

- **Board of Directors**
Water Planning, Quality and Resources Committee

December 10, 2002 Board Meeting

8-2

Subject

Authorize amendment to Memorandum of Understanding with the Friant Water Users Authority

Description

Metropolitan's Board authorized the Chief Executive Officer to pursue a water management partnership with the Friant Water Users Authority consistent with a Memorandum of Understanding adopted at its December 2000 meeting. This letter requests the Board's approval to amend the MOU ([Attachment 1](#)) and to take the next step in developing higher-quality Sierra water supplies for Metropolitan's water treatment plants. Specifically, the amendment would authorize Metropolitan to begin exploring the implementation of projects with the FWUA and its members, including the development of infrastructure improvements in the FWUA's service area. The MOU and its proposed amendment do not provide for the implementation of any specific program or project. Subsequent agreements will be developed and provided to the Board for actual implementation of long-term projects. The MOU provides for joint Metropolitan-FWUA management of the work plan, and specifies that Proposition 13 funds made available to Metropolitan for these purposes will be used to implement the work plan. The MOU authorizes the expenditure of a maximum amount of up to \$4 million. The FWUA approved the MOU at their October 24, 2002 board meeting.

Policy

MOU with FWUA, approved by the Board on December 12, 2000 (Minute Item 44275).

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is exempt under the provisions of CEQA, since it involves only feasibility and planning studies for possible future actions, as well as basic data collection and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These activities may be strictly for information gathering purposes, or as part of a study leading to actions which a public agency has not yet approved, adopted, or funded. In addition, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA. As such, this proposed action qualifies under three exemptions: a feasibility and planning studies exemption (Section 15262 of the State CEQA Guidelines), a categorical exemption (Class 6, Section 15306 of the State CEQA Guidelines), and the "common sense" exemption (Section 15061(b)(3) of the State CEQA Guidelines). With respect to potential demonstration projects, such as those that may be proposed through Task 818 of the work plan, such projects will be brought back to the Board at later dates with applicable environmental documentation prior to the Board taking actions on them.

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies under three exemptions: feasibility and planning studies exemption, categorical exemption, and "common sense" exemption (Class 15262; Class 6, Section 15306; and Section 15061(b)(3) of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and amend the MOU with the FWUA based on the principles in [Attachment 1](#).

Fiscal Impact: Amending the MOU with the FWUA will not result in direct fiscal impacts, since Proposition 13 monies will be used to fund the MOU activities. However, implementing specific actions to improve Metropolitan’s water quality may result in fiscal impacts, but such actions would require future board approval.

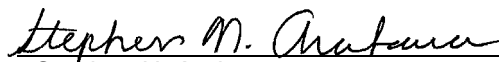
Option #2

Do not amend the MOU with the FWUA based on the principles in [Attachment 1](#).

Fiscal Impact: None

Staff Recommendation

Option #1


Stephen N. Arakawa
Manager, Water Resource Management

11/21/2002
Date


Ronald R. Gastelum
Chief Executive Officer

11/22/2002
Date

Attachment 1 – First Amended Memorandum of Understanding Regarding Feasibility Analysis of Developing Joint Water Supply and Quality Management Projects

**FIRST AMENDED
MEMORANDUM OF UNDERSTANDING REGARDING
FEASIBILITY ANALYSIS OF DEVELOPING JOINT WATER
SUPPLY AND QUALITY MANAGEMENT PROJECTS**

This First Amended Memorandum of Understanding is entered into this 10th day of December 2002, by and between The Metropolitan Water District of Southern California, a public water district (“METROPOLITAN”), and the Friant Water Users Authority (“FWUA”), a California Joint Powers Authority. METROPOLITAN and FWUA are referred to collectively herein as the “Parties.”

The Parties have entered into a memorandum of understanding dated January 25, 2001 (“MOU”) for the purpose of carrying out Phase 1, Tasks 8-00 to 8-09, of that certain “Technical Work Plan For a Water Management Partnership” (“Work Plan”). The Work Plan is attached to the MOU as Attachment B. Although Phase 1 has now been substantially completed, the Parties wish to amend the MOU to authorize both the completion of Phase 1 and work on Phase 2 of the Work Plan (Tasks 8-10 to 8-18) concurrently.

THEREFORE, the Parties agree that as of the effective date set forth above, the MOU is hereby amended and restated in its entirety to read as set forth on the First Amended Memorandum of Understanding Regarding Feasibility Analysis of Developing Joint Water Supply and Quality Management Projects attached hereto and incorporated herein by this reference. The Parties shall indicate their agreement to such amendment and restatement by executing this First Amendment below, and by executing the First Amended Memorandum of Understanding Regarding Feasibility Analysis of Developing Joint Water Supply and Quality Management Projects attached hereto, which shall thereafter be deemed the sole MOU effective as between the Parties with respect to the subject matter thereof.

Ronald R. Gastelum, Chief Executive Officer
The Metropolitan Water District
of Southern California

Dan Fults, General Manager
Friant Water Users Authority

**FIRST AMENDED MEMORANDUM OF UNDERSTANDING REGARDING
FEASIBILITY ANALYSIS OF DEVELOPING JOINT WATER
SUPPLY AND QUALITY MANAGEMENT PROJECTS**

This First Amended Memorandum of Understanding (“MOU”) is entered into this 10th day of December 2002, by and between The Metropolitan Water District of Southern California, a public water district (“METROPOLITAN”), and the Friant Water Users Authority (“FWUA”), a California Joint Powers Authority. METROPOLITAN and FWUA are referred to collectively herein as the “Parties.”

