



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

9-17

March 30, 1993

To: Board of Directors (Water Problems Committee--Information)

From: General Manager

Subject: Update on State Water Contract Article 18 Discussions

Report

As reported to your Board at the January 23, 1993 Board of Directors' workshop on State Water Project (SWP) issues, Kern County Water Agency (KCWA) has indicated its intention to send a letter to the Department of Water Resources (DWR) Director David Kennedy urging that he declare a permanent shortage in the SWP pursuant to Article 18(b) of the State Water Contract. This report provides an update of recent developments related to this issue.

The provisions of Article 18(b) are of particular importance to Metropolitan. Implementation would result in proportionate reductions of all contractor entitlements down to the existing project yield. This could result in Metropolitan receiving reduced SWP supplies at a greater cost.

Metropolitan believes that there are strong legal and policy arguments in opposition to the KCWA position, but there is concern that the proposed KCWA letter itself could be used to support policies that result in reduced project yield and delay or prevent necessary construction of additional SWP facilities. This could seriously impact Metropolitan's ability to fully utilize its investment in the SWP.

KCWA has indicated a willingness to delay sending the letter to DWR and to discuss options related to changes in the allocation of shortage, and related considerations. To facilitate discussions, the State Water Contractors have formed a committee consisting of three agricultural and three municipal and industrial (M&I) representatives and chaired by Director Kennedy. Assistant General Manager Georgeson represents Metropolitan in these discussions. In addition, the M&I contractors have been meeting independently to discuss matters related to the proposed allocation options.

Early committee discussions have focused on the initial allocation of water supply shortages as provided under Article 18(a) of the Water Supply Contract. Currently, such shortages

are first absorbed by agricultural contractors in amounts not to exceed 50 percent of that year's requested agricultural supply and up to a cumulative maximum of 100 percent in any seven consecutive years. Project shortages in excess of these amounts are shared proportionately by all contractors. This provides a reliability cushion for M&I contractors and is commonly referred to as the initial agricultural shortage.

Agricultural contractors, having experienced a 50 percent delivery reduction in 1990 and a 100 percent reduction in 1991, have suggested allocation options which reduce the maximum annual initial deficiency but increase the maximum cumulative initial deficiency. These proposals were described to some extent by KCWA's General Manager Tom Clark when he addressed your Board in 1991.

Staff will continue to participate in all related discussions and keep your Board informed.

Board Committee Assignment

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 Metropolitan, pursuant to Administrative Code Section 2481(a).

Recommendation

For information only.


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