant's drop gates. **(Agenda Item 7-11)**

OTHER ACTION

In other action, the Board:

Presented a 10-year pin to Vice Chairman David De Jesus, representing Three Valleys Municipal Water District. **(Agenda Item 5C)**

Approved 30-day leave of absence for Director Thomas Evans. **(Agenda Item 5D)** The Board also approved adding to the agenda on an emergency basis Director Laura Friedman's request for a 30-day leave of absence and approved the request.

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

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

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



San Diego County Water Authority

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

March 13, 2012

John V. Foley, Chairman
and Members of the Board
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

Re: San Diego County Water Authority's Annexation

Chairman Foley and Members of the Board:

At yesterday's Finance and Insurance Committee meeting, a question was asked about annexation fees paid by the Water Authority, and was answered with the suggestion by staff that the Water Authority did not pay its "fair share" of Metropolitan costs when it annexed. There is no basis for this suggestion. Here are the facts.

The terms and conditions of the Water Authority's annexation to Metropolitan were set by resolution of the Metropolitan board of directors (Resolution no. 3216). The terms of annexation as required by MWD and accepted by the Water Authority were as follows:

1. The Water Authority was required to pay a special tax of \$13.045 million to MWD. That figure was determined by the amount of taxes attributable to the Water Authority and payable to MWD as if the Water Authority had been a member from the date of MWD's incorporation, including interest at the rate of 4% from the date the taxes would have accrued. The special tax also included \$300,000, which was the estimated value of lost power generation at Parker Dam due to the change in point of diversion of San Diego's Colorado River contract water from Imperial Dam to Lake Havasu. As required by MWD's resolution, the Water Authority paid the \$13.045 million in equal annual installments over 30 years, with no additional interest during those 30 years. In addition to payment of this special tax, after annexation the Water Authority territory was subject to the same future MWD taxes just as any other member agency.
2. The City of San Diego was required to assign to Metropolitan its fifth-priority Colorado River water right of 112,000 acre-feet per year. MWD provided no compensation for the water right and required that the San Diego water be

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

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

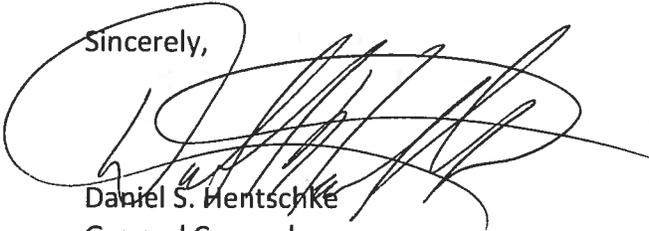
considered a MWD water supply in determining the Water Authority's Preferential Right as a member agency.

3. MWD would pay for half the cost of the San Diego Aqueduct (approximately \$7.5 million, the Water Authority paid the other \$7.5 million). In return, Metropolitan obtained the aqueduct north of the designated and current Point of Delivery (approximately 6 miles south of the Water Authority's northern boundary).

The history of the annexation is summarized in the attached excerpts of Water Authority and Metropolitan annual reports and letters from Metropolitan explaining the calculation of the payment obligation. The Water Authority has paid this obligation in full.

Also, at yesterday's meeting there was a question asked suggesting that certain areas of San Diego County outside of the Metropolitan and Water Authority service areas are receiving Metropolitan water without having been annexed to either agency. There is no truth to this suggestion. The boundary of Metropolitan within San Diego County is co-terminus with the Water Authority boundary. Metropolitan, pursuant to the Metropolitan Water District Act, limits service of Metropolitan water to use within its service territory, except for certain supply contracts authorized by section 131 or surplus water sales authorized by section 132.

Sincerely,



Daniel S. Hentschke
General Counsel

Attachment

SAN DIEGO COUNTY WATER AUTHORITY

SECOND ANNUAL REPORT

For Period

July 1, 1946 to June 30, 1948

J. L. BURKHOLDER

GENERAL MANAGER AND CHIEF ENGINEER



SAN DIEGO, CALIFORNIA

1948

SECTION II

THE METROPOLITAN WATER DISTRICT

Negotiations leading to an agreement on the terms and conditions under which the Authority might annex its corporate area to The Metropolitan Water District of Southern California have been described in the First Annual Report. On April 19, 1946, the Authority Board of Directors formally accepted the principles and conditions governing the proposed annexation as set forth in the District's communication of April 5, 1946. Steps were then taken to complete the many legal procedures required to effect the annexation. The Authority electors on November 5, 1946, by more than a 14 to 1 majority voted to annex the corporate area of the Authority to The Metropolitan Water District of Southern California. The results of the election were deposited with the Secretary of State, and on December 17, 1946, the Authority area became the fifteenth agency to hold membership in the District.

Annexation of Authority to District

Under the terms of annexation, the Authority will pay the District, over a period of thirty years, a sum of \$13,045,000, in approximate equal installments, without interest, and pay the future assessments levied by the District. The District in turn will reimburse the Authority for the true cost of the northerly one-half of the San Diego Aqueduct, estimated at \$7,250,000, at the rate of \$250,000 annually, and will assume the operation and maintenance of this section of the aqueduct, and increase its capacity when the water demand makes this necessary. Ownership of this section of the aqueduct will be transferred by the Authority to the District when the United States is reimbursed for the cost and title thereto is received by the Authority.

Annexation of the Authority to the District was conditioned upon the merger of the Colorado River water rights of the City and/or County of San Diego with the water rights of the Metropolitan Water District. The contract providing for the merger was executed on behalf of the United States, The City of San Diego, the San Diego County Water Authority, and the Metropolitan Water District as of October 4, 1946, and was approved by a vote of a majority of the electors of the City and the Authority on November 5, 1946. Under its terms the District will administer the combined water rights of 1,212,000 acre-feet per annum to be diverted from the Colorado River at the intake of the Colorado River Aqueduct above Parker Dam.