RECITALS

- A. The Parties to this MOU are committed to meeting the water supply and water quality needs of their respective services areas.
- B. METROPOLITAN’s primary interest in undertaking the MOU is to explore development of water management programs, including water quality exchanges, with the FWUA’s members that will result in a net improvement to the quality of water supplies Metropolitan receives via the California Aqueduct. FWUA’s primary interest in undertaking the MOU is to explore development of infrastructure improvements and/or programs that will improve surface water and groundwater supply reliability and affordability for its members.
- C. On June 21, 2000 and July 11, 2000, respectively, the Boards of Directors of FWUA and of METROPOLITAN authorized their respective General Managers to execute “Principles Regarding A Proposed Water Management Partnership Between the Friant Water Users Authority, On Behalf of its Members, and The Metropolitan Water District of Southern California” (“Principles”). These Principles were executed on November 30, 2000.
- D. The Principles are intended to establish a basis for developing a cooperative water management partnership between the Parties that will enhance and optimize their respective water supplies and water management capabilities. A copy of the Principles is attached to this MOU as Attachment A. The Parties intend that this MOU and all actions taken thereunder will be consistent with the Principles.
- E. The Parties have jointly developed a “Technical Work Plan For a Water Management Partnership” (“Work Plan”). The Work Plan is attached to this MOU as Attachment B. The Parties intend to enter into this MOU to carry out Phases 1 and 2 of the Work Plan (Tasks 8-00 to 8-18) concurrently.
- F. The Parties intend to pay for carrying out Phases 1 and 2 of the Work Plan solely from grants made available to METROPOLITAN from the Interim Water Supply and Water Quality Infrastructure and Management Subaccount created by Proposition 13 (Division 26, Chapter 9, Article 4 of the Water Code (Commencing with Section 79205.2)) (Proposition 13 Grants). The Parties recognize, however, that it may be necessary to provide a funding source in advance of receipt of Proposition 13 Grants, subject to reimbursement from those funds.
- G. The Parties recognize that some members of FWUA will choose not to participate in any programs or projects identified in the Work Plan. Therefore, it is appropriate that FWUA not incur any costs or liabilities to administer this MOU or develop and implement Phases 1 and 2 of the Work Plan that would be borne by all of its members. However, as METROPOLITAN and individual FWUA members agree to pursue programs or projects identified in the Work Plan, the allocation and sharing of costs and liabilities among those parties will be subject to future negotiation between those parties.

NOW, THEREFORE, the Parties to this MOU hereby agree as follows:

AGREEMENT

Financial Provisions

1. The sole source of funding to implement this MOU and Phases 1 and 2 of the Work Plan shall be Proposition 13 Grants made available to METROPOLITAN by the Department of Water Resources (DWR). Subject to paragraph 2, neither METROPOLITAN nor FWUA shall be required to contribute any other funds available to them for the purposes of this MOU. METROPOLITAN shall take any and all reasonable actions required to obtain Proposition 13 Grants in a timely manner and FWUA shall take all reasonable actions required, if any, to support METROPOLITAN. The total amount to be expended under this MOU shall be limited by the amount of Proposition 13 Grants obtained by METROPOLITAN for the purposes of carrying out Phases 1 and 2 of the Work Plan tasks, but in no case shall be more than a total of \$4 million, reflecting a maximum of \$1 million for Phase 1 and an additional \$3 million for Phase 2. Any unspent Phase 1 funds may be used to fund Phase 2 activities.
2. Notwithstanding paragraph 1, METROPOLITAN may, at its discretion, provide advance funding from its own funds to begin implementation of this MOU and Phases 1 and 2 of the Work Plan, subject to complete reimbursement from Proposition 13 Grants. If METROPOLITAN elects to advance its own funds pursuant to this paragraph 2, it shall be reimbursed from Proposition 13 Grants made available to METROPOLITAN by DWR before any of those funds are expended for any other purpose, including implementation of this MOU and the Work Plan.
3. This MOU governs the expenditure of Proposition 13 Grants obtained by METROPOLITAN (and advances, if any, from METROPOLITAN) and delivered by METROPOLITAN to FWUA for the purpose of conducting the tasks identified in Phases 1 and 2 of the Work Plan. All funds described in paragraphs 1 and 2 are hereinafter referred to as "Relevant Funds."
4. Relevant Funds in the amount required to carry out Phases 1 and 2 of the Work Plan tasks, subject to the limits specified in paragraph 1, shall be deposited to, and accounted for in, a separate fund maintained by FWUA solely for the purposes of implementing the Work Plan and this MOU. Upon any termination of this MOU, any Relevant Funds remaining in the account shall be promptly returned to METROPOLITAN after payment of all amounts due or committed in accordance with this MOU, including, without limitation, all expenses incurred for Phase 1 and/or Phase 2 work under this MOU prior to such termination. Before any Relevant Funds are expended, they shall be included in a budget specifically providing for such funds and approved by METROPOLITAN's Chief Executive Officer and FWUA's General Manager.
5. The co-chairs of the Technical Advisory Committee established pursuant to paragraph 8(c) will review and approve invoices for payment from Relevant Funds. Approval may be accomplished by both Technical Advisory Committee co-chairs initialing invoices or otherwise providing written authorization approving an invoice. Each month, a list of all Work Plan expenditures will be compiled and presented to the co-chairs of the Technical Advisory Committee. Any disagreement by the Technical Advisory Committee co-chairs relative to the approval of invoices shall be referred to the co-chairs of the Policy Team established pursuant to paragraph 8(b).
6. METROPOLITAN and FWUA shall jointly develop and manage a budget for the expenditure of Relevant Funds; however, FWUA staff shall have day-to-day administrative responsibility for maintaining the budget. Each party shall receive a statement of receipts, expenditures, budget comparisons and balances of Relevant Funds no less frequently than once a month.
7. (a) The Parties intend that they will jointly select and manage the consultants to conduct Phases 1 and 2 of the Work Plan tasks. Accordingly, written approval of both METROPOLITAN and FWUA shall be required to retain or hire consultants who are compensated with Relevant Funds. Written approval of both

METROPOLITAN and FWUA shall be required to dismiss such consultants or to change the terms of such consultants' contractual arrangement.

