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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*Karen E. Clark*  
 EXECUTIVE SECRETARY

June 1, 1994

To: Board of Directors (Finance & Insurance Committee--Information)  
 (Water Problems Committee--Information)  
 (Executive Committee--Information)

From: General Manager

Subject: Status of Review Process for Agricultural Rates and Water  
 Management Programs

Report

When your Board approved the Interim Program, it directed staff to retain the services of an outside consultant to evaluate the discount for agricultural service. In addition, the Finance and Insurance Committee requested that staff submit the scope of work for Board review prior to executing a contract. Since Metropolitan is in the process of reviewing and evaluating all of its incentive programs and discounts, it is appropriate to review the agricultural discount in the context of all of Metropolitan's programs.

As Metropolitan proceeds into the implementation phase of the Integrated Resources Planning (IRP) process, it is important to establish water management programs to encourage the development of local resources such as groundwater recovery, water reclamation, conservation, and groundwater conjunctive use that are fair and programs where benefits are distributed on a regional basis. The appropriate incentives for these water management programs must be considered in the context of Metropolitan's new rate structure, Metropolitan's business principles, regional water management principles, common regional resource requirements resulting from the IRP, and Metropolitan's drought management plan.

Attachment A describes the scope of work for consulting services to review and evaluate all of Metropolitan's water management programs including the discount for the Interim Agricultural Water Program. The proposed schedule for the review of Metropolitan's water management programs is aggressive. The goal is to have recommended modifications to the programs prepared in time to set rates for fiscal year 1995-96.

June 1, 1994

A Request for Proposals will be prepared to solicit statements from consultants that can assemble a team that is knowledgeable of Metropolitan and its member agencies, Metropolitan's water management programs, and the region's groundwater basins, as well as an experienced team of financial and rate professionals. The participation of minority-owned and women-owned business enterprises will be encouraged. We will come back to your Board in July for authorization to enter into an agreement with the selected firm(s).

#### Board Committee Assignments

This letter is referred to:

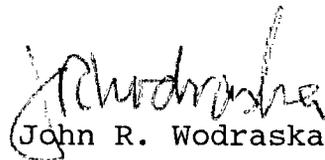
The Finance and Insurance Committee for information pursuant to its authority to determine revenues to be obtained through sales of water under Administrative Code Section 2441(e);

The Water Problems Committee for information pursuant to its authority to study policies regarding water conservation, reclamation, reuse and underground storage of water and the use thereof under Administrative Code Section 2481(i); and

The Executive Committee for information pursuant to its authority to study, advise, and make recommendations on policies and procedures to be considered by the Board under Administrative Code Section 2417(e).

#### Recommendation

For information only.

  
John R. Wodraska

JMB:bvf

Attachment

ATTACHMENT A  
CONSULTING SERVICES FOR THE REVIEW AND  
EVALUATION OF METROPOLITAN'S WATER MANAGEMENT PROGRAMS

Introduction

The objective of this Scope of Work is to provide Metropolitan with professional services to analyze and make recommendations regarding Metropolitan's water management programs. The incentive programs will be considered within the context of Metropolitan's newly adopted financial structure, business principles, regional water management principles, common regional resource requirements resulting from the Integrated Resources Planning (IRP) process, and Drought Management Plan.

Scope of Work

1. Given the results of Metropolitan's IRP, analyze and evaluate appropriate rates and incentive levels for Metropolitan's Seasonal Storage Service Program, Cooperative Storage Program, and conjunctive use programs:

- a. Evaluate historical performance and benefits associated with the existing Seasonal Storage Service (SSS) program.
- b. Present and evaluate appropriate methods for valuing groundwater storage, including a discussion of the value of short-term seasonal and long-term storage.
- c. Provide alternatives regarding the appropriate use of economic incentives to allow Metropolitan and its Member Agencies to utilize the groundwater basins in an effective and fair manner with consideration of legal and institutional issues related to public resources.
- d. Work with staff and Member Agency Managers to develop recommendations concerning rates and incentive levels for each of the above-mentioned programs.
- e. Develop a systematic approach for Metropolitan's use in the future for adjusting the rates and incentive levels for each of the above-mentioned programs.

2. Within the context of the above work task, develop models and methods to determine the value of interruptibility in service:

- a. Analyze alternative methods for determining the discount for interruptibility of service, including agriculture, based on water management benefits as well as cost of-service analyses.
- b. In context of the recently adopted Interim Agricultural Water Program, recommend an appropriate method and discount for agricultural service.

3. Given the results of Metropolitan's IRP process, assess and evaluate different methods that Metropolitan may utilize in ensuring appropriate development of local resources including groundwater recovery, water reclamation, and conservation:

- a. Consider performance-based contracts, capital payments, and cooperative ventures, as well as other methods developed by the Consultant.
- b. Analyze resource development responses to varying incentive levels.
- c. Evaluate institutional barriers to the successful development of those local resources and recommend ways to overcome such barriers.
- d. Work with staff and Member Agency Managers to develop recommendations concerning methods to ensure appropriate development of local resources.

4. Prepare an interim summary report and a final summary report. The reports would summarize the findings and recommendations developed through the course of the study. Comments from reviewers should be considered and incorporated, if appropriate, in the final report.

5. Provide support for the development of issue papers on the study's recommendations and other related activities for the fall Strategic Assembly and public forums.

6. Attend and support relevant meetings with staff and facilitate meetings with member agencies on the study.