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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

9-7

June 23, 1998

To: Board of Directors (Water Planning and Resources Committee-Information)
From: ^{FOR:} General Manager Ray Malinski
Submitted by: Debra Man Debra Man
Chief of Planning and Resources
Subject: Regional Assurances for Distribution of Benefits from a CALFED Solution

RECOMMENDATION

For information only.

EXECUTIVE SUMMARY

One of the key elements of the CALFED Bay-Delta Program is the development of a consensus assurances package. Metropolitan is working with members of the Agricultural and Urban Water Caucuses (Ag/Urban) to provide considerable input and to ensure the development of a full range of CALFED assurances. Metropolitan's member agencies are also interested in CALFED assurances issues, and in addition, they have an interest in addressing the distribution of water quality and water supply reliability benefits of a CALFED solution among the member agencies. The purpose of this Board letter is to highlight issues related to the regional distribution of benefits of a CALFED solution, and initiate discussion on this important topic.

DETAILED REPORT

In a joint statement issued on June 15, 1998, by Interior Secretary Bruce Babbitt and Governor Pete Wilson, concerning the CALFED Bay-Delta Program, they reaffirmed their commitment to put forward a final draft preferred alternative and Final Draft Programmatic Environmental Impact Statement/Environmental Impact Report (PEIS/EIR) by the end of the year. They also agreed to a set of principles concerning CALFED's approach to developing a preferred alternative. The CALFED preferred alternative principles address the following points: (1) the nature of the Final Draft PEIS/EIR document; (2) assurances to be included in the final draft preferred alternative; (3) provision of near-term stability; (4) financing and cost-share agreements to implement the preferred alternative; and (5) continued stakeholder involvement.

One of the key elements of the CALFED Bay-Delta Program is the development of a consensus assurances package. At the May 12, 1998, Board meeting, your Board approved the refinement of policy principles relating to the CALFED Bay-Delta Program and discussed the need for a CALFED assurances package that provides certainty and ensures that stakeholder interests, including Metropolitan's, are protected. Metropolitan is working with members of the

agricultural and urban water caucuses (Ag/Urban) to provide considerable input and to ensure the development of a full range of CALFED assurances.

The development of a CALFED assurances package is also of concern to Metropolitan's member agencies. In addition, Metropolitan's member agencies have an interest in addressing the distribution of benefits of a CALFED solution among the member agencies. The purpose of this Board letter is to highlight issues related to the regional distribution of benefits of a CALFED solution, and initiate discussion on this important topic. Any type of action on this issue would result from further interactions with your Board and the member agencies.

Several issues have been identified that are related to assuring the regional distribution of benefits of a CALFED solution. These issues include: (1) improvements in water quality for imported supplies purchased from Metropolitan; (2) improvements in and equitable distribution of water supply and reliability benefits of a CALFED solution; and (3) equitable distribution of costs associated with a CALFED solution among the member agencies.

In order to begin discussions on this issue, staff proposes to utilize existing forums and processes that include significant participation by the member agencies. Specifically, staff proposes that we address regional assurances issues related to a CALFED solution as part of the strategic planning process, Metropolitan's Salinity Management Study and the Water Surplus and Drought Management Plan. It is anticipated that the strategic plan will address Metropolitan's future role and alternative cost recovery mechanisms associated with those alternative roles. Questions regarding service levels will be addressed in this process.

Metropolitan's Salinity Management Study addresses the regional problems caused by salinity levels in the region's water supplies and the increasing salt imbalance in Metropolitan's service area. In a separate letter to your Board this month, staff presents draft salinity management recommendations, including a draft Policy Statement highlighting Metropolitan's commitment to managing salinity and a draft Action Plan to meet that commitment. Regional assurances of improved water quality resulting from a CALFED solution could effectively be addressed by Metropolitan's Salinity Management Study and the planned process for refinement of the draft Policy Statement and Action Plan. The draft salinity Action Plan addresses imported water source control actions and distribution system salinity management actions, including salinity target. It is anticipated that the Action Plan will link State Water Project water quality improvements that are realized as part of a CALFED solution to improvements in Metropolitan's ability to achieve salinity targets.

The planned process for refining the draft salinity management Policy Statement and Action Plan involves distribution of the draft Final Salinity Management Study Report for review and comment, and additional outreach activities involving the member agencies and other key agencies that can affect the salt balance in Metropolitan's service area. It is anticipated that these activities will occur over the course of the 1998-99 fiscal year.

Water supply reliability issues related to a CALFED solution could effectively be addressed through Metropolitan's Water Surplus and Drought Management (WSDM) Plan, currently being developed through the Rate Refinement Process. The WSDM Plan addresses issues related to water short years and how water supply shortages are allocated. It is anticipated that the WSDM Plan will be completed by the end of the calendar year.