(b) Consistent with Recital G, FWUA may seek Relevant Funds to pay for the reasonable costs of their staff and consultants incurred in the administration of this MOU and in development and implementation of Phases 1 and 2 of the Work Plan. However, before any such funds are authorized, they shall be specifically included in the budget approved in paragraph 4. Before any funds are expended for these purposes, they shall be supported by detailed, itemized statements of cost for salary, hourly fees, out-of-pocket expenses or any other costs, and approved by the Technical Advisory Committee co-chairs. No more than a total of \$300,000 may be expended for these purposes, reflecting a maximum of \$100,000 for Phase 1 and \$200,000 for Phase 2. Any unspent Phase 1 funds may be used to fund Phase 2 activities.

Management of Consultant Contract

8. FWUA and METROPOLITAN have jointly developed the Work Plan, but have decided that FWUA alone should sign the contracts with the consultants who will perform the studies. Nevertheless, FWUA and METROPOLITAN wish to ensure that, as between themselves, certain rights and risks under those contracts are shared equally between them. Therefore,

(a) FWUA and METROPOLITAN shall jointly make all decisions concerning the conduct of the tasks in the Work Plan and shall fully and completely share data, documents, and all other materials generated by the Work Plan. All written directions to the consultants performing Work Plan tasks must receive the written approval of both FWUA and METROPOLITAN before being submitted to the consultants. As provided in paragraph 7 above, METROPOLITAN's written approval is required before FWUA may enter into contracts for Work Plan tasks. As also provided in paragraph 7 above, written approval of both FWUA and METROPOLITAN shall be required to dismiss a consultant performing any portion of the Work Plan or to change the terms of such consultant's contractual arrangements.

(b) A Policy Team shall be convened to provide policy guidance on Phase 1 and 2 activities. The Policy Team shall be comprised of managers and directors from METROPOLITAN, FWUA, and representatives from any other entities that the Policy Team shall agree to add. The Policy Team shall insure timely policy review of, and input to, management of the consulting agreement and Work Plan, and shall provide periodic updates to their respective Boards on the Progress of the Work Plan. All of the decisions of the Policy Team shall be by consensus. The Policy Team shall be co-chaired by the General Manager of FWUA and the Vice President of METROPOLITAN, who will coordinate Policy Team activities. METROPOLITAN and FWUA shall notify the other in writing of the appointment, or change in appointment, of its co-chair.

(c) A Technical Advisory Committee shall manage, facilitate and review the development and implementation of Phases 1 and 2 of the Work Plan tasks. The Technical Advisory Committee shall be comprised of policy and/or technical experts from METROPOLITAN, FWUA, and representatives from any other entities that the Technical Advisory Committee shall agree to add. The Technical Advisory Committee shall insure timely technical review of, and input to, management of the consulting agreement and Work Plan, and shall provide periodic updates to the Policy Team on the progress of the Work Plan. All decisions of the Technical Advisory Committee shall be by consensus. The Technical Advisory Committee shall be co-chaired by one representative each from METROPOLITAN and FWUA, who will perform day-to-day management of the Work Plan and the consulting agreement(s). METROPOLITAN and FWUA shall notify the other in writing of the appointment, or change in appointment, of its co-chair, if applicable, team members and any alternates.

(d) FWUA and METROPOLITAN shall each be equally entitled to all work product prepared by the consultant(s) related to the Work Plan or this MOU, and to use the work product for any purposes not adverse to the other Party, so long as the use is otherwise consistent with the Principles and this MOU. However, final work product will not be used to promote specific projects until dissemination of the work product for those purposes is approved by METROPOLITAN and FWUA. Draft work product will not be made public unless the Parties agree that that would further the Parties' interests in the program. In order to ensure coordinated

development of the program, each party shall notify the other prior to publicly disseminating the work product once it is final. Any entity added to the Policy Team or Technical Advisory Committee shall, as a condition of participating therein, execute an agreement acceptable to FWUA and METROPOLITAN pursuant to which such entity agrees to be bound by the provisions of this paragraph 8(d).

Liability

9. METROPOLITAN and FWUA will cooperate in reducing, to the greatest extent practicable, the risk from claims arising as the result of the Phases 1 and 2 work. However, consistent with Recital G, in the event of claims by third parties relating to the Phases 1 and 2 of the Work Plan, METROPOLITAN will defend, indemnify and hold FWUA and its members, and their respective directors, officers, agents, employees and volunteers, harmless from and against all losses, demands and causes of action asserted by third parties relating to Phases 1 and 2 of the Work Plan (collectively, "claims"), and shall assume responsibility for payment of any settlement, judgment, costs and attorneys' fees arising therefrom, except to the extent they arise as the proximate result of an act or omission (including without limitation negligence or misconduct) of FWUA, one of its members, or a party under their sole control. The provisions of this paragraph 9 shall govern claims arising in connection with Phases 1 and 2 of the Work Plan only, and the Parties hereby leave to future negotiation the allocation of liability, if any, relating to their activities in connection with the Work Plan following the completion of Phases 1 and 2 of the Work Plan.

