


MAY - 9 1995

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EXECUTIVE SECRETARY

April 25, 1995

To: Board of Directors (Water Problems Committee--Action)
From: General Manager
Subject: Potential to Store Additional Water in 1995 for Future Regional Benefit

RECOMMENDATION:

That the General Manager be authorized to: (1) make water available during the summer of 1995 for purchase by the member agencies for local storage for later regional benefit under the terms described in this letter, (2) modify the Administrative Code provisions relating to the Cooperative Storage Program to make them consistent with this letter, in a form approved by the General Counsel, and (3) fix the Readiness-to-Serve Charge for water stored in 1995 at \$36 per acre-foot of water delivered under this Program.

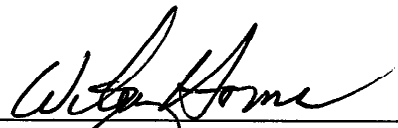
John R. Wodraska
General Manager

Submitted by:



Debra C. Man, Chief
Planning and Resources

Concur:


John R. Wodraska
General Manager

EJT:ec

Attachment

EJTMAY2/inbox/boardltr

EXECUTIVE SUMMARY:

Due to the unusually wet conditions in 1994/95, it is expected that Metropolitan will have unused water that could be made available for local storage. This water could provide an opportunity to increase water supply reliability for the region in the future. It is estimated that less than 60,000 acre-feet would be stored in 1995 during the period May through September, when seasonal storage and replenishment water are not normally available. This stored water could be made available to help fill Domenigoni Valley Reservoir, for operational requirements, or reduce or eliminate shortages.

The general principles under which additional water will be stored during the 1995 summer are:

- Delivery of the water will result in increased deliveries of imported water to Metropolitan's service area;
- The water will be delivered into local storage to increase regional water supply reliability in the future;
- The sale of such water will not adversely impact Metropolitan's finances; and
- Purchase of such water will not adversely impact the member agencies' ability to participate in the Seasonal Storage Service Program in 1996.

The Cooperative Storage Program (Program) approved by your Board in 1993 would be one way for Metropolitan to deliver this water during 1995, but staff recommends that before the program is further utilized, the storage, call, and payment provisions of the Cooperative Storage Program be changed to assure that the above four conditions are met. Attached are detailed principles for modifying the Cooperative Storage Program and storing water under the program in 1995. The Administrative Code provisions relating to the Cooperative Storage Program will be amended to comply with these principles upon approval by your Board of this Program.

DETAILED REPORT:

Due to the unusually wet conditions in 1994/95, it is expected that Metropolitan will have a substantial amount of unused water that could be made available to the member agencies for local storage. This water could provide an opportunity to increase water supply reliability for the region in the future. However, because local supplies are also much higher than normal, it is estimated that less than 60,000 acre-feet would be stored in 1995 during the summer period from May through September. This is the period when seasonal storage and replenishment water are not normally available. In the future, this stored water could be made available to help fill Domenigoni Valley Reservoir, meet operational requirements, or reduce or eliminate shortages.

Over the past three months, Metropolitan and the member agencies have been discussing the provisions under which additional water would be stored during the summer of 1995. The consensus of these discussions is that if additional water is stored, it should be stored under the following four general principles:

- (1) That delivery of the water will result in increased deliveries of imported water to Metropolitan's service area. This principle is intended to assure that more water is placed into local storage than would have otherwise occurred in 1995, and that the delivery of this water will not offset a firm sale by Metropolitan;
- (2) That the water will be delivered into local storage to increase regional water supply reliability in the future. This principle is intended to assure that more water will be available throughout Metropolitan's service area in the future when needed to produce regional benefits;
- (3) That the sale of such water will not have a long-term adverse impact on Metropolitan's finances. This principle is intended to assure that there will be no adverse financial impacts to Metropolitan and the member agencies; and
- (4) That purchase of such water will not adversely impact the member agencies' ability to participate in the Seasonal Storage Service Program in 1996. This principle is intended to assure continued local purchase and production of seasonal shift water for local and regional benefit.

The Cooperative Storage Program approved by your Board in 1993 would be one way for Metropolitan to deliver this water during 1995, but staff recommends that before the Cooperative Storage Program is further utilized, the storage, call, and payment provisions of the program be modified to assure that the above four conditions are met.

Detailed principles for modifying the Cooperative Storage Program and implementing the program in 1995 have been developed in cooperation with the member agencies. A copy of those principles is attached. The principles provide that:

- (1) Delivering the water will result in increased deliveries of imported water.
 - Historical baselines for each participating agency will be used and adjusted as appropriate to determine the amount of water stored and returned under the program.
- (2) Water will be delivered to local storage for regional benefit.
 - Up to one-third of the total water stored under the Cooperative Storage Program can be called in any year.
 - The water can be called by reducing seasonal storage deliveries and/or included in future drought allocations, and used to fill Domenigoni Valley Reservoir, for operational needs, or to reduce or eliminate shortages.
 - Water stored under the Cooperative Storage Program can be included in future long-term storage programs developed as part of this Integrated Resources Plan (IRP) process at the discretion of each participating member agency.
- (3) Sale of the water will not impact Metropolitan's finances.
 - Water will be delivered under the program at the General Manager's discretion, this year from May through September, 1995.

