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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

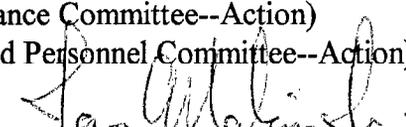
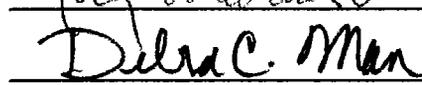
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November 4, 1997

**To:** Board of Directors (Water Planning and Resources Committee--Information)  
(Budget and Finance Committee--Action)  
(Organization and Personnel Committee--Action)

**From:** <sup>FOR:</sup> General Manager

**Submitted by:** Debra C. Man, Chief  
Planning and Resources

  
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**Subject:** Authority to Amend a Consulting Contract for Rate Refinement Process Facilitation

**RECOMMENDATION**

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It is recommended that your Board authorize the General Manager to amend a consulting contract for Rate Refinement Process facilitation services and expenses to increase funding from a total of \$200,000 to \$284,000.

**EXECUTIVE SUMMARY**

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Continuation of Rate Refinement negotiations (Phase 2 and Phase 3) was directed by your Board (Board Letter 8-1, dated June 25, 1996). Funding for Phase 2 facilitation services and expenses were provided under a contract between Metropolitan and Calleguas Municipal Water District in the amount of \$249,000. Phase 3 facilitation services have been funded through a separate contract with Gordon, Thomas, Honeywell, Malanca, Peterson & Deheim, PLLC as authorized by your Board in October 1996 in the amount of \$200,000. This amendment would increase the authorization by \$84,000 bringing the total amount of this separate contract to \$284,000.

As explained in an information letter to your Board in September 1997, Phase 3 issues under discussion include the drought allocation plan, alternative revenue sources, and long-term rate structure issues. Due to the ongoing negotiations with the San Diego County Water Authority and the development of the California Plan for Colorado River Supplies, the Rate Refinement Process (RRP) was deferred. Since July 1997, the participants have re-engaged and developed a workplan to address the remaining issues. The last phase is expected to be completed over the 1997-98 fiscal year and the estimated funds required to cover the facilitation costs are \$84,000. Funds are available in the Fiscal Year 1997-98 Budget.

**DETAILED REPORT**

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Professional facilitation services for Rate Refinement negotiations which began January 1996 have been provided by James C. Waldo, Gregory W. Forge, and Barbara J. Mirk of the law firm of Gordon, Thomas, Honeywell, Malanca, Peterson & Deheim, PLLC (Gordon Thomas). Mr. Waldo and his associates were selected through a Request for Proposals and interview process that was conducted by a group of member agency managers. Calleguas Municipal Water District (Calleguas) initially contracted with Gordon Thomas for facilitation services and expenses, administering the contract on behalf of Metropolitan.

At its meeting in July 1996, your Board approved Phase 1 recommendations from the participants of the Rate Refinement negotiations and directed staff and the Rate Refinement Team to continue with Phase 2 and Phase 3 of the Rate Refinement negotiations. Phase 2 discussions developed analyses to assist your Board in its deliberations regarding wheeling, opportunities for cost containment, and the San Diego County Water Authority's Water Exchange Proposal. Funding for Phase 2 facilitation services and expenses was provided under the contract between Calleguas and Gordon Thomas. Under Agreement No. 9025, Metropolitan reimbursed Calleguas for \$249,000 for professional facilitation services and expenses associated with Phase 1 and 2 discussions.

In October 1996, your Board granted authority to the General Manager to enter into a contract with Gordon Thomas for facilitation services and expenses for Phase 3 discussions and authorized funding up to \$200,000. Issues being addressed in Phase 3 discussions include a technical review and evaluation of the Water Surplus and Drought Management Plan, long-term revenue alternatives, growth charges, and a new long-term rate structure. An information Board Letter on the status of Phase 3 discussions was presented to your Board in September 1997.

In order to expeditiously resolve Phase 3 Rate Refinement issues, your approval is requested to amend the existing contract with Gordon Thomas to increase funding from \$200,000 to \$284,000 in order to continue professional facilitation services and expenses provided by Gordon Thomas.

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