Specific Programs or Projects

10. The Work Plan includes undefined tasks (Tasks 815-818) and provides for the implementation of specific demonstration project(s) that further the goals of the Parties. The Parties anticipate that design of some of the projects identified may be initiated during Phase 2. Specific projects or programs selected for reconnaissance-level and feasibility evaluations shall be disclosed at the time Tasks 815 and 816 are defined. The definition of Tasks 815-818, the selection, design and implementation of specific demonstration projects and projects selected for feasibility study, design or implementation shall be (i) developed in consultation with FWUA; (ii) consistent with the Principles; (iii) subject to technical review by the Technical Advisory Committee; (iv) subject to policy review and recommendation to the Parties' respective Boards by the Policy Team and (v) subject to approval by the Parties' respective Boards. The terms and conditions for construction and operation of any projects, including liability issues, will be subject to separate agreements.

General Provisions

11. FWUA and METROPOLITAN agree not to execute any contracts for purposes of conducting any portion of the Work Plan unless the contracting party has (a) obtained workers' compensation and liability insurance in an amount satisfactory to FWUA and METROPOLITAN, and (b) provided FWUA and METROPOLITAN (to their satisfaction) with appropriate indemnification.

12. Each person who executes this MOU represents and warrants to each party hereto that he or she has the authority to do so.

13. This MOU may be amended or modified only by a written agreement signed by each of the Parties. No oral amendment or modification of this MOU shall be enforceable even if such oral amendment or modification is claimed to be supported by new consideration therefor.

14. In entering into this MOU, the Parties represent that they have each been represented by counsel who are the attorneys of their own choice in the negotiation and drafting of this MOU. Accordingly, this MOU shall not be strictly construed against any party, and the rule of construction of contracts resolving any ambiguities against the drafting party shall be inapplicable. The Parties further represent and warrant that the terms of this MOU have been completely read and explained to them by their attorneys and that those terms are fully understood and voluntarily accepted by them.

15. This MOU shall inure to the benefit of and bind the successors of the Parties thereto.

16. This MOU may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument.

17. This MOU may not be assigned, in whole or in part, by either of the Parties without the express written consent of the other party, which consent may be withheld by such other party in its sole and absolute discretion.

18. Nothing in this MOU shall be deemed or construed by any person to create the relationship of principal and agent, or of limited or general partnership, or of joint venture, or of any other association between or among the Parties.

19. Each party shall, as often as reasonably requested, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such further documents and instruments as may be necessary to carry out the intent and purpose of this MOU.

20. This MOU shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

21. This MOU shall be effective on December 10, 2002 and shall remain in effect until Phases 1 and 2 of the Work Plan tasks are completed to the satisfaction of the Parties and payment has been made to the consultant(s); provided that upon termination of the Principles, this MOU shall terminate. Notwithstanding the foregoing, the provisions of paragraphs 2, 4, 8(d) and 9 shall survive any termination of this MOU.

Ronald R. Gastelum, Chief Executive Officer
The Metropolitan Water District
of Southern California

Dan Fults, General Manager
Friant Water Users Authority

ATTACHMENT A

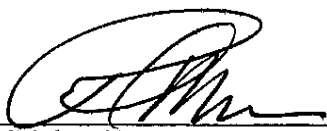
**PRINCIPLES REGARDING
A PROPOSED WATER MANAGEMENT PARTNERSHIP BETWEEN THE
FRIANT WATER USERS AUTHORITY, ON BEHALF OF ITS MEMBERS,
AND THE METROPOLITAN WATER DISTRICT OF SOUTHERN
CALIFORNIA**


MUTUAL GOALS

The attached "Partnership Principles" are agreed to in furtherance of developing a cooperative water management partnership (Partnership) between the Friant Water Users Authority (Authority), on behalf of its members, and the Metropolitan Water District of Southern California (Metropolitan) that will enhance and optimize their respective water supplies and water management capabilities. This mutually advantageous agricultural-urban Partnership will explore water management opportunities that have both short- and long-term benefits and address water supply management issues. Partnership activities will include, but are not necessarily limited to: sharing information; consulting on CALFED activities; preparing feasibility studies; conducting modeling and technical analyses; implementing pilot projects; and designing and constructing water management facilities. The Partnership will be pursued in an open process with full participation of interested parties.

Metropolitan's primary interest in pursuing the Partnership is to develop water management programs, including water quality exchanges, with the Authority's members, that will result in a net improvement to the quality of water supplies Metropolitan receives via the California Aqueduct. The Authority's primary interest in pursuing the Partnership is to develop infrastructure improvements and/or programs that will improve surface water and groundwater supply reliability and affordability for its members.

Nothing herein reduces the importance of pursuing improvements to water conveyance facilities or other improvements in the Sacramento-San Joaquin River Delta (Delta) that will improve the reliability of water supplies exported from the Delta and will provide higher quality water for Delta exporters. Further, it is the intent of both parties for the Partnership activities to be consistent with the current consensus-based efforts of the Authority to restore environmental values on the San Joaquin River.

