

- Chief Executive Officer's June 2001 Activity Report

July 6, 2001

Chief Executive Officer

Summary

- Colorado River
- Inland Feeder
- CALFED/Bay-Delta
- MOU between SAWPA and Metropolitan
- Legislation/Communications
- IRP Review

Detailed Report

The following details the activities for the Department of the Chief Executive Officer for the period following the June Board meeting:

COLORADO RIVER

Current year Colorado River Basin water supply is estimated to be about 66 percent of average. This is about the same as last year, representing two consecutive years of significantly below average water supplies. Colorado River reservoir system storage is about 80 percent of capacity. Given the amount of water in storage and in accordance with the Interim Surplus Guidelines, the proposed 2002 Annual Operation Plan for the Colorado River reservoir system calls for a Metropolitan supply of 1.25 million acre-feet.

The President announced his intention to nominate John W. Keys as Commissioner of the Bureau of Reclamation. Mr. Keys is the Bureau's former regional director for the Pacific-Northwest Region. He retired from the Bureau after 34 years of service with the Bureau in 1998.

The Administration hopes to have Mr. Keys and Bennett W. Raley, nominee as Assistant Secretary for Water and Science, Department of the Interior, confirmed by the end of July. Senate confirmation hearings have been completed for both.

Jason Peltier, manager of the Central Valley Project Water Association for the past 11 years, has been named the special assistant to Deputy Assistant Secretary for Water and Science Tom Weimer of the Department of the Interior.

Governor of Arizona Jane Dee Hull named Joseph C. Smith as the Director of the Arizona Department of Water Resources, replacing Rita Pearson-Maguire who recently resigned after 8 years as Director. Mr. Smith was a Deputy Director of the Department.

The seven Colorado River Basin states bi-joint letters dated June 18 to Secretaries Gale Norton and Colin Powell provided their views, positions and concerns regarding water supply and environmental issues in the Colorado River delta. The States expressed their willingness to assist in addressing delta issues, noting however that the states' Colorado River rights and interest must be protected.

The Board is scheduled to consider in July the principles of agreement for a Land Management, Crop Rotation and Water Supply Program (Program) with the Palo Verde Irrigation District and the appropriation of funds for the preparation of environmental documentation and other preliminary activities for the Program. This urban/agricultural partnership program would assist in stabilizing the farm economy within the Palo Verde Valley and provide Metropolitan with a long-term flexible water supply. Under the program, Metropolitan would also fund Palo Verde Valley community improvement programs.

INLAND FEEDER

On Friday, June 22, 2001, Metropolitan received a fully executed Second Amendment to its Special Use Permit from the United States Forest Service (USFS) allowing it to move forward with the mining of both the Arrowhead East and Arrowhead West Tunnels. A complete report will be provided in the Engineering, Operations and Real Property Committee.

CALFED/BAY-DELTA

On June 14, Governor Gray Davis announced the allocation of \$54.8 million in grants and loans for CALFED projects. The projects, funded by the Department of Water Resources (DWR) with Proposition 13 and other state funds, include pilot groundwater storage projects, water-use efficiency projects such as installation of ultra-low flush toilets, and local watershed planning and assessment projects throughout the state. All of the funds were awarded through a competitive project selection process to ensure high quality projects are implemented.

On June 19, 2001, the Kings River Water Association's Executive Committee approved a set of "Principles Regarding Proposed Cooperative Water Management Activities between the Kings River Water Association, on Behalf of its Member Units, and The Metropolitan Water District of Southern California" (Principles). The Principles are substantially based on the existing Friant Water User Authority/Metropolitan Water Management Partnership Principles and represent the key initial step in developing a second water quality exchange partnership. Staff will present the principles to your Board for consideration at the August 2001 meeting.

DWR has contacted Metropolitan staff regarding Metropolitan's interest in entering into Environmental Water Account service agreements for calendar year 2002. It is anticipated that DWR will be interested in negotiating both a source shifting and a groundwater purchase agreement.

MOU BETWEEN SAWPA AND METROPOLITAN

I represented Metropolitan and Joe Grindstaff represented the Santa Ana Watershed Project Authority (SAWPA) on June 28 in signing a memorandum of understanding (MOU) to coordinate staff planning of common interests and similar goals with regard to salinity management and desalting, conjunctive management of native runoff, and groundwater and imported surface supplies in the Santa Ana River watershed. As part of those goals, SAWPA and Metropolitan have

agreed to seek opportunities for mutual resource development and protection, cooperatively communicate critical water resource issues, and partner in areas of scientific research and technology in water resources development. Specific agreements to implement the MOU will be presented for future review and approval by each respective board.

