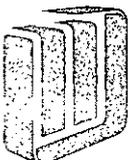


FILED by order
of the Board of Directors of
The Metropolitan Water District
of Southern California
at its meeting held APR 14 1992

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Karen E. Jaff
Executive Secretary



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

March 31, 1992

Board of Directors (Finance and Insurance Committee--Information)
(Water Problems Committee--Information)
General Manager (Engineering and Operations Committee--Information)

Subject: Acquisition of Options from the 1992 Drought Emergency Water Bank

Report

In March, your Board authorized the General Manager to execute an agreement to allow Metropolitan to participate in the 1992 Drought Emergency Water Bank (Bank) and to deposit \$2 million to secure options for up to 100,000 acre-feet (AF) of Bank water. With much improved hydrologic conditions and an increase in allocation of State Water Project (SWP) water from 35 percent to 45 percent of Metropolitan's request, the need for Bank water has been substantially diminished. Therefore, Metropolitan has sent a request to secure options for 10,000 AF of Bank water to the Department of Water Resources (DWR), together with a \$200,000 check.

As reported to your Board in March, several key issues were to be resolved in negotiating provisions of the 1992 Bank agreement. These issues have subsequently been resolved with the following results: (1) critical-needs criteria for urban areas to be eligible to receive Bank water require water use reduction at the retail level of at least 15 percent of normal demand and were determined to be at a level to minimize economic harm; (2) water for critical needs of urban and agricultural users is to be shared equally; (3) 10 percent of Bank water sold, up to a total Bank of 200,000 AF, to be available for fish and wildlife purposes, paid for by fish and wildlife interests (if the total Bank water exceeds 200,000 AF, the urban and agricultural users are to pay the costs of such water); and (4) allocations of Bank water in each month are to be based on options exercised to date (options are allowed to be held over to exercise later, and when exercised in later months are subject to impacts of changes in water purchase prices).

Total requests for water from the Bank, at present, are only 109,000 AF. This is far below earlier estimates and far below the projected availability of "low-cost" Bank water obtained through groundwater-substitution contracts being negotiated between DWR and agricultural sellers. It appears

that the cost of Bank water delivered to the Delta Pumping Plant will be approximately half of the \$175 per acre-foot paid in 1991.

The new Bank agreement provides a buyer with the ability to carryover purchased Bank water for up to three years, until December 31, 1995. Thus, if the uncertainties of summer weather and resulting water demands do not require delivery of purchased Bank water, the water can be stored in State reservoirs for withdrawal by the buyer in 1993, 1994 or 1995, so long as there is not a "spill" of SWP water from the reservoirs. One strategy available to Bank participants is to deliver such carryover water to groundwater storage, thereby allowing the water to be held in inventory until it is needed to meet noninterruptible demands at a later time.

Board Committee Assignments

This letter is referred for information to:

The Water Problems Committee because of its authority to study, advise, and make recommendations with regard to policies, sources, and means of importing water required by the District, pursuant to Administrative Code Section 2481(a);

The Finance and Insurance Committee because of its authority to study, advise, and make recommendations with regard to the authorization of appropriations pursuant to Administrative Code Section 2441(d); and

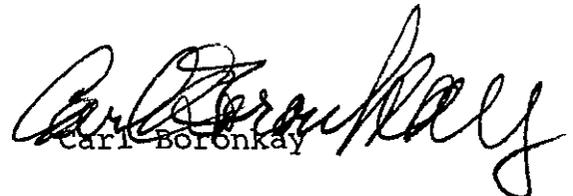
The Engineering and Operations Committee because of its jurisdiction over the initiation, scheduling, contracting, and performance of construction programs pursuant to Administrative Code Section 2431(b).

Recommendation

For information only.

WWH:kmk

WMBKAP


Carl Boronkay