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

REPORT FOR THE FISCAL YEAR

July 1, 1946 to June 30, 1947

JULIAN HINDS
GENERAL MANAGER AND CHIEF ENGINEER



LOS ANGELES, CALIFORNIA

1 9 4 7



CHAPTER 6

LEGAL

THE legal department works with the Board of Directors and with the other District departments in supervising the legal features of contracts, purchases, annexations, tax levies, and other legislative and administrative functions. A large part of the time and effort of the legal staff thus is reflected in the work performed by the other departments.

Personnel

There has been no change in the personnel of the legal department during the fiscal year last past. The staff consists of four professional men, that is, the general counsel, assistant general counsel and two deputies. The secretarial staff includes four women, one of whom acts as the District representative in its relations with its industrial accident insurance carrier, and supervises all cases still held over from the time during which the District carried its own risk in workmen's compensation cases. Outside the office, the District regularly retains a part-time legal representative for legislative work with the California State Legislature. Riverside counsel is regularly employed for work, particularly litigation, in that county. Special counsel in pending litigation is retained and used as required on a per diem basis.

Annexation of San Diego County Water Authority

During the fiscal year, proceedings were completed for the annexation to the Metropolitan Water District of the San Diego County Water Authority. The City of San Diego in 1933 had entered into a contract with the United States, through the Secretary of the Interior, for the delivery of Colorado River water up to 112,000 acre feet per annum for use in the City and in the County of San Diego. The United States, without making any arrangement for a water supply, had undertaken the construction of an aqueduct extending from the west portal of the District's San Jacinto tunnel to the San Vicente reservoir near San Diego, for the protection of its naval and military installations in the San

Diego area. The City of San Diego had entered into a lease-contract with the United States, under which the city had agreed to assume possession and control of the aqueduct so constructed, upon its completion, and to pay to the United States as rental the sum of \$500,000 per annum. Upon completion of payment of such rental in an amount equal to the true cost (estimated to be \$14,500,000), exclusive of interest, title was to pass to the city. The city also agreed to "diligently pursue * * * legal steps * * * to secure an adequate supply of water from the Metropolitan Water District." Contingent upon annexation to the Metropolitan Water District, the lease-contract was assigned to the San Diego County Water Authority.

The conditions of annexation fixed by the Board of Directors of the District (Resolution 3612) required the merger of the San Diego water delivery contract with that of the District. This, in turn, involved a change in the point of diversion from the place fixed in the San Diego water delivery contract (Imperial Dam) to a point above Parker Dam power plant. To the extent of the diversion of water for use in the San Diego area, the change impaired the power privilege at Parker Dam now exercised in full by the United States, but in which, after 1952, the United States will have a half interest. It was agreed that the power privilege of the United States at Parker Dam should be kept intact. A contract was made between the District and the Southern California Edison Company for the furnishing of the replacement energy required prior to the time when units 3 and 4 at Parker power plant shall be placed in District service (1952). After that time the United States will have the right to one half the falling water, determined as though the water diverted for the San Diego area were a part of the water passing Parker Dam. The estimated capitalized cost to the District of protecting the power privilege at Parker Dam was added to the amount to be raised by the levy of a special tax in the area of the Authority.

The District agreed to deliver water to the San Diego County Water Authority by means of the aqueduct under construction by the United States. The point of delivery was fixed as in the San Diego aqueduct at the half-way point (measured by cost, not by distance). The aqueduct northerly of the point of delivery of water is to be operated and maintained by the District, and the District will contribute \$250,000 per annum toward the repayment of its cost, and ultimately will take title to the northerly one half. The special tax to be levied on taxable property within the Author-

ity (including the capitalized cost of replacement energy as hereinabove mentioned) was fixed at \$13,045,000. That amount will be raised by substantially equal annual levies over a period of thirty years. Under these conditions the annexation was completed, effective as of December 17, 1946.

Annexations to Coastal Municipal Water District

At the commencement of the fiscal year proceedings were pending for the annexation to Coastal Municipal Water District and thereby to the Metropolitan Water District, of the unincorporated area in the vicinity of Costa Mesa known as Fairview Farms, of the corporate area of the City of Brea, and of the corporate area of the City of Newport Beach (excepting those portions included within Coastal Municipal Water District at the time of its incorporation in 1941 and subsequently annexed to the City of Newport Beach). Elections were held in these areas on September 10, 1946, resulting in the annexation of the Fairview Farms and the City of Brea areas upon the terms and conditions fixed by the Board of Directors of the Metropolitan Water District in granting consent to such annexations pursuant to the request of the Board of Directors of Coastal Municipal Water District. The annexation proposition was defeated in the City of Newport Beach.

Litigation

The District has been relatively free from litigation during the past fiscal year. There are five cases pending in which injunctive relief is sought against the District because of seepage into the San Jacinto tunnel (Hemet Packing Co. vs. Metropolitan Water District; Leland D. Houk vs. Metropolitan Water District; Nuevo Water Company vs. Metropolitan Water District; Centinela Land Company vs. Metropolitan Water District; and Charles Elman vs. Metropolitan Water District). It is alleged that such seepage has an adverse effect on ground water in the valley lying westerly of the San Jacinto mountain block. In two of the cases, judgment for money damages also is sought. The District entered demurrers to the complaints in all five cases, but the demurrers have not been set for hearing. The complainants are awaiting the outcome of grouting operations now in progress in the tunnel. The District denies that its operations have affected the valley ground water.