LEGISLATION

The legislative group has been tracking several bills on the state and federal level and continues to work informing legislators about water issues.

Federal

On the federal front:

- Federal CALFED reauthorization legislation was introduced in May by both Senator Dianne Feinstein (S. 976) and Representative Ken Calvert (H.R. 1985). Representative George Miller also introduced draft CALFED legislation on June 28. Representative Calvert has scheduled three regional California Congressional oversight hearings in June and early July to consider California's water supply, water quality and reliability needs. A regional hearing was held on June 18 in Cerritos where I testified on behalf of Metropolitan.

In addition to the three California hearings, the House Committee on Resources Subcommittee on Water and Power, chaired by Representative Calvert, has scheduled a hearing on July 12 in Washington D.C. to consider H.R. 1985. The initial mark-up session for the Calvert bill is scheduled for July 17. Metropolitan staff is drafting proposed amendments to the Feinstein and Calvert bills, and will be working with other stakeholder interests to develop possible common ground on the proposed amendments.

- Following the Senate Energy Committee inspection of the Moab Uranium tailings site in May, the Bush Administration agreed to recommend congressional funding of the supplemental appropriations measure. As it now stands, the Moab clean-up effort should receive \$1.4 million in fiscal year 2000-01, and between \$2 million and \$5 million in fiscal year 2001-02.
- The EPA formally rejected Gov. Davis' request for a waiver on the 2 percent oxygenate requirement, which effectively undermined the Governor's plan to ban MTBE without creating huge spikes in the cost of gasoline. Legislation to mandate a waiver is being pursued vigorously by the California Congressional delegation, S.949 (Feinstein) and H.R. 2270.
- A draft bill, referred to as the Colorado River Quantification Settlement Facilitation Act and jointly developed by the Imperial Irrigation District, Coachella Valley Water District, Metropolitan and San Diego County Water Authority, is being finalized for potential introduction in Congress. The bill would authorize federal appropriations for habitat enhancement for species using the Salton Sea and for two offstream water management reservoirs and associated facilities along the All American Canal. It would also provide, together with Habitat Conservation Plans and other environmental documentation, the environmental compliance and permits needed for implementation of the water transfers associated with the Quantification Settlement Agreement.

State

On the state level:

- AB 901, the Metropolitan-sponsored bill that requires Urban Water Management Plans to provide information concerning the water quality of source supplies and how that quality affects water management strategies and supply reliability, passed unanimously out of the Senate Agriculture and Water Resources Committee and now moves to the Senate Fiscal Committee.
- Staff continues to participate in stakeholder meetings, led by Assemblyman Dean Florez, to address the statutory inflexibility of existing law with respect to "fully protected species." Two bills on the matter, AB 985 and AB 1561, will be heard in the Assembly Water, Parks and Wildlife Committee on July 10.
- Although opposed to Alpert's SB 350 in its original form, Metropolitan staff has proposed amendments to protect the board's discretion and flexibility for managing Metropolitan's finances. This bill has been amended by the author to remove all reference to Metropolitan's governance and member agency reserve policies. It is scheduled to be heard in the Assembly Water, Parks and Wildlife Committee on July 10.
- The proposed 2001-02 state budget passed the budget conference committee and moves to the Assembly and Senate for vote. Key components to the plan include General Fund expenditures for CALFED/ Bay-Delta totaling nearly \$85 million, \$10.5 million to implement recommendations from the Governor's drought panel, and about \$5 million for water and energy efficiency funding.

COMMUNICATIONS

Twelve directors attended a two-day inspection trip to view Colorado River storage projects. Following a visit to the Coachella Valley and Whitewater exchange area, Coachella Valley General Manager Tom Levy and several members of his Board joined the directors for dinner. The next day the group inspected the Hayfield, Chuckwalla and Cadiz groundwater storage and transfer sites.

Vice Chair Glen Petersen, Directors Ed Little and Bill Wright, and Vice President, Colorado River Resources Dennis Underwood attended the Imperial Irrigation District 100-year Celebration in the Imperial Valley on June 20. Vice Chair Petersen gave a brief presentation commemorating the event on behalf of Metropolitan.

