

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

March 30, 1993

To: Board of Directors (Engineering & Operations Committee--Information)
 (Water Problems Committee--Action)
 (Finance & Insurance Committee--Information)
 From: General Manager
 Subject: 1993 Demonstration Local Storage Program

Report

Abundant precipitation has improved this year's water supply so that imported water in excess of demand is expected to be available to Metropolitan. To take advantage of this opportunity, Metropolitan would initiate a new local storage program to encourage additional use of available capacity in groundwater basins and surface reservoirs within Metropolitan's service area to store and recover imported water under terms beneficial to the area.

Under the proposed program, Metropolitan would sell imported water to be placed into storage this calendar year by direct or in-lieu means at discounted rates less than Metropolitan's prevailing Seasonal Storage Service rates. These discounts would be \$30 for untreated water service and \$40 for treated water service through fiscal year 1992-93 and \$70 and \$90, respectively, through calendar year 1993. Thus, rates would be \$138 for untreated water and \$163 for treated water.

These discounted rates are designed to increase 1993 water sales and achieve greater water supply reliability than would be accomplished under Seasonal Storage Service. The General Manager would coordinate application of this new program with existing programs such as Seasonal Storage Service and Cyclic Storage. It is proposed that demonstration storage deliveries would be made available May 1, 1993.

Unlike the Seasonal Storage Service Program, participating agencies would agree to store equivalent, usable amounts of water for up to ten years and to produce that stored water at Metropolitan's call in four equal increments, each lasting three months. That production would normally be requested for April through June and July through September periods. Agency performance would be

determined by measuring its reduction in noninterruptible service from Metropolitan during the period of Metropolitan's call. That requirement would be based on reductions below 1992 baseline conditions (noninterruptible deliveries from Metropolitan) with allowances for future growth and deductions for increased participation in the Local Projects and Groundwater Recovery Programs. Agencies failing to meet their obligation to reduce demand on Metropolitan, as required under the demonstration program, would pay, in addition to the then current appropriate service rate for the deficient amount of water, a penalty of 100 percent of the noninterruptible untreated rate.

Although the General Manager has authority under Sections 4206 and 4209 of the Administrative Code to enter into agreements with member agencies to store and make efficient use of water resources, additional authority is needed to implement the special water sales provisions of this demonstration program. Implementation of this program requires a change in water rates by creating a new class of service for local water storage. Accordingly, the Water Problems Committee will conduct a public hearing on the rate changes at its April 12 meeting. In addition, Subsection 4304(k) of the Administrative Code requires a finding of urgency at the April Board meeting if the proposed rate changes are to become effective May 1, 1993.

Approval of the proposed program also requires appropriate findings regarding applicability of the California Environmental Quality Act (CEQA). Your Board's delegation of additional authority to the General Manager is exempt from CEQA since it is a preliminary step with no inherent environmental effect. The General Manager will require that each individual agreement complies with any appropriate requirements of CEQA prior to approval.

Your Board's approval of the proposed local storage water rates is exempted from the provisions of CEQA by Public Resources Code section 21080(b)(8) because the new rates are for the purpose of: (1) meeting operating expenses, (2) purchasing or leasing supplies, equipment or materials, (3) meeting financial reserve needs and requirements, and (4) obtaining funds for capital projects, necessary to maintain service within existing service areas.

Board Committee Assignments

This letter is referred to:

The Water Problems Committee for action pursuant to Sections 2481(d) and (i) of Metropolitan's Administrative Code

granting it authority regarding policies dealing with the sale and delivery of water for various uses and underground storage of water and the use thereof; and

The Engineering and Operations Committee for information pursuant to Section 2431(c) of Metropolitan's Administrative Code granting it authority regarding facilities for the production, exchange, sale and treatment of water.

The Finance and Insurance Committee for information pursuant to Section 2441(e) of Metropolitan's Administrative Code granting it authority regarding the determination of revenues to be obtained through sales of water.

Recommendation

WATER PROBLEMS COMMITTEE FOR ACTION.

That the Board:

1. Find that: (a) the approval of the proposed revision to Metropolitan's water rates is exempt from the provisions of the California Environmental Quality Act since it is for the purpose of meeting operating expenses, meeting financial reserve needs and requirements, and obtaining funds for capital projects, necessary to maintain service within existing service areas; and (b) that there is an urgent need to implement the program by May 1 in order to maximize the amount of local storage of imported supplies.
2. Set the rate for the 1993 Demonstration Local Storage Program at \$138 per acre-foot for untreated water and \$163 per acre-foot for treated water.
3. Authorize the General Manager to execute agreements with member agencies to sell water at rates consistent with the program description in this letter and in a form approved by the General Counsel.


for Carl Boronkay

AS:gn