A sixth case (Elsinore Naval and Military School vs. Temescal Water Company, Metropolitan Water District, et al.), in which it was alleged that Lake Elsinore had been adversely affected by the District operations, was dismissed on motion of the complainants.

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

306 WEST THIRD STREET
LOS ANGELES, CALIFORNIA

April 5, 1946



W. P. WHITSETT, CHAIRMAN
FRANKUN THOMAS, VICE-CHAIRMAN
SECRETARY
E. P. HARGOOD

ANAHEIM
BEVERLY HILLS
BURBANK
COMPTON
FULLERTON
GLENDALE
LONG BEACH
LOS ANGELES
PASADENA
SAN MARINO
SANTA ANA
SANTA MONICA
TORRANCE
COASTAL MUNICIPAL
WATER DISTRICT

RECEIVED

APR 9 1946

J. L. BURKHOLDER

San Diego County Water Authority
314 Union Building
San Diego 1, California

Gentlemen:

The Board of Directors of The Metropolitan Water District of Southern California acknowledges receipt of your letter of April 3, 1946, over the signature of Mr. Heilbron, enclosing a copy of your Resolution No. 14 entitled "A Resolution Applying to the Board of Directors of The Metropolitan Water District of Southern California for Consent to Annex."

This Board will be pleased to consent to the proposed annexation upon the conditions hereinafter indicated.

In the formal statement of the terms and conditions which will form the basis of the required annexation election, it will be necessary to specify the aggregate amount to be raised by special tax as described in item 2 hereof. It will be impossible to complete annexation proceedings at a time early enough to permit levy of District taxes in the area of the Authority during the fiscal year 1946-47. For that reason the amount of the special tax ordinarily referred to as "back taxes" must be ascertained with reference to the 1946-47 assessed valuation. These figures are not yet available. It will also be necessary to secure execution of a definitive contract arranging for the merger of rights under water delivery contracts, as more fully described in item 3 hereof. It is, therefore, impossible at this date to fix, in the manner provided by law, the conditions of annexation. However, this Board is in a position to indicate the basic principles of such conditions as follows:

1. Annexation shall be completed during the fiscal year 1946-47 and prior to January 1, 1947.

2. In addition to the regular District tax, there shall be levied by the District upon taxable property in the Authority a special tax, computed to equal the amount which would have been levied on the area of the Authority, had the area been a part of the Metropolitan Water District from the date of its incorporation (including interest at the rate of 4% from the respective dates of delinquency to date of annexation). On the basis of information now

available, the aggregate amount of such special tax will approximate \$13,000,000. This figure is believed to be substantially correct, but is subject to revision when the assessed valuations for the fiscal year 1946-47 shall be available, or in the event that, prior to the final fixing of conditions, there shall be any substantial change in the area included within the Authority.

The amount of this special tax so determined will be payable, without interest, in substantially equal annual installments over a period of 30 years, commencing with the fiscal year 1947-48. On the basis of the foregoing estimate, such annual installments will approximate \$433,000 per annum. With the exception of the 30-year period of payment of the special tax which has heretofore been fixed as 20 years, this condition is the same as has been required of other areas previously annexed.

3. The rights to Colorado River water which the City of San Diego holds for the benefit of its own area and area within the County of San Diego under contract with the United States, dated February 15, 1933, made pursuant to the terms of the Boulder Canyon Project Act, shall be merged with the rights of the Metropolitan Water District under a similar contract.

The contract providing for the merger should be in definitive form prior to the formal fixing of conditions of annexation, so that it could be therein referred to. It is estimated that such contract can be completed prior to the time when the assessed valuations of the fiscal year 1946-47 will be available.

4. The City of San Diego is party to a contract dated October 17, 1945, under which the United States has agreed to construct an aqueduct from a point near the west portal of the San Jacinto tunnel in Riverside County to San Vicente reservoir in San Diego County, and under which the City is obligated to pay to the United States, without interest, the true cost of said aqueduct as defined in said contract (estimated to be \$15,000,000), at the rate of \$500,000 per year. Upon completion of payment to the United States of the true cost, title to the aqueduct is to be transferred to the City or its successors in interest. It is assumed that by appropriate contractual arrangements the Authority will become the successor of the City. At the end of the repayment period, title to the northerly portion of said aqueduct (fixed as stated in item 5 hereof) shall be transferred to the District and, in consideration of such transfer, the District will pay to the

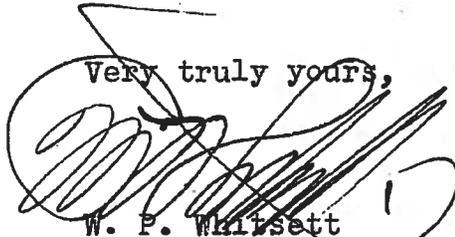
Authority one-half of the true cost of said aqueduct, determined as provided in Article 3 of said contract of October 17, 1945. Such payment shall be made at the rate of \$250,000 per year, commencing concurrently with the commencement of payment by the City or the Authority to the United States under said contract, and continuing until an amount equal to one-half of such true cost shall have been paid.

5. By means of the said San Jacinto-San Vicente aqueduct, the District will deliver water to the Authority at a convenient point on said aqueduct, which will be specified in the conditions of annexation, such point being so placed that the cost of that part of the aqueduct lying northerly therefrom will represent substantially one-half of the total cost of the said aqueduct. The District, under these circumstances, will be responsible for the enlargement or paralleling of the aqueduct northerly of said point when, in the future, increased capacity shall be required. In the event that for any reason beyond the control of the District said aqueduct shall cease to be available for delivery of water to said point, delivery shall be made at or near the west portal of the San Jacinto tunnel.