By: 
Richard M. Moss, General Manager
Friant Water Users Authority

By: 
Ronald R. Gastelum, General Manager
Metropolitan Water District
of Southern California

Date: November 30, 2000

Date: November 30, 2000

PARTNERSHIP PRINCIPLES

1. The Partnership will enhance water management capabilities of the Authority's members and Metropolitan.
2. The Partnership may explore, evaluate, and develop infrastructure improvements and/or programs that will improve surface water and groundwater supply reliability and affordability for the Authority's members.
3. The Partnership will pursue water management actions, including water quality exchanges, which provide Metropolitan with water quality improvements at the Edmondston Pumping Plant at a cost acceptable to Metropolitan.
4. The Partnership will not negatively impact water supply, operations, or financial condition of the Authority, its members or Metropolitan.
5. The Partnership will not negatively impact the availability, quality or costs of water supplies to other San Joaquin Valley interests, fully recognizing the water rights of members of the Partnership.
6. The Partnership will ensure that any program implemented will result in water quality for each Authority member that is acceptable to that member.
7. The Partnership will sustain long-term groundwater management capabilities for all beneficial uses within the Friant Division service area specifically, and the San Joaquin Valley generally.
8. Metropolitan will assume all risks associated with its State Water Project supplies delivered from the Sacramento-San Joaquin Delta, including without limitation any shortages that may occur.
9. The Partnership will operate in a manner that will not jeopardize the water rights relied upon in order to make water available to the Authority's members, Metropolitan, or any other party in the San Joaquin Valley.
10. The Authority will act as a clearinghouse for all Partnership activities on behalf of its members including but not limited to distributing Partnership-related information received from Metropolitan to its members.
11. Metropolitan will coordinate all Partnership activities, including Partnership activities with individual Authority members, through the Authority, and will not undertake any activities within the scope of the Partnership with any party within the service area of the Friant Division other than as a part of the Partnership.

Attachment B
Technical Work Plan for a Water Management Partnership

October 15, 2002

Mr. Dan Fults, General Manager
Friant Water Users Authority
854 Harvard Avenue
Lindsay, California 93247

*Subject: Friant Water Users Authority Contract Modification-018: Phase 2 of
FWUA/Metropolitan Water Management Partnership*

Dear Dan:

In accordance with the contract for professional services between the Friant Water Users Authority (FWUA) and Science Applications International Corporation (SAIC), this letter is our Request for Contract Modification 018. Contract Modification 018 presents the scopes of work and estimated budgets associated with Phase 2 of Friant/Metropolitan Water Management Partnership.

BACKGROUND

In late 1999, FWUA and the Metropolitan Water District of Southern California (Metropolitan) entered into discussions regarding a Water Management Partnership (Partnership) that would: (1) improve the reliability of the water supplies of the FWUA Member Districts; (2) provide improved water quality to Metropolitan; and, (3) not be competitive for the water supplies that may be developed as part of the San Joaquin River Restoration Program. It was recognized that any program developed between Metropolitan and a FWUA Member district would be difficult to implement if that program and the San Joaquin River Restoration Program were competing for the same water. The parties developed Principles for Agreement and a Memorandum of Understanding for moving forward with an investigation. SAIC, already under contract with FWUA, was selected as the Consultant.

Contract Modification 004 to the FWUA/SAIC agreement authorized SAIC to initiate work on Phase 1 of the Partnership. In general terms, Phase 1 required the development of nine preliminary or appraisal-level technical memoranda (Tasks 800-809). The two purposes of these memoranda were to: (1) compile available technical and institutional information that would affect the capability to deliver Eastside water to Metropolitan in exchange for the delivery of a portion of Metropolitan's entitlement to State Water Project (SWP) water to FWUA Member Districts; and, (2) identify issues

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that may constitute significant impediments to implementation of programs that might be developed by the Partnership.

SAIC has essentially completed the Phase 1 activities and submitted drafts of the nine technical memoranda for review and comment. Comments from FWUA and Metropolitan were received and incorporated in revised memoranda that are now considered "final drafts" ready for the next step in the review process.

FWUA and Metropolitan representatives have requested that the Phase 3 activities originally proposed in the scope of work set forth in Contract Modification 004 be incorporated into Phase 2 (Tasks 810-818). This change is reflected in this request for contract modification.

SAIC proposes to initiate Phase 2 activities upon receipt of the executed copy of this Request for Contract Modification 018. Descriptions of the scope of work, deliverables, schedules, and estimated budgets for roughly twelve (12) months after the start date are also provided for Tasks 810 through 814. The schedule is based on a start date of December 12, 2002. The budgets are based on estimates of the time required to complete each of the tasks, staff billing rates and estimates of other direct costs.

The time required for completing Tasks 810 through 814 and the budgets for each are at best rough, order of magnitude estimates. One of the reasons for the uncertainty is because of the dependency on the deliverables from the two San Joaquin River Restoration studies, which have not yet been accepted by FWUA. SAIC proposes to monitor the work of these studies, particularly the water supply studies, and coordinate schedules, scopes of work, and budgets with representatives of FWUA and Metropolitan during the course of the Phase 2 tasks. SAIC may use subcontractors for portions of some of the tasks requiring special expertise, such as preliminary design and preparation of estimates of probable construction costs. SAIC has included the estimated cost of subcontractors in the estimated budgets for each of the Phase 2 tasks.

SAIC proposes to review the scopes of work and associated budgets for the Phase 2 tasks with the FWUA and Metropolitan Technical Advisory Committee at least monthly as the work progresses and recommend changes based on the findings for each task. This will present FWUA and Metropolitan with an opportunity for readjustment in the task description and estimated budget to utilize both staff and financial resources as efficiently as possible.

Budget estimates are not provided for Tasks 815 through 818, which address specific projects, which have not yet been identified. These tasks may be performed by SAIC or involve consultants retained directly by FWUA Member Districts or Metropolitan.

