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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Loren E. Duff
EXECUTIVE SECRETARY

April 11, 1994

To: Board of Directors (Water Problems Committee--Action)
From: General Manager
Subject: Continuance of Seasonal Storage Service and Implications for
the Readiness-to-Serve Charge

Report

Analysis of supply and demand projections for the near term indicates Metropolitan has the opportunity to store additional water. Pursuant to Section 4514 of the Administrative Code, Seasonal Storage Service (SSS) shall be available between October 1 and the following April 30 whenever and so long as the General Manager determines that water and system capacity are available. Additionally, the General Manager may make this service available at other times of the year at his discretion.

To encourage storage of the surplus supplies, it is recommended that SSS be continued past the usual ending date of April 30, 1994 until June 30, 1994. An evaluation of supplies and demands will be made later in the spring to determine the availability of SSS for the remainder of the summer period.

An agency may qualify for SSS past April 30 by continuing to file the appropriate certifications under Administrative Code Section 4507. The SSS program beginning date on the certifications will remain October 1, 1993. Adjustments of the qualifying criteria may be necessary on a case-by-case basis for those agencies with special circumstances.

The extension of Seasonal Storage Service has brought to light a significant misunderstanding. In February, your Board adopted a calculation methodology for the Readiness-to-Serve (RTS) charge as described in the attached Board letter. However, as a result of discussions at the February Water Problems Committee meeting, that

action has been interpreted by some as fully exempting long-term storage water from the RTS charge. Others believe the action exempts long-term storage water at time of delivery but includes it in the RTS charge at time of use. There is common interpretation that long-term storage water includes direct groundwater replenishment; water taken under the Cooperative Storage Program, the 1993 Demonstration Storage Program, cyclic storage, and the May through September 1993 seasonal storage program; and seasonal storage water defined as long-term in the 1988-89 Seasonal Storage Service Handbook. In the Handbook, long-term seasonal storage water is that which an agency leaves in storage for a duration extending past the end of the fiscal year (June 30) through avoided production during a period of availability (normally October 1 through April 30).

Staff firmly believes that all water sold must ultimately support Metropolitan's Capital Improvement Program through the RTS charge. Staff is preparing a Board letter recommending inclusion upon use of all long-term storage water beginning in Fiscal Year 1994-95 in the RTS calculation and a method of accounting for such water use. However, based upon staff/member agency discussions and consensus during the February time period, staff's understanding and intent was to fully exempt FY 1992-93 and FY 1993-94 long-term storage water from any RTS charge calculations. Accordingly, the extension of Seasonal Storage Service through June is proposed to be fully exempted from the RTS charge.

Board Committee Assignment

This letter is referred for action of the Water Problems Committee because of its authority to study, revise, and make recommendations with regard to the selling prices of water and conditions governing sales and exchanges of water, and to the allocation of water standby or availability of service revenue requirements, pursuant to Administrative Code Sections 2481 (c) and (e).

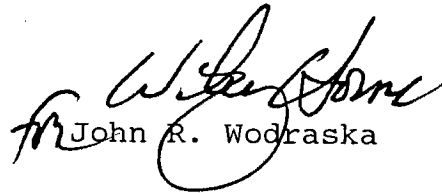
Recommendations

WATER PROBLEMS COMMITTEE FOR ACTION.

1. It is recommended that the Board reaffirm the February 4 Board letter policy that the Readiness-to-Serve

Charge allocation be based on the average total water sales by agency for fiscal years 1992-93 and 1993-94 except for long-term storage water. Long-term storage water includes direct groundwater replenishment; water taken under the Cooperative Storage Program, the 1993 Demonstration Storage Program, cyclic storage, and the May through September 1993 seasonal storage program; and seasonal storage water defined as long term in the 1988-89 Seasonal Storage Service Handbook. It is the intent of the Board to include long-term storage water upon recovery of the water in the RTS charge effective in fiscal year 1994-95.

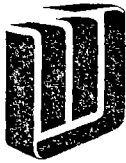
2. It is recommended that Seasonal Storage Water Service shall be made available until June 30, 1994.



John R. Wodraska

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Attachment

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

February 4, 1994

To: Board of Directors (Water Problems Committee--Action)
From: General Manager
Subject: Issues Related to the Readiness-to-Serve Charge

Report

At the first meeting of the Seasonal Storage/Drought Management Plan Workgroup (Workgroup) on February 3, Member Agency Managers and staff discussed how to deal with the issue of long-term seasonal storage deliveries in fiscal year 1993-94. The managers felt that the calculation methodology for the Readiness-to Service (RTS) Charge described in the December 8-2 Board Letter created a financial disincentive for maximizing groundwater storage for regional benefits.

It was the consensus of the Workgroup that the RTS Charge should be based on all water sales for fiscal years 1992-93 and 1993-94 except long-term storage water. Long-term storage water includes direct groundwater replenishment; water taken under the Cooperative Storage Program, the 1993 Demonstration Storage Program, cyclic storage, and the 1993 summer seasonal program; and seasonal storage water defined as long term in the 1988-89 Seasonal Storage Service Handbook (Handbook). In the Handbook, long-term seasonal storage water is that water which an agency leaves in storage for a duration extending past the end of the fiscal year (June 30) through avoided production during a period of availability (normally October 1 through April 30). The seasonal storage services deliveries for fiscal year 1992-93 and 1993-94 would be subject to audit.

This calculation methodology will apply for the remainder of fiscal year 1993-94 and used to allocate the RTS Charge in 1995-96. A more refined definition of long-term seasonal storage water and the conditions for its exclusion from the RTS Charge will be the subject of future Workgroup meetings. The consensus reached by the Workgroup as a result of these additional meetings will be the basis for the allocation of the RTS charge in future fiscal years.

Board Committee Assignment**WATER PROBLEMS COMMITTEE FOR ACTION.**

This letter is referred for action to the Water Problems Committee because of its authority to study, revise, and make recommendations with regard to the selling prices of water and conditions governing sales and exchanges of water, and to the allocation of water standby or availability of service revenue requirements, pursuant to Administration Code Sections 2481(c) and (e).

Recommendation

It is recommended that the Board approve the Readiness-to-Serve Charge allocation based on the average total water sales by agency for fiscal years 1992-93 and 1993-94 except for long-term storage water. Long-term storage water includes direct groundwater replenishment; water taken under the Cooperative Storage Program, the 1993 Demonstration Storage Program, cyclic storage, and the May through September 1993 seasonal storage program; and seasonal storage water defined as long term in the 1988-89 Seasonal Storage Service Handbook. In the Handbook, long-term seasonal storage water is that which an agency leaves in storage for a duration extending past the end of the fiscal year (June 30) through avoided production during a period of availability (normally October 1 through April 30).



John R. Wodraska

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