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MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

EXECUTIVE SECRETARY

9-15

James E. Duff

January 31, 1995

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

From: General Manager

Subject: Status of Metropolitan's Participation in 1995 California
Drought Water Bank

Report

In October 1994, your Board authorized purchasing up to \$1.5 million of options for water from the 1995 California Drought Water Bank (1995 Water Bank), estimated sufficient to purchase 100,000 acre-feet of options. In November 1994, Metropolitan staff requested 60,000 acre-feet of options, submitting an option deposit of \$600,000 to the Department of Water Resources (DWR). At that time, DWR unofficial estimates for initial approval of State Water Project (SWP) delivery of entitlement water for 1995 ranged between 20 and 35 percent.

The recent heavy precipitation and the increased allocation of SWP deliveries exceeding Metropolitan's projected needs, have allowed Metropolitan staff to eliminate its request for options in January 1995. Under the 1995 Water Bank contract, DWR will refund to Metropolitan any unused amount of its option deposit (\$10 per acre-foot), less an administrative fee (\$2 per acre-foot). These amounts are subject to adjustments in accordance with contract provisions, however, it is anticipated that approximately \$480,000 of the \$600,000 option deposit will be refunded to Metropolitan. It should be noted that actual costs of operating the 1995 Water Bank must be paid, and the exact refund to Metropolitan is not known at this time.

Metropolitan's involvement in the 1995 Water Bank has helped to accomplish the successful integration of water purchase options for the first time for any water bank. Benefits of water purchase options are: (1) reduction in the water purchase price, and (2) increased water management flexibility to respond to changing supply conditions as the year proceeds. The 1995 Water Bank has established a

valuable precedent for future water banks. Option programs, with the leadership and cooperation of DWR, and buyers and sellers, are now a proven process to secure bank water.

Recommendation

For information only.

John R. Wodraska
General Manager

Submitted by:



Debra C. Man, Chief
Planning and Resources

WWH:cl

Concur:



John R. Wodraska
General Manager