SAIC proposes to be able to move the funding from one task to the other, consistent with Contract Modification 004 which covered Phase 1 activities. FWUA and Metropolitan will be notified if a reallocation of funding among the tasks is required. The total estimated 12-month Phase 2 budget would not be exceeded without prior authorization.

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Phase 2 Task No.	Description	Estimated Budget
810	New Surface and Groundwater Storage	\$237,100
811	New Westside Conveyance and Exchange Facilities to FWUA	\$287,600
812	New Eastside Conveyance and Exchange Facilities to SWP	\$200,300
813	Restoration Effects on Water Quantity and Quality	\$119,600
814	Evaluation of FWUA Member Interest in Phase 1 Findings	\$195,700
	Subtotal	\$1,040,300.00
815	Conduct Reconnaissance-level Evaluations	Not Estimated
816	Feasibility Evaluations	Not Estimated
817	Environmental Compliance	Not Estimated
818	Demonstration Projects	Not Estimated
Estimated 12-month Phase 2 Budget for Tasks 810 through 814		\$2,080,600.00

SAIC proposes to assign a separate job code to each of the new tasks to facilitate cost tracking. Brief descriptions of the Phase 2 tasks to be undertaken by SAIC pursuant to this contract modification are set forth following.

Phase 2 Task Descriptions

Phase 2 tasks were originally described in Contract Modification 004 that authorized SAIC to proceed with Phase 1 of the Partnership activities. The task descriptions set forth in Contract Modification 004 are repeated below in the "Original Statement of Work" section for each task. A more specific description of the activities to be undertaken is described below under the "Updated Work Plan" section for each task.

Task 810 - New Surface and Ground Water Storage

Original Statement of Work: A technical memorandum will be produced to evaluate the capability of new surface water and groundwater storage facilities to further the goals of the Partnership. The analyses will include identifying operational constraints and opportunities. SAIC also proposes to conduct preliminary evaluations of environmental compliance issues associated with any new surface and groundwater storage facilities identified in this task.

Updated Work Plan: The objective of this task is to identify facilities to: (1) Regulate FWUA Member District water supplies for delivery to Metropolitan; and, (2) Regulate a portion of the Metropolitan SWP supplies for delivery to FWUA Member Districts.

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SAIC proposes to review information on potential surface and groundwater storage sites presented in the San Joaquin River Restoration studies or other existing studies. Based on this review, SAIC proposes to determine the general locations of potential surface and groundwater storage sites and to evaluate operational and environmental issues that may affect the feasibility of the site(s). Specifically, SAIC proposes to evaluate three potential generic surface water locations and three potential generic groundwater storage locations. The evaluations will include water operations studies for each storage site, based on a monthly time step, for a recent period of record (up to 30 years). SAIC also proposes to work with the Technical Advisory Committee (TAC) to identify specific surface and groundwater storage sites that could be considered for further reconnaissance-level work under Task 815.

Estimated Budget for Task 810: \$237,100

Task 811 – New Westside Conveyance and Exchange Facilities to FWUA

Original Statement of Work: A technical memorandum will be produced to evaluate the ability to provide SWP supplies to the service areas of FWUA members. The analyses will include identifying operational constraints and opportunities. SAIC also proposes to conduct preliminary evaluations of environmental compliance issues associated with any new surface and groundwater storage facilities identified in this task.

Updated Work Plan: Phase 1-Task 806 work identified the capability of existing facilities to convey water from the SWP to FWUA Member Districts. Based on that work, SAIC proposes to estimate the capability of existing facilities to be enlarged and estimate the additional capacity that could be achieved. SAIC also proposes to prepare estimates of probable construction costs for such enlargements. SAIC proposes to limit the investigation of existing facilities to the, Friant-Kern Canal, Arvin-Edison Intertie Pipeline and related facilities and the Cross Valley Canal and the Kern Water Bank Canal. SAIC will use the results of recent studies by Kern County Water Agency and others to expedite the analysis.

The total capacity requirements to convey water from the SWP to the FWUA system cannot be reliably determined until the participating FWUA Member Districts are identified. Accordingly, SAIC proposes to work together with the TAC and the individual FWUA Member Districts to estimate the range of capacity that might be required to meet the goals of the Partnership.

SAIC proposes to conduct investigations related to proposed alignments and estimated probable construction costs of two new facilities that would be determined mutually with the TAC. Sizing of the new facilities would be based on estimated peak flow requirements and the additional capacity that may be needed after the existing facilities are enlarged. Monthly operational analyses are not proposed.

SAIC proposes to base the investigations of west to east conveyance capacity on information presented in the San Joaquin River Restoration studies and other existing studies and the data collected for them. SAIC proposes to utilize the 1:24,000 USGS

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quad sheets to plot the general alignment of the new facilities and to provide a range of sizes for the new facilities for purposes of the preparation of estimates of probable construction costs as well as annual costs. Identification of any preliminary environmental compliance constraints would also be part of this task.

It is noted that the required conveyance facilities for both Task 811, and Task 812, described following could be designed to be bi-directional. The advisability and location of any bi-directional facility will be dependent on the FWUA Member Districts that decide to participate in the Partnership program.

Estimated Budget for Task 811: \$287,600

Task 812 - New Eastside Conveyance and Exchange Facilities to SWP

Original Statement of Work: A technical memorandum will be produced to evaluate the ability of new facilities to convey and exchange eastside water supplies to the California Aqueduct. The analyses will include identifying operational constraints and opportunities. SAIC also proposes to conduct preliminary evaluations of environmental compliance issues associated with any new conveyance and exchange facilities identified in this task.

