

MINUTES

ADJOURNED REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

OCTOBER 18, 1999

43759 The Board of Directors of The Metropolitan Water District of Southern California met in Adjourned Regular Meeting in the Board Room located in the building at 700 North Alameda Street in the City of Los Angeles, State of California, on Monday, October 18, 1999.

The Meeting was called to order by Chairman Pace at 12:10 p.m.

43760 The Meeting was opened with an invocation by Board Executive Officer Gilbert F. Ivey.

43761 The Pledge of Allegiance to the Flag was given, led by Director Clayton A. Record.

43762 Secretary Hansen called the roll. Those answering present were: Directors Abdo, Bannister, Barker, Battey, Blake, Brick, Coughran, Edwards, Foley, Forbes, Grandsen, Harris, Hansen, Herman, Krauel, Krieger, Little, Luddy, McMurray, Moret, Morris, Murray, Mylne, Owen, Pace, Parker, Peterson, Record, Rez, Stanton, Swan, Tinker, Witt, and Wright.

Those not answering were: Directors Barbosa, Borenstein, Castro, Fellow, Freeman, Huntley, Koopman, Kosmont (entered 12:25 p.m.), Lewis, Morse, Murph, Rascon, Treviño, Troxel, Turner, Watton, and Wein.

The Chair declared a quorum present.

43763 General Manager Gastelum reported on the death of former Director Jerry Godell, who represented the City of Los Angeles on Metropolitan's Board from 1974 to 1984.

43764 Chairman Pace inquired if there were any additions to the agenda. There being none, the Chair declared only those matters listed on the agenda would be considered.

43765 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction. No member of the public responded.

43766 General Manager Gastelum requested Manager of Water System Operations Wicke to give the Board an update on the District's facilities and the aqueduct from the earthquake, which took place on Saturday at 2:46 a.m. Mrs. Wicke reported that this particular event offered an excellent test for our Emergency Response Plan especially since the 7.0 earthquake occurred in the desert in close proximity to our facilities. All patrol units immediately responded to inspect the aqueduct and the treatment plants, and the Emergency Operations Center at Eagle Rock was activated. Based on the inspections and contacts with the member agencies and the Department of Water Resources, the patrollers found there was no major damage to the system, except for some minor leaks in some irrigation lines.

Director Kosmont took his seat at 12:25 p.m.

43767 Regarding the Colorado River matters, via a conference call, Director of Water Resources Hannigan addressed the Board. He commented on the Key Terms for Quantification Settlement and thanked Metropolitan's Negotiating Team and its staff for the hospitality in holding the many negotiation meetings. Mr. Hannigan stated that this is a significant step in our ability to convince the other Colorado River Basin states of our seriousness towards getting to a 4.4 Plan is real and that this agreement will provide a better way for us to utilize the Colorado River water that flows to California; and in particular for Metropolitan, the lining of the All American Canal and the Coachella Canal and the benefit from that lining accruing to Metropolitan is of value. The river reoperations and the new surplus criteria that the Secretary of the Interior will

promulgate as a result of this agreement will benefit Metropolitan and its customers. He expressed his hope that Metropolitan's Board will approve the Key Terms as the basis for completing a Quantification Agreement among the parties.

Chairman Pace thanked Mr. Hannigan and Mr. David Hayes, representative from the Department of the Interior, for their extensive help in getting all parties involved in reaching this agreement.

43767 On behalf of the Board, Chairman Pace thanked General Manager Gastelum and his complement of staff, the Directors on the Negotiating Team, and Paul Cunningham for their tireless effort in arriving at an agreement with all parties involved regarding the quantification of water from the Colorado River. Chairman Pace then asked Paul Cunningham, Metropolitan's lead negotiator, to address the Board and explain the Key Terms.

Mr. Cunningham made reference to the document entitled "Key Terms for Quantification Settlement Among the State of California, IID, CVWD and MWD" dated October 15, 1999. He stated this was not a binding agreement but is recommended to the Board by the Negotiating Team and by the negotiating teams of IID and Coachella to their boards to form the basis for completing the appropriate legal documents. It is important to understand while there has been a meeting of the minds regarding the critical issues, there are still steps to be taken to secure their implementation. It is Metropolitan's Negotiating Team's position that this Key Terms are ones which Metropolitan can adopt with confidence that it is in the best interest of Metropolitan and the public.

Mr. Cunningham then reviewed certain items of the Key Terms regarding the definitions of "Inflation Index" and "Year", and then continued with explanations under each heading of the agreement titled "Water Budget During the Quantification Period", "Quantification Period", and "Accommodations and Settlement During the Quantification Period".

Director Mylne asked the difference between a defensive and non-defensive transfer agreement. Mr. Cunningham indicated that the concept is not an easy one; for example, if IID is faced

with a threat and receives an order from a State or Federal authority, that would reduce its water supply and make that water available for transfer that would constitute a defensive transfer. If a Federal authority tells IID it must reduce its take of Colorado River water for environmental purposes because water has to be left in the river, that would not be a basis for a defensive transfer because that would not make water available for transfer. Otherwise, if IID were ordered to conserve water that would make water available that would be a defensive transfer. Mr. Cunningham then continued to give more examples of the differences between the transfers.