If the conditions hereinabove indicated are acceptable to the Authority, immediate advice to that effect will be appreciated, whereupon work will be started, looking toward the preparation of the required contracts and the definitive statement of the conditions herein outlined, which statement will form the basis for the proposed annexation election.

This Board is deeply appreciative of the sincerity and earnestness with which the representatives of the Authority and of the City of San Diego have worked with representatives of the Metropolitan Water District in preliminary phases of annexation negotiations. It is hoped that the conditions herein outlined will be acceptable and that the cordial relations which have developed will continue.

Very truly yours,



W. P. Whitsett
Chairman, Board of Directors
The Metropolitan Water District
of Southern California

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

306 WEST THIRD STREET
LOS ANGELES 13, CALIFORNIA

OFFICE OF
CONTROLLER

9 March 1953

Mr. J. L. Burkholder
314-321 Land Title Bldg.
San Diego 1, California

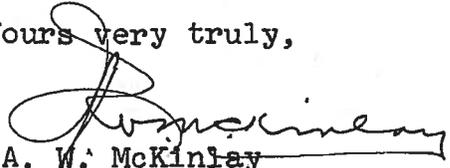
Dear Mr. Burkholder:

Attached is a copy of a memorandum in the files relating to annexation of the Authority to this District.

I am also attaching photostat of letter on the subject by the Chief Electrical Engineer to the General Manager and Chief Engineer dated October 2, 1946, to which is attached the tables by which the power loss revenue was determined.

I believe these will complete your history on the subject.

Yours very truly,


A. W. McKinlay
Controller

Enc.-2

RECEIVED
MAR 10 1953

San Diego County Water Authority

RSH; CLR. RSH 3/11/53

Board files D.P.M.

CITIES OF THE METROPOLITAN WATER DISTRICT
ANAHEIM BEVERLY HILLS BURBANK COMPTON FULLERTON GLENDALE LONG BEACH LOS ANGELES PASADENA
SAN MARINO SANTA ANA SANTA MONICA TORRANCE

MUNICIPAL WATER DISTRICTS
CHINO BASIN COASTAL EASTERN ORANGE COUNTY POMONA VALLEY WEST BASIN
AND
SAN DIEGO COUNTY WATER AUTHORITY

SAN DIEGO COUNTY WATER AUTHORITY

Assessments 1929-1930 to 1945-1946, incl.

Secured	\$ 8,700,128.11
Unsecured	<u>769,227.92</u>
	9,469,356.03

Interest on Assessments @ 4% to 7/1/46

1/2 Secured	\$876,631.56	
1/2 Secured	811,381.25	
Unsecured	<u>100,457.70</u>	1,788,470.51

Assessment 1946-47

Secured - \$238,148,600 @ 48¢	1,143,113.28
Unsecured - 30,254,420 @ 50¢	151,272.10

Interest on \$9,469,356.03 @ 4% from 7/1/46 to 1/1/47	189,387.12
--	------------

Additional for increase in Assessed Valuation
Lakeside area3,340.00

Total

\$12,744,939.04

Plus charge for diversion of
water at Parker Dam300,000.00\$13,044,939.04

Say

\$13,045,000.00



San Diego County Water Authority

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

March 12, 2012

John V. 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: Oppose Local Resources Program Agreements – Board items:
7-4 – LADWP Chevy Chase Park and Los Feliz Golf Course
8-6 – LADWP Harbor Industrial Project
8-7 – LADWP Hansen Dam Golf Course
8-8 – LADWP Griffith Park
8-9 – Eastern MWD Landscape Irrigation
8-10 – West Basin MWD Seawater Barrier and Landscape Irrigation

Mr. Foley and Members of the Board,

We have reviewed the staff reports recommending board approval of six funding agreements under the Local Resource Programs (Board items 7-4, 8-6, 8-7, 8-8, 8-9, and 8-10). We oppose the use of MWD regional water ratepayer dollars to pay for these local supply projects of these member agencies, on the following grounds.

- 1) Preparation of the underlying data and cost of service and rate structure proposal purporting to justify these payments is the product of a broken governmental process, all as described in detail in the submittals the Water Authority has presented at the public hearing on MWD's proposed water rates and charges for 2013 and 2014. As presented at the public hearing earlier this morning, the agencies that are the principal beneficiaries of these programs are draining millions of dollars from the pockets of water ratepayers in other cities and regions in favor of their own.
- 2) There is no credible basis established by the board memoranda or otherwise to support these payments. The mere statement that, "*the project(s) would strengthen regional water supply reliability*" is wholly insufficient to support the use of regional ratepayer dollars to pay for these agencies' local water supply programs. Nor are these payments supported by any demonstration in the board memoranda or otherwise that these payments benefit anyone but the individual agencies to which payments are being made. There is no demonstration that any water supply or transportation costs are avoided by MWD as a result of these payments.

3) To the contrary, these payments harm all MWD water ratepayers by further reducing demand for MWD water and the revenues MWD depends upon for its very existence, and thus driving up the cost of MWD water supply for all other water ratepayers. MWD's expenditures have

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

exceeded its revenues in three out of the past four years.¹ MWD's lower sales are driving up the cost of water. Customers are angry because they are being asked to pay more at the same time they are using less. Rather than respond to these circumstances, MWD is further exacerbating the situation by paying some of its member agencies to buy even less water. MWD's continued reliance on an outdated Integrated Resources Plan that includes bloated water demands that clearly do not exist – and are not reasonably projected to exist any time in the near future, if ever – is an insufficient basis to justify these payments.

