**MWD***METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA*

August 30, 1993

To: Board of Directors (Water Problems Committee--Action)
From: General Manager
Subject: Amendments to Cooperative Storage Program

Report

This letter is provided in preliminary form because it may change following further consultation with Member Agency Managers.

In July your Board authorized the General Manager to enter into Cooperative Storage (Program) agreements with member agencies for advanced delivery and storage of Seasonal Storage Service (SSS) in local groundwater basins and reservoirs for future use and sale. The Program is designed to provide greater water supply reliability to both Metropolitan and participating member agencies. In addition, Metropolitan benefits from increased water sales revenues during shortages of imported water.

Currently, staff is negotiating agreements totalling over 100,000 acre-feet of storage with several member agencies wanting to participate in the Program. Through these ongoing negotiations it has become apparent that the Program would be improved by implementing the changes described below.

Seasonal Storage Discount Protection

The Cooperative Storage Program complements our SSS Program. Water held in storage is ultimately sold to the participating agency at the prevailing SSS rate at the time of use (water is initially delivered to storage at no cost). Upon termination of a Cooperative Storage agreement, the member is obligated to purchase all water remaining in storage within five years. Many members expressed concern over possible elimination of the SSS rate discount from noninterruptible service (now \$110 for untreated service) in the future and then having to buy the remaining stored water at Metropolitan's full noninterruptible rate. In this regard, staff recommends that the Program include terms ensuring that stored water would be sold at a discount as follows:

- Upon termination of a Cooperative Storage Agreement, the participating member agency may elect to buy the remaining water in storage at the prevailing noninterruptible rate at the time of purchase minus the largest SSS discount in effect during the one-year period preceeding the termination date.

Greater Member Agency Access to Stored Water

Under the authorized Program, whenever Metropolitan's General Manager exercises existing authority to suspend SSS deliveries, the member agency may buy up to half of Metropolitan's stored water to make up the shortfall of scheduled SSS deliveries. Staff recommends that this provision be expanded to allow the member agency to buy up to half of the stored water to make up a shortfall of any Metropolitan service including rationed noninterruptible deliveries. All of the stored water would continue to be sold at the prevailing SSS rate, since its use would be consistent with the SSS objective of increasing storage of imported water.

Equitable Access to Stored Water

Under the authorized Program, Metropolitan, at any time may use all of the stored Program water as SSS deliveries. Whereas a member agency may buy only up to half of the stored Program water in a year that Metropolitan suspends SSS deliveries (see previous paragraph). Members have suggested that a more equitable arrangement would be to limit Metropolitan's use of the stored Program water in any year to half of that water. The proposed change would ensure that some water would remain in storage for use in subsequent years during a persistent drought.

In summary, the proposed changes are expected to make storing imported water under the Program more attractive resulting in greater conjunctive use in Southern California.

Board Committee Assignment

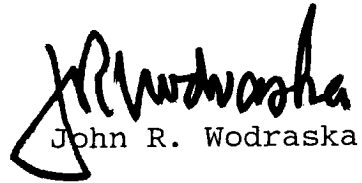
This letter is referred for action to the Water Problems Committee because of its responsibilities related to importation, exchange, and underground storage of water

pursuant of Administrative Code Sections 2481(a), (c), (d), and (i).

Recommendation

Water Problems Committee for Action.

That the Board adopt the changes to the Cooperative Storage Program described in this letter.



John R. Wodraska

AS:as