Metropolitan's new web site was unveiled on June 29, with a new web address—mwdH2O.com. Anyone typing in the old address will be automatically transferred to the new address. MWD email addresses also will include the new mwdH2O.com.

Our media coverage over the past month included my California Report radio interview on global warming issues, broadcast in the Los Angeles area over KPCC public radio station in Pasadena; an opinion piece on solutions to groundwater pollution by MTBE, authored by Chairman Pace and published in the Daily News; and coverage of Diamond Valley Lake, including an interview with Chairman Pace, that will be broadcast four times daily over the Palm Springs community cable access station.

The Community Partnering Program presented checks totaling approximately \$200,000 to nine entities under the Innovative Conservation Program.

IRP REVIEW

At the Board's workshop on June 26, staff responded to the question, "How much water can Metropolitan reliably deliver under contract to the member agencies through 2010?" Two supply resource scenarios were considered; current dry-year supply resources only, and current dry-year resources with the addition of supply resources that are currently under development. The analysis demonstrated that Metropolitan can offer 100 percent reliable supply by contract for up to 2.1 million acre-feet every year through 2010 using only our current resource assets, assuming recorded historic hydrologies on the Colorado River and the State Water Project (SWP) system. This would be true even in the extraordinary event of three consecutive dry years affecting the SWP or the Colorado River Aqueduct. Under a separate constructed worst case theoretical drought condition not experienced in recorded history, but theoretically possible, Metropolitan could offer to contract up to 1.8 million acre-feet every year with existing resources. With the addition of planned new resources Metropolitan will be in the position to provide, under contract, 2.1 million acre-feet or more under the assumed theoretical worst case.

The average total system demands from the member agencies, including replenishment and agricultural water is about 1.8 million acre-feet. In years of above average rainfall in Southern California, the demand has recently been as low as 1.5 million acre-feet. In years of below-average rainfall with hot and dry summers, when local supplies are scarce and retail demands increase, the system demand has been as high as 2.5 million acre-feet. This year Metropolitan delivered 2.18 million acre-feet to its member agencies.

The amount of water needed to meet historic high demands, including replenishment and agricultural demands, should not be confused with the amount of water available to meet contract water demands or water available for any single dry year. Under the Conceptual Rate Structure Action Plan approved by the Board in December 2000, it was envisioned that the member agencies would contract for firm water, and depending upon their requests, the balance of Metropolitan's supplies would be available for use in the Tier 2 annual reserve, albeit at a price higher than the contract price.

Once we know how much contract water the member agencies are collectively interested in purchasing, we will be able to compare that amount to the 2.1 million acre-foot estimate of reliable dry-year supplies. If, for example, they want 1.5 million acre-feet, that would leave 600,000 acre-feet in reserve for Tier 2 and surplus water sales in a dry year. More would be available in a normal or wet year. Also, in a dry year, we could supply more water if we augment our reliable supplies through various water transfers and storage, conservation, and recycling programs as planned.

As was stated at the workshop, this analysis is a necessary step in building a rate structure that includes an opportunity for member agencies to contract for firm supplies. It is not, however, by itself the answer to the broader question of how much reserve we want to have in order to accommodate additional future system demands, higher than average demand resulting from low rainfall in Southern California, or extraordinary demands caused by natural disaster, local infrastructure failures, or even contamination of local groundwater aquifers. The analysis simply establishes, in a conservative manner, the amount of water that would be available for contract from Metropolitan through 2010.

In order to answer the broader question, we need to hear from the member agencies what their plans are to meet their demands through their own programs, and how much water they will need from Metropolitan to meet their needs both under normal conditions and conditions where their local supplies fall short of their projections.

The member agencies have been asked to give us detailed preliminary estimates of how much contract water they want by July 27 to better estimate the need for supplemental supplies and avoid costly duplication of resource development in the region. This includes what their plans are to meet demands through their own programs, and how much water is required from Metropolitan to meet needs both under normal and possible conditions where local supplies fall short of projections.

The IRP Review demonstrated that we are reliable and can be even more reliable. As we complete the Strategic Plan process, and given the expected input from the member agencies, the Board will be able to decide how much contract water to offer and how much additional reliability we will actually plan to secure in the near term and beyond 2010.

Chief Executive Officer

Date