Updated Work Plan: Phase 1-Task 807 work identified the capability of existing facilities to convey water from the FWUA system to the SWP. Based on that work, SAIC proposes to estimate the capability of existing facilities to be enlarged and to prepare estimates of probable construction costs for such enlargement. SAIC proposes to limit the investigation to the Friant-Kern Canal, Arvin-Edison Intertie Pipeline and related facilities, the Cross Valley Canal and the Kern Water Bank Canal.

As is the case with Task 811, total capacity requirements to convey water from the FWUA system to the SWP cannot be reliably determined until the participating FWUA Member Districts are identified. Accordingly, SAIC proposes to work together with the TAC and the individual FWUA Member Districts to estimate the range of capacity that might be required to meet the goals of the Partnership.

SAIC proposes to conduct investigations related to the proposed alignment and estimated probable construction costs of one additional facility that would be determined mutually with the TAC. Sizing of the new facility would be based on estimated peak flow requirements and the additional capacity that may be needed after the existing facilities are enlarged. Monthly operational analyses are not proposed.

SAIC proposes to base the investigations of east to west conveyance facilities on information presented in the San Joaquin River Restoration studies and other existing studies and the data collected for them. SAIC proposes to utilize the 1:24,000 USGS quad sheets to plot the general alignment of the new facilities and to provide a range of sizes for the new facilities for purposes of the preparation of estimates of probable construction costs as well as annual costs. Identification of any preliminary environmental compliance constraints would also be part of this task.

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Estimated Budget for Task 812: \$200,300

Task 813 – Restoration Effects on Water Quantity and Quality

Original Statement of Work: A technical memorandum will be produced that will assess the effect restoring environmental values on the San Joaquin River will have on the water quantity and quality of Delta exports.

Updated Work Plan: Studies are currently underway that may lead to a plan for the restoration of the San Joaquin River. The plan, if implemented, will likely affect the quality and quantity of water diverted from the Delta into the SWP facilities. It is uncertain when these restoration studies will be completed. Current water supply alternatives being considered include recirculation of San Joaquin River water released for restoration purposes as one of the components. SAIC proposes to work with the TAC to establish alternative amounts of water that may be recirculated and to estimate the effects this recirculated water will have on the water quality and quantity of Delta exports. SAIC also proposes to work closely with Metropolitan's water quality experts to develop the analyses.

Specifically, SAIC proposes to evaluate the water quality and quantity effects of two routes for the recirculated water, through the Delta or through a potential transfer facility at Patterson. The analysis of the Delta route would include consideration of current Delta operations and management programs, including VAMP and the new Banks expansion. The analysis of the Patterson route will be based upon available data and input from the TAC

SAIC proposes to analyze the water quality and quantity impacts on historical Delta diversions that could result from three alternative amounts of recirculated water. The alternatives will be developed with the TAC by using existing runs of the planning models CALSIM and Delta Simulation Model II (DSM2), which are available from the State of California, DWR. Changes in monthly water quality parameters of highest concern (TDS, TOC (trihalomethane precursors), bromide, boron, and arsenic) will be estimated at the Delta output point of the Banks Pumping Plant, and inflow to the O'Neill Forebay.

Budget for Task 813: \$119,600

Task 814 – Evaluation of FWUA Member Interest in Phase 1 Findings

Original Statement of Work: Revisit interested FWUA Member Boards. As a result of the findings of Phase 1, additional generic-type programs may be identified, similar to those in Phase 1, Task 809. SAIC proposes to meet with FWUA members to describe findings of Phase 1 investigations (Task 800 to Task 809). SAIC proposes to prepare one or more technical memoranda to document the results of the meetings and to focus the implementation phase (Phase 3) on specific projects or programs identified in previous tasks that would be beneficial to the goals of the Partnership and to specific FWUA members.

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Updated Work Plan: SAIC proposes to contact FWUA Member Districts to ascertain interest in partnering with Metropolitan on specific projects or programs. SAIC also proposes to work with FWUA Member Districts, as requested, and as approved by the TAC, to develop conceptual plans that would identify specific projects and program components for the individual districts. SAIC proposes to summarize the conceptual plans in a brief (5-10 page) memorandum. SAIC will work with consultants retained by the individual FWUA Member Districts to facilitate incorporation of their project proposals into the overall Partnership Program.

SAIC also proposes to provide "General Consultation" services under Task 814 to respond to requests from the TAC to address unanticipated tasks that may develop during the course of the investigation. The estimated budget for Task 814 includes an amount of \$100,000 for unanticipated tasks that SAIC is asked to perform.

Budget for Task 814: \$195,700

Task 815 – Conduct Reconnaissance-level Evaluations

Original Statement of Work: Initiate reconnaissance evaluations on specific water management projects and programs with FWUA members that could be pursued under the Partnership. Reconnaissance evaluations will be initiated, if specific programs identified by above appear to further the goals of the Partnership.

Updated Work Plan: The work plan for Task 815 cannot be defined until specific projects are identified.

Budget for Task 815: To be developed later

Task 816 – Feasibility Evaluations

Original Statement of Work: Initiate the evaluation of the technical and economic feasibility of specific projects identified by FWUA and Metropolitan. Feasibility evaluations will be initiated, if reconnaissance evaluations conclude specific projects will further the goals of the Partnership.

Updated Work Plan: The work plan for Task 816 cannot be defined until specific projects are identified.

