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APPROVED
by the Board of Directors of
The Metropolitan Water District
of Southern California
at its meeting held

JUL 12 1994



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

June 22, 1994

[Signature]
~~EXECUTIVE SECRETARY~~

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

From: General Manager

Subject: Authorization to Enter into a Consulting Agreement to Review
and Evaluate Water Management Programs

Report

At last month's committee meetings, we provided the proposed 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. Proposals from consultants are due July 1, 1994, and selection will be made during the first week of July. Because of this schedule, the name of the selected firm(s), the estimated fee, and the involvement of minority- and women-owned business enterprises are unknown at this time. However, a supplemental Board letter with that information will be provided prior to your committee meetings.

This study of Metropolitan's water management programs is statutorily exempt from provisions of the California Environmental Quality Act because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

Board Committee Assignments

This letter is referred to:

The Finance and Insurance Committee for action pursuant to its authority to authorize appropriations under Administrative Code Section 2441(d);

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

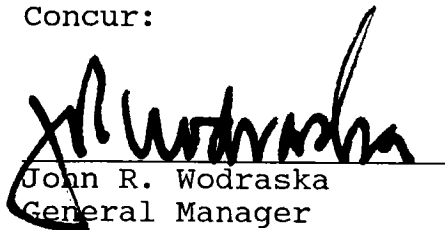
FINANCE AND INSURANCE COMMITTEE FOR ACTION.

It is recommended that the General Manager be authorized to enter into an agreement with the selected consultant to perform the review and evaluation of Metropolitan's incentive programs as set forth in this letter, such agreement to be in form approved by the General Counsel.

John R. Wodraska
General Manager

By Debra C. Man
Debra C. Man
Chief of Planning/Resources

Concur:


John R. Wodraska
General Manager

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.