Director Little withdrew from the Meeting at 1:04 p.m.

Continuing with his explanation of the Key Terms, Mr. Cunningham stated Coachella and IID has a much more binding peace treaty in which neither will challenge the other's water supply during the quantification period. Coachella may object to transfers during the period of shortage and sharing of reduced water availability.

Director Morris expressed his concern of the incentive clause between IID and San Diego County Water Authority to continue its transfer as a way of avoiding an off ramp under certain conditions. Mr. Cunningham stated there is little incentive in this agreement for IID to use the off ramp. IID has a binding agreement with San Diego and IID has a significant possibility of a big shift in political consciousness if this agreement, having been agreed to by the three agencies involved, and having been supported and sanctioned by San Diego, were to come apart because IID changed its mind.

Director Wright inquired about the impact of this agreement on the Salton Sea. Mr. Cunningham replied that the Deputy Secretary of the Interior has taken the view that the Salton Sea issues are independent of this transaction.

Director Blake asked if a party pulls out of the water budget, does the water budget still stay in place. Mr. Cunningham stated that any party not delivering water that it is supposed to, will be a breach and is subject to enforcement by specific performance, so the parties will be required to deliver

the water. Director Blake then asked for clarification that during the quantification period, one cannot sue another for breach or wasteful use of water. Mr. Cunningham replied that one can sue for breach, but you cannot sue to reduce another party's water supply for 20 years.

Director Tinker commented on the news reports that Coachella will drop its lawsuit as a result of this agreement. Mr. Cunningham replied that as of this time it is not known what Coachella intends to do. Director Tinker then asked if Metropolitan would drop its lawsuit against San Diego, and Mr. Cunningham said that Metropolitan has not made a determination yet as to the course it intends to pursue. General Manager Gastelum reported that the question of resolving the lawsuits was posed to IID, and was told that matter would be taken up later.

Director Record withdrew from the Meeting at 1:25 p.m.

Following a further question and answer session, Director Mylne moved, seconded by Director Foley, that the Board approve the use of the Key Terms for Quantification Settlement Among the State of California, IID, CVWD, and Metropolitan attached to the letter signed by the General Manager on October 15, 1999, as the basis for completing a new Quantification Agreement among the parties.

Chairman Pace reported that the boards of both Imperial Irrigation District and Coachella Valley Water District have approved the Quantification Agreement.

The Chair then called for a roll call vote on the motion.

The following is a record of the vote on the motion:

Ayes: Anaheim (Dir. Stanton, 1,776 votes), Beverly Hills (Dir. Harris, 959 votes), Burbank (Dir. Battey, 935 votes), Calleguas Municipal Water District (Aye: Dir. Grandsen. Absent: Dir. Borenstein. 3,813 votes), Central Basin Municipal Water District (Aye: Dir. Pace. Absent: Dirs. Morse and Treviño. 6,069 votes), Coastal Municipal Water District (Dirs. McMurray

and Owen, 3,151 votes), Fullerton (Dir. Blake, 707 votes), Glendale (Dir. Rez, 1,191 votes), Las Virgenes Municipal Water District (Dir. Peterson, 960 votes), Long Beach, (Dir. Hansen, 1,806 votes), Los Angeles (Ayes: Dirs. Herman, Kosmont, Luddy, and Moret. Absent: Dirs. Castro, Freeman, and Wein. 19,855 votes), Municipal Water District of Orange County (Ayes: Dirs. Bannister, Foley, Swan, and Witt. Absent: Dir. Huntley. 13,363 votes), Pasadena (Dir. Brick, 973 votes), San Diego County Water Authority (Ayes: Dirs. Krauel, Parker, and Tinker. Absent: Dirs. Lewis, Turner, and Watton. 16,443 votes), San Marino (Dir. Morris, 221 votes), Santa Ana (Dir. Coughran, 1,118 votes), Santa Monica (Dir. Abdo, 1,129 votes), Torrance (Dir. Wright, 1,241 votes), Upper San Gabriel Valley Municipal Water District (Aye: Dir. Forbes. Absent: Dir. Fellow. 3,837 votes), West Basin Municipal Water District (Ayes: Dirs. Barker and Murray. Absent: Dir. Little. 6,980 votes), Western Municipal Water District of Riverside County (Dirs. Krieger and Mylne, 2,883 votes). Total 89,410 votes.

Noes: None.

Abstains: Foothill Municipal Water District (Dir. Edwards, 630 votes). Total 630 votes.

Absent: Compton (Dir. Murph, 176 votes), Eastern Municipal Water District (Dir. Record, 1,857 votes), Inland Empire Utilities Agency (Dirs. Koopman and Troxel, 3,507 votes), San Fernando (Dir. Rascon, 78 votes), Three Valleys Municipal Water District (Dir. Barbosa, 2,711 votes). Total 8,329 votes.

The Chair declared the motion carried by 89,410 ayes, 630 abstain, and 8,329 absent.

43768 There being no objection, Chairman Pace adjourned the Meeting at 1:33 p.m.

HELEN Z. HANSEN

SECRETARY

PHILLIP J. PACE

CHAIRMAN