4) As of August 2010, the MWD board took action stating that the Water Authority is no longer eligible to receive funds collected through its Water Stewardship Rate. As a result, and because no other direct or indirect benefit to the Water Authority and its customers is demonstrated, the rates and charges violate California law and may not be collected from the Water Authority's customers.

5) Staff's recommendation to the board to approve these projects is inconsistent with its own action in the *public member agency process* to suspend further discussions with the Local Resource Development Strategy Task Force, in order to reexamine the merits of this program and the water demand projections upon which it is based. Until that examination is completed, consideration of all local resource projects should be suspended.

6) The board memoranda proposing funding for these projects are insufficient to inform the board of directors of the costs associated with these projects. For example, Board Letter 8-9 (Eastern Municipal Water District) states that MWD's share of the cost will be \$2.3 million, but that it could go up to \$31.3 million – almost 14 times higher. Similarly, Board Letter 8-10 (West Basin) states that the financial impact to MWD is \$7 million, but that it could go up to \$50 million – more than 7 times higher. The board has no way of knowing based on the Board Letters what the benefits and risks are, or what MWD's financial exposure in connection with these projects will be.

The Water Authority would have no objection if the other MWD member agencies and the cities and customers they serve wish to subsidize the local water supply projects of the City of Los Angeles and other large agencies benefitting from this program. However, if they wish to do so, a separate fund that they pay into should be created for that purpose.

Sincerely,



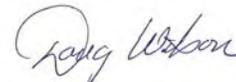
Lynne Heidel
Director



Keith Lewinger
Director



Fern Steiner
Director



Doug Wilson
Director

cc: Jeff Kightlinger, MWD General Manager

¹ See February 14, 2012 Board Letter 8-2, page 60, note 5.



March 22, 2012

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 March 14, 2012 CRB meeting.

Discussion

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

Water supply and reservoir operations

Basin water supply conditions improved in February, but still remain below normal in terms of snowpack and projected runoff into Lake Powell. As of March 12, the forecast inflow into Lake Powell for water year 2012 was 80 percent of normal, at 8.7 maf. Colorado River Basin precipitation to date is 86 percent of normal (14.5 inches), and snowpack 76 percent of normal (12 inches). Offsetting the projected lower inflows, total system reservoir storage is about 10 percent higher, or 6.1 maf more, this year than last. As of March 11, the system held 37.8 maf. Lake Mead contained 14.8 maf, or 57 percent of normal; Lake Powell held 15.4 maf, or 63 percent of normal.

Binational discussions

Federal and state agencies have continued work on Minute 319, which would implement a number of binational Colorado River water management strategies, including shortage provisions for Mexico. A U.S. version of the draft minute was submitted to Mexico in late February. Mexico responded with a series of questions regarding the draft minute, and U.S. parties are responding to those questions. Work is also being done on agreements related to the minute, including agreements on voluntary forbearance of surplus water, guidelines for converting intentionally unused Mexican apportionment to intentionally created surplus (ICS) water available to U.S. water users, assurance agreements between the U.S. and basin states regarding interpretations of existing law and regulations, and environmental compliance documents. The current proposal also contains a pilot project in which U.S. water agencies would fund a water conservation program in Mexico and receive water in Lake Mead under each agency's existing ICS account. Reclamation would fund additional water conservation projects for environmental restoration purposes.

Status of proposed Flaming Gorge Pipeline Project

The Federal Energy Regulatory Commission last month declined to issue a preliminary permit to a developer proposing this pipeline and storage project. The developer, Wyco Power and Water, Inc., proposed the construction of a 500-mile pipeline to transport water from the Green River

and Flaming Gorge Reservoir in Wyoming across the Rocky Mountains for water users in southeastern Wyoming and the Front Range of Colorado. FERC based its decision to not issue the permit on a lack of information from the developer on the proposal.

Presentation on Tamarisk control

A staff member from MWD delivered a presentation on tamarisk (salt cedar) management to the Six Agency Committee, which funds the Board. The presentation focused on efforts to determine whether tamarisk control was a cost-effective way of saving water in the Basin. Studies have shown that replacing tamarisk with native vegetation can result in significant water savings at relatively low cost (less than \$400/af), but more study is required to determine whether the water conserved in this way then becomes part of the Colorado River system water supply, available for other uses.

Colorado River Basin Water Supply and Demand Study

Board staff reported on progress of the Study, which is evaluating projected Colorado River water demands and supplies through 2060 and recommending strategies and options for addressing imbalances between supply and demand. The project team is currently evaluating 139 options that were submitted by stakeholders and members of the public. These options are being categorized into projects that increase supply, decrease demand, modify reservoir operations, or revise governance. Water Authority staff has prepared a separate memo for the Imported Water Committee that discusses the Study in more detail.

Salinity control

A Colorado River Basin Salinity Control Forum work group met last month to review the status of current and potential salinity reduction projects, and funding for future salinity control efforts. Much of the discussion focused on a major salt reduction project in Colorado's Paradox Valley. This injection well facility removes more than 100,000 tons of salt annually from the river system, but has been plagued with mechanical and electrical problems resulting from the highly corrosive brine environment. Reclamation and other agencies are studying ways in which to improve the well, or develop a new project to remove the salt load, including evaporative ponds.

Glen Canyon Dam operations

After several years of discussion, the Glen Canyon Dam Adaptive Management Work Group approved a set of "Desired Future Conditions" at its meeting last month. This document will guide the development of future management activities budgets. The Work Group also heard a recommendation from its science advisors to implement a program to review the potential socio-economic impacts on all resources and stakeholders from alternative dam operations.