Budget for Task 816: To be developed later

Task 817 – Environmental Compliance

Original Statement of Work: SAIC proposes to assist FWUA and Metropolitan staff in all issues associated with environmental compliance. It is not possible at this time to anticipate the nature of the total program or individual projects. However, SAIC proposes to work with FWUA and Metropolitan or whichever of the two is designated as the "Lead Agency" in developing the Project Description for the entire Water Management Partnership program and to prepare CEQA compliance documentation. NEPA issues will also be addressed, if applicable. SAIC is also prepared to work with

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any of the FWUA member districts in the development of specific project descriptions and EIRs for projects that may further the goals of the Partnership, as well as providing permitting, as needed.

Updated Work Plan: The work plan for Task 817 cannot be defined until specific projects are identified.

Budget for Task 817: To be developed later

Task 818 - Demonstration Projects

Original Statement of Work: A specific demonstration project(s) that furthers the goals of the Partnership will be implemented. SAIC proposes to use the pilot projects identified in previous tasks as the basis for developing projects to demonstrate the effectiveness of specific project or program, or a component thereof over a two to three year period. For example, the implemented demonstration project(s) might constitute the first phase construction of a groundwater recharge project.

Updated Work Plan: The work plan for Task 818 cannot be defined until specific projects are identified.

Budget for Task 818: To be developed later

Schedule

SAIC will initiate work as soon as authorization is received from FWUA and Metropolitan. The preliminary schedule for Phase 2 activities presented in Table 1, attached, is intended to be a guideline for implementation of the various tasks but is subject to revision as the work progresses. SAIC proposes to work closely with FWUA and Metropolitan to focus the study efforts and considers flexibility in the schedule an essential component for maximum efficiency.

Budget

SAIC's current budget authorization (as of September 30, 2002) is \$1,428,110. Approval of Contract Modification 018 for Phase 2 of the Water Management activities will increase the total budget authorization to \$2,468,410. Estimated budgets for Tasks 815 through 818 will be determined as soon as the SAIC role in these activities is known. SAIC will continue to bill on a time and materials basis as set forth in our underlying contract with FWUA and in accordance with the attached Schedule of Fees, which will be in place at least through December 2003.

Please feel free to contact me if you have questions regarding the task descriptions or the estimated budgets. As indicated, you may authorize SAIC to proceed on this contract modification by executing one copy of this letter in the space provided and returning it to me. The other copy is for your files.

Again, thank you for your continued confidence in our firm and we look forward to getting started on these important next steps toward implementation of the FWUA/Metropolitan Water Management Partnership.

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Sincerely,
SAIC ENGINEERING, INC.

R. G. Beeby

Approved: _____
Diane Keep

Agreed: _____
Dan Fults

Date: _____

Enclosures:
Preliminary Schedule
Schedule of Fees

cc: Tim Quinn/Steve Hirsch (MWDSC)

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PROPOSED SCHEDULE

**PHASE 2 - WATER MANAGEMENT PARTNERSHIP
Friant Water Users Authority
and
The Metropolitan Water District of Southern California**

Phase 2 Task No.	Description	Dates/Milestones						
		Start Date	Preliminary Memorandum		Draft Memorandum		Final Memorandum	
			Days	Due Date	Days	Due Date	Days	Due Date
810	New Surface and Groundwater Storage	12/12/02	50	02/19/03	50	05/14/03	15	08/27/03
811	New Westside Conveyance and Exchange Facilities	12/12/02	60	03/05/03	50	05/28/03	15	09/17/03
812	New Eastside Conveyance and Exchange Facilities	12/12/02	70	03/19/03	50	06/11/03	15	10/08/03
813	Restoration Effects on Water Quantity and Quality	04/03/03	40	05/28/03	30	07/23/03	15	10/29/03
814	Evaluation of FWUA Member Interest in Phase 1 Fir	07/24/03	40	09/17/03	30	11/12/03	15	12/17/03

Days = work days

Reference B**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**
Infrastructure, Planning & Engineering Group**2003****Fully Burdened
Hourly Rate****SAIC DIRECT LABOR**

Sr. Principal Consultant	\$190.00
Principal Consultant	\$180.00
Sr. Program Manager I	\$170.00
Sr. Program Manager II	\$160.00
Sr. Program Manager III	\$150.00
Sr. Program Manager IV	\$145.00
Program Manager I	\$135.00
Program Manager II	\$125.00
Sr. Project Manager	\$110.00
Project Manager	\$100.00
Sr. Consultant I	\$140.00
Sr. Consultant II	\$130.00
Sr. Consultant III	\$120.00
Sr. Consultant IV	\$110.00
Sr. Consultant V	\$105.00
Staff Consultant I	\$95.00
Staff Consultant II	\$90.00
Staff Consultant III	\$85.00
Staff Consultant IV	\$80.00
Staff Consultant V	\$75.00
Associate Consultant I	\$70.00
Associate Consultant II	\$65.00
Associate Consultant III	\$60.00
Associate Consultant IV	\$55.00
Associate Consultant V	\$50.00
Technician I	\$45.00
Technician II	\$40.00
Technician III	\$35.00
Technician IV	\$30.00
Sr. Project Administration I	\$90.00
Sr. Project Administration II	\$85.00
Project Administration I	\$80.00
Project Administration II	\$70.00
Project Administration III	\$60.00
Project Administration IV	\$50.00
Project Administration V	\$40.00

Materials & Subcontracts (M&S) Handling 12%

Lodging, meals, mileage and other out-of-pocket expenses billed at SAIC cost.

Rates Effective: November 2002 thru December 2003

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