- The water will be sold at the current seasonal storage rate. In 1995 it will be sold at the 1994/95 and 1995/96 seasonal storage rates.
- Participating member agencies will pay Metropolitan's incremental cost of delivering the water. For water delivered in 1995, this cost, \$90/AF, will be paid to Metropolitan in 1996/97. The payment will be billed on July 10, 1996, with payment due 50 days later. The remaining cost will be paid when Metropolitan calls the water, but not more than ten years from the date of delivery.
- The Readiness-to-Serve (RTS) charge will be fixed at \$36 per acre-foot for water delivered in 1995, and reflects the acre-foot rate effective in 1995 (Resolution 846B, adopted March 14, 1995). The RTS will be paid monthly, when the water is called by Metropolitan. These deliveries will be included in the New Demand Charge calculation as the water is called.

(4) Purchase of the water will not impact seasonal storage service in 1996.

- The water stored will be included as local production this summer for seasonal storage credits.

Additional regional benefits will result from modifying the existing Cooperative Storage Program. These benefits are:

- Establishing substantially stronger call provisions for all water delivered under the Cooperative Storage Program to member agencies that participate in the program in 1995 and the future;
- Assuring that all water under the program will be produced for regional benefit within ten years;
- Recovering all of Metropolitan's incremental costs for water under the program, including interest, in the year following delivery of the water and assuring payment of all remaining water charges within ten years; and
- Establishing more detailed criteria for determining the amount of water placed into and returned from storage.

Although the above general and detailed principles were discussed relative to developing a storage program for the summer of 1995, some of these principles and a number of other principles developed during the IRP process could also apply to future long-term storage programs. It is staff's intent to continue the development of long-term plans for local storage programs through the IRP process. This facilitated process includes Metropolitan's member and subagencies and others. Recommendations on Metropolitan's future long-term local surface and groundwater storage programs are expected to be presented to your Board by November of this year.

DETAILED PRINCIPLES
PROPOSED MODIFIED COOPERATIVE STORAGE PROGRAM

- Water stored must increase delivery of imported water.

Water will be delivered under the Cooperative Storage Program (Program) during the May through September summer period.

The current Readiness-to-Serve (RTS) baseline, or some other mutually acceptable baseline using historical data, or current operation plans based on historical data, will be used to determine projected monthly total demand and purchases from Metropolitan. Projected numbers will be for the May through September summer period. A baseline must be designed to assure that participation in the Program will not offset a firm water sale and that additional water will be stored. Projected local pumping will be determined by subtracting projected purchases of water from Metropolitan and projected local surface water supplies from total demand.

Projected purchases from Metropolitan and projected local pumping will be adjusted based on actual total demand and local surface supplies used. If actual total demand minus local surface supplies is less than projected total demand minus local surface supplies, purchases from Metropolitan will be decreased first. After that, pumping will be reduced until total supply equals total demand. To qualify to purchase water under this Program, a member agency must reduce local pumping further than adjusted as described above.

Member agencies overlying common groundwater basins will be allowed to pool their administration of this Program, but baselines must be established for each participating water supplier.

- Water called must produce a regional benefit.

Up to one-third of the total water stored under the Program can be called in any year.

Water previously stored under this Cooperative Storage program by participating agencies will be subject to the call provisions included in these detailed principles.

The water may be called during the fill of Domenigoni Reservoir, for operational requirements, or to reduce

or eliminate shortages over the next ten years. The water called could offset a seasonal shift water delivery or be called as part of a drought allocation. If the water is called as part of a drought allocation or for operational requirements, it must be returned during ten months out of a twelve-month period from the date of call. The ten-month return period will be at Metropolitan's discretion. A baseline for determining amounts of called water pumped must follow similar guidelines as those used to determine the amount of cooperative storage water delivered.

Water stored under the Program can be included in future long-term storage programs developed as part of the Integrated Resources Planning process. If the water is included in a future long-term program, it will be subject to all terms and conditions of that Program.

- The Program must not adversely affect Metropolitan's finances.

The water for May and June will be sold at the 1994/95 seasonal storage rate and the water for July, August, and September will be sold at the 1995/96 seasonal storage rate.

The water delivered must not offset a firm water sale. If firm water sales during the May through September period are less than firm water sales during the same period in any one of the last five years, it must be clearly demonstrated that such reduction occurred due to the availability of unexpected local water supplies.

Water will be delivered at no cost to participating member agencies in fiscal year 1995/96.

The incremental cost to deliver the water (\$85 per acre-foot plus \$5 per acre-foot interest equivalent - a total of \$90 per acre-foot) will be paid to Metropolitan in fiscal year 1996/97.

The remaining cost (the appropriate seasonal storage rate - \$85 per acre-foot) will be paid monthly as pumped at the time of call by Metropolitan. The stored water will be called and delivered no later than ten years from the date of delivery. There will be no interest charged on this amount.

The RTS charge will be fixed at \$36 per acre-foot for water delivered in 1995. Water delivered thereafter will be subject to the RTS charge in the year the water is called. The RTS and the New Demand charge will be paid monthly when the water is called by Metropolitan.

- Participation in the Program must not adversely impact the participating member agency's ability to purchase seasonal storage water in the future.

Participating member agencies will be allowed to include an amount of water equal to that delivered in local long-term seasonal accounts or sell the water to local watermasters.

For purposes of future seasonal storage deliveries, Metropolitan will consider this water as local water produced under the Seasonal Storage Program in 1995.