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
March 5, 2012**

RESERVOIR STORAGE (as of March 4)	February 6, 2012					
	MAF	ELEV. IN FEET	% of Capacity	MAF	ELEV. IN FEET	% of Capacity
Lake Powell	15.443	3,635.2	64	15.610	3,636.6	64
Flaming Gorge	3.279	6,028.2	87	3.334	6,029.6	89
Navajo	1.282	6,054.8	76	1.294	6,055.7	76
Lake Mead	14.890	1,132.9	58	15.028	1,134.2	58
Lake Mohave	1.644	641.0	91	1.614	639.9	89
Lake Havasu	0.562	447.0	91	0.569	447.4	92
Total System Storage	37.882		63	38.279		64
System Storage Last Year	31.794		53	32.059		54

				February 2, 2012	
WY 2012 Precipitation (Basin Weighted Avg) 10/01/11 through 3/05/12			89 percent (14.3")		82 percent (10.5")
WY 2012 Snowpack Water Equivalent (Basin Weighted Avg) on day of 3/05/12 (Above two values based on average of data from 116 sites.)			81 percent (12.1")		68 percent (7.8")
				February 2, 2012	
March 2, 2012 Forecast of Unregulated Lake Powell Inflow		MAF	% of Normal	MAF	% of Avg.
2012 April through July unregulated inflow forecast		5.300	74 %	5.050	71%
2012 Water Year forecast		8.687	80 %	8.484	79%

USBR Forecasted Year-End 2012 and 2011 Consum. Use, March 5, 2012 a.					MAF	
			2012		2011	
			Diversion	- Return =	Net	
Nevada (Estimated Total)			0.492	0.211	0.281	0.221
Arizona (Total)			3.768	0.928	2.841	2.785
CAP Total					1.590	1.625
<i>Az. Water Banking Authority</i>					0.134	0.134
OTHERS					1.251	1.160
California (Total) b./			4.930	0.662	4.268	4.315
MWD					0.653	0.699
3.85 Agriculture						
IID c./			<u>Total</u>	<u>Conserved</u>	<u>Forecasted</u>	<u>Estimated</u>
CVWD d./			3.108	-0.306	2.802	2.916
PVID			0.365	-0.028	0.337	0.309
YPRD			0.382	0	0.382	0.320
Island e./			0.045	0	0.045	0.049
Total Ag.			0.007	0	0.007	0.007
Others			3.907	-0.334	3.573	3.601
PVID-MWD following to storage (to be determined)					0.042	0.015
Arizona, California, and Nevada Total f./			9.190	1.801	7.389	7.321

a./ Incorporates Jan.-Jan. 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 2012 basic use apportionment of 4.4 MAF has been adjusted to 4.175 MAF for creation of Intentionally Created Surplus Water by IID (-25,000 AF), and Creation of Extraordinary Conservation (ICS) by MWD (-200,000 AF).

c./ In 2012, 0.105 MAF being conserved by IID-MWD Agreement as amended in 2007: 112,500 AF being conserved for SDCWA under the IID-SDCWA Transfer Agreement as amended, 90,000 AF of which is being diverted by MWD; 21,000 AF being conserved for CVWD under the IID-CVWD Acquisition Agreement, 67,700 AF being conserved by the All American Canal Lining Project.

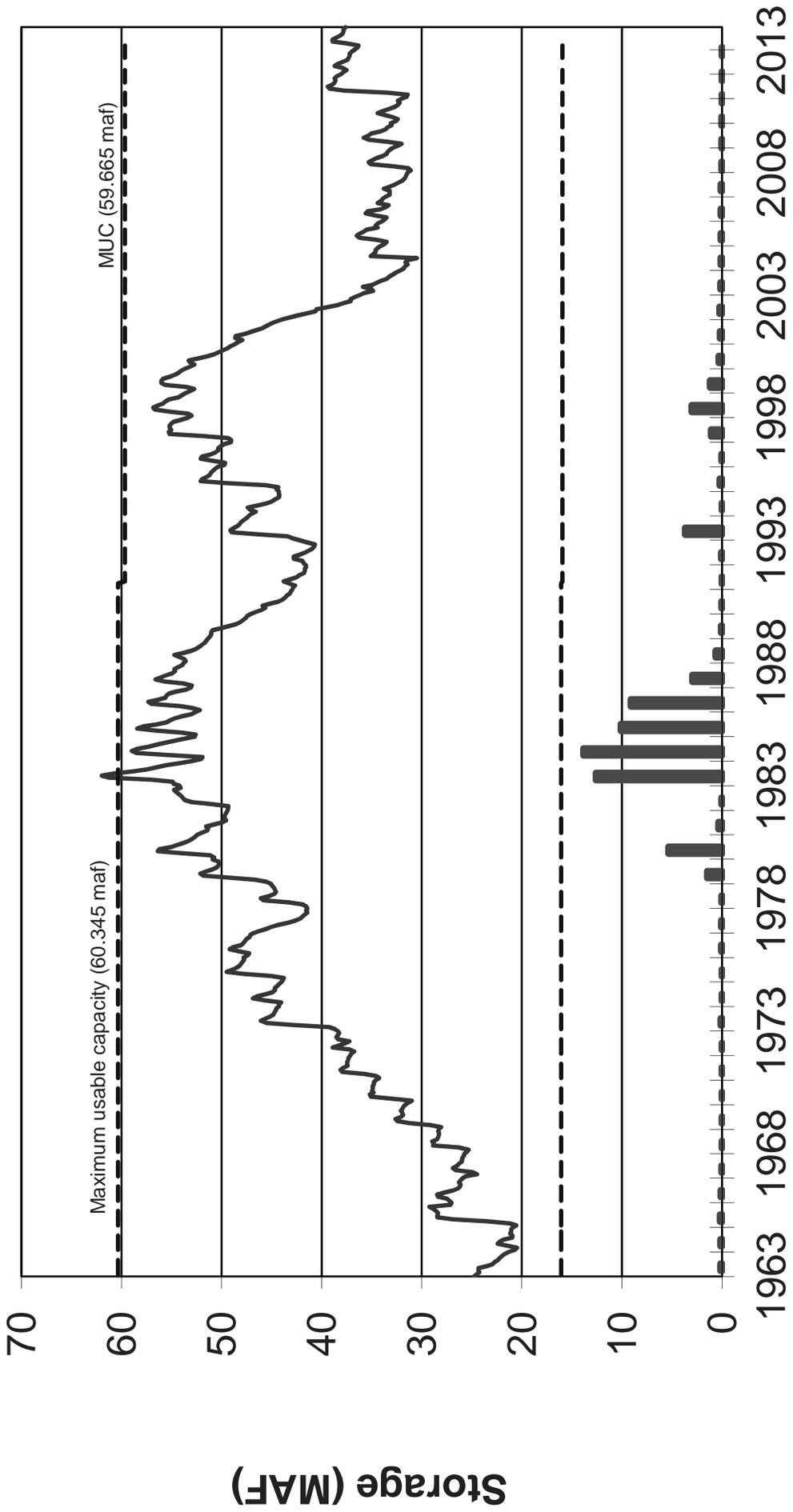
d./ In 2011, 28,265 acre-feet conserved by the Coachella Canal Lining Project.

e./ Includes estimated amount of 6,660 acre-feet of disputed uses by Yuma Island pumpers and 653 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.

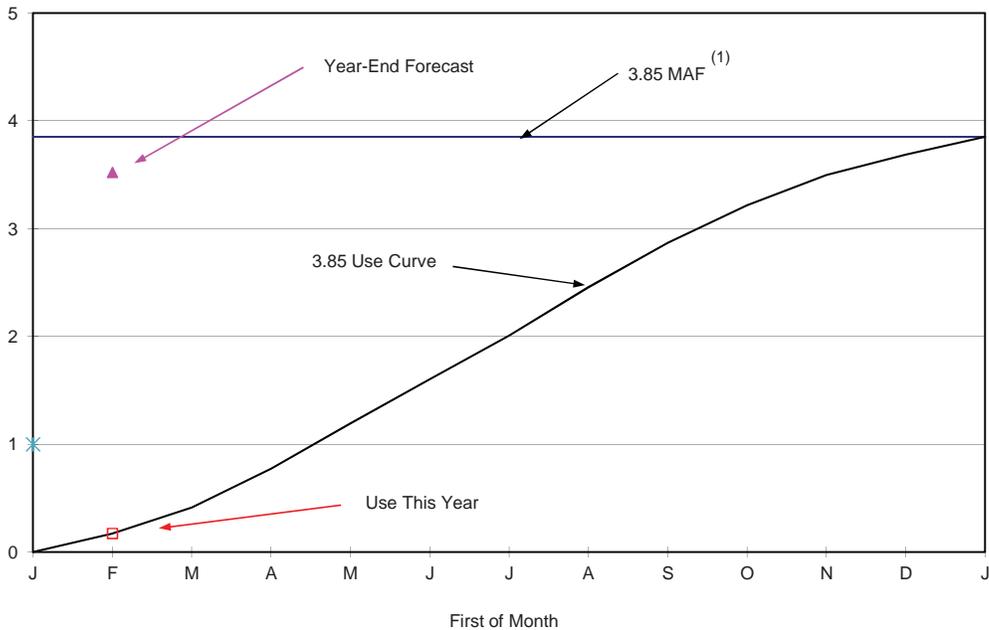
Monthly Total Colorado River Basin Storage

March 2012



Year shows below January 1st

FIGURE 1
MARCH 1, 2012 FORECAST OF 2012 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 (1)	Forecast of Unused Water (2)
Jan	0.000	-----	-----
Feb	0.174	3.522	-0.008
Mar			
Apr			
May			
Jun			
Jul			
Aug			
Sep			
Oct			
Nov			
Dec			
Jan			

- (1) The forecast of year end use is based on continuation of the QSA, without QSA year end use is estimated to be about 3.660 maf.
- (2) The forecast of unused water is based on the availability of 3.514 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; 90,000 AF of conserved water available to SDCWA under the IID-SDCWA Transfer Agreement as amended being diverted by MWD; as estimated 24,500 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. 22,500 AF has been subtracted for IID's Salton Sea Salinity Management in 2012. As USBR is charging uses by Yuma Island pumpers to priority 2, the amount of unused water has been reduced by those uses - 6,660 AF. The CRB does not concur with USBR's viewpoint on this matter.



Date: March 21, 2012

To: San Diego County Water Authority Board Members

From: Jonathan Clay, Sacramento Representative
Ken Carpi, Washington Representative

Subject: Legislative Update

Sacramento

Initiatives and Budget – Governor Brown continues to move forward with his initiative to increase the personal income tax, increase sales tax, as well as offer constitutional protections for funding of realigned programs to local government. His measure is currently being circulated and signatures gathered. As part of the Governor's effort ensure a successful outcome in the fall election for his proposal, he has been trying to persuade other initiative sponsors to pull their measures from the ballot (Molly Monger, California Federation of Teachers, water bond, etc.). To date, the Governor has not been successful in getting the other tax proponents to pull their measures. That said, the Governor last week announced that he has struck a deal with the California Federation of Teachers (CFT) to combine their proposal with his. New language is being submitted to the State Attorney General for summary and title. Given the short time frame to collect the needed signatures, it has been estimated that costs to just get the new compromise initiative qualified for the November ballot will be around \$6 million. The new proposal will have a lower sales tax increase, a higher income tax rate, still include the same constitutional protections, and will remain in effect for a longer period than the Governor's original proposal. As mentioned earlier, the Governor's original initiative proposal is still being circulated for signatures and a decision on which proposal the Governor will pursue depends on whether the new compromise proposal qualifies for the November ballot.

In terms of the budget, things continue to not look good for the State, though not as bad as previous years. Revenues are not keeping up with the projections made in last year's budget (remember, in last year's budget, an additional \$4 billion in revenues was assumed in order to make it balanced). Questions have been raised about whether cuts will need to be made much earlier than the Governor had anticipated in his January budget (as it relates to the FY 12/13 budget - the Legislature chose to not act on the Governor's call for mid-year cuts to the FY 11/12 budget). The Governor had called for trigger cuts if the November ballot measure to raise revenues did not pass. Given the revenue shortfalls, additional cuts may be needed to get the State through to the November election.

Water Bond – Not much has changed since last month's report. A coalition of water interests (including ACWA) have commissioned and completed a new poll in order to provide better information guidance on crafting possible changes to the water bond proposal. The information from the poll has not been released yet. It is expected that within a week or so that there will be a better sense of whether efforts will be possible to re-craft the existing water bond or if the focus will be to simply try and push the water bond from the November 2012 ballot to the November 2014 ballot.

Washington, DC

San Joaquin Valley Water Reliability Act Passes House - In last month's report to the Board, we described H.R. 1837, the San Joaquin Valley Water Reliability Act, and updated Board members on its passage out of the House Committee on Natural Resources. After passing the full committee, the Republican leadership quickly took the legislation to the floor of the House.

On February 29, the House passed H.R. 1837 by a margin of 246-175. The vote was primarily along party lines, though a handful of Democrats, including Representatives Costa and Cardoza, also voted in favor of passage.

The legislation has five titles resulting from amendments to the original legislation. Title I would make substantial changes to the Central Valley Project Improvement Act, including the repeal of many environmental provisions. Title II of the legislation would repeal the San Joaquin River Restoration Settlement Act. Title III involves the conversion of long term contracts and acceleration of repayment of project costs. Title IV works to preserve some water rights for contractors north of Delta. Lastly, Title V states that the legislation's use of the federal government to overrule the state's system of water rights is unique only to California and shall not be a precedent in other states.

The prognosis of the legislation is now unclear. In its present form, the legislation has stiff opposition from northern California water users, Delta-area water agencies, environmental groups, elected officials from California, including Senators Feinstein and Boxer, and has resulted in the threat of a veto from the President.

At the same time, it has been reported that Senator Feinstein has met with Representative Denham to discuss aspects of the legislation that might help improve water reliability for south of Delta contractors, as well as other ideas not included in the legislation. In 2009, as California faced some of the lowest water deliveries on record, Senator Feinstein worked diligently to try and increase water deliveries south of Delta, and succeeded in raising water allocations to 40 percent. Her work with Representative Denham may signal another effort to help increase the allocation given this year's expected allocation.

Progress in the FY 2013 Budget Cycle - The President released his annual budget request on February 13, setting in motion the budget cycle for FY 2013. Different committees of jurisdiction have begun to hold hearings on aspects of the budget request in the House and Senate. The Bureau of Reclamation will testify before the House Subcommittee on Energy and Water Development Appropriations on March 28. No date has yet been announced by the Senate Committee on Appropriations.

From a macro perspective, the House and Senate will now work to set an agreed-upon spending limit for all federal discretionary spending for FY 2013. The Senate, as it has in past years, has said that it will not pass a budget. Instead, it will rely on discretionary spending caps that were agreed to as part of the Budget Control Act, which was enacted last year to increase the nation's debt ceiling and also created the failed "Supercommittee." The total level of discretionary spending for the federal government for this year was set at \$1.047 trillion by the Budget Control Act.

The House, meanwhile, released a budget on March 20. The House Committee on the Budget, chaired by Rep. Paul Ryan (R-WI), intends to take up the measure in committee on March 21.

As it did last year, the House budget tackles serious policy issues that contribute to the nation's deficits, such as Medicare and Medicaid. The House budget also would greatly simplify the tax code, with incomes being taxed at either 10 percent or 25 percent for all wage earners and changes to rates on corporate and overseas earnings.

In contrast to last year, though, the House may introduce a new wrinkle into the annual budget process this year. As described above, the overall level of discretionary spending was set last year as part of the bipartisan agreement in the Budget Control Act. Simply put, the spending cap for this year is already legally in place, and that is part of the reason why the Senate will not act on passing its own budget.

Although this agreed-upon level is set in legislation, the House budget looks to make changes to that level. The House budget would decrease the top-line discretionary budget from \$1.047 trillion to \$1.028 trillion. In doing so, it would undo the spending agreement reached with the Senate last year. It would also rescind the automatic spending cuts in the defense budget that resulted from the failure of the Supercommittee.

The House budget will be controversial because of the changes listed above. Democrats will protest major changes to the tax code, the agreed-to spending limits, and changes to entitlement programs. Conservative House Republicans will argue that the budget does not go far enough in cutting the annual budget deficit and would continue to run annual budget deficits for 25 years under the Ryan plan. Republican leadership will likely have little support from Democrats and must rely heavily on Republicans for passage. Whether leadership can garner votes from fiscal conservatives will determine the House's ability to pass its budget.