

• Water Resource Management November 2005 Activity Report

Summary

The following is a summary of Water Resource Management Group key activities for the month of November 2005.

Detailed Report

Planning

Hayfield Program- In November 2004, staff submitted an Information Letter to the Board describing the status of the Hayfield storage project. In that letter, two primary reasons were provided for temporarily halting work associated with the Hayfield project. The first reason was a reduction in the projected amount of future surplus supplies from the Colorado River system. Due to reduced Lake Mead storage from the extended drought on the system, studies indicated a significantly lower probability of receiving surplus water over the next 10 years than had been anticipated when the Board first approved the Hayfield project development. The second reason was that the feasibility study on the Hayfield project showed a significantly higher capital cost, along with a reduced estimate of storage capacity, than had been estimated in preliminary studies. The combination of these factors led to the recommendation to defer work and reevaluate the situation in two years.

Wetter conditions in 2005 have raised questions as to whether Metropolitan should store water in Hayfield this year and resume project development. This year's water conditions were driven primarily by a high State Water Project allocation (90 percent of Table A Amount) and by the availability of unused Colorado River water from reduced demands of California agricultural water users. These two factors do not necessarily relate to the long-term viability of the Hayfield project. Metropolitan's plan is to maximize deliveries to its existing storage accounts and it does not appear that there will be excess Colorado River supplies to deliver water to Hayfield this year. However, if conditions change, deliveries of water to Hayfield remain an option. In 2006, staff will reevaluate the Hayfield program and make a recommendation to the Board whether to resume project development.

Integrated Area Studies for the System Overview Study Update - Metropolitan and the member agencies had kickoff meetings for the Riverside/San Diego and Central Pool Area Studies over the last two weeks. The member agencies expressed support for expanding the System Overview Study Update to better integrate local agency plans. All parties agree that cooperative approaches to regional planning will help define an optimized plan and the best strategies for meeting future needs.

While member agencies emphasized the importance of policy discussions, everyone agreed on a technical approach for the Integrated Area Studies. Discussion of financial and policy issues will follow completion of the technical analyses.

Some member agencies expressed concern over the aggressive schedule outlined for the studies. A formal request had been submitted to Metropolitan to consider an alternative schedule that will allow Metropolitan and member agencies to fully ascertain the best local and regional alternatives. The two workgroups agreed to have monthly meetings and three facilitated workshops. The next meetings are scheduled for the second week of December 2005.

Colorado River

Palo Verde Irrigation District Fallowing Program – Consistent with the business plan, the program is being implemented through the processing of interim and long-term land fallowing agreements. Combined, these programs are expected to provide Metropolitan over 85,000 acre-feet per year in calendar years 2005 and 2006. As of mid-November, long-term contracts covering 75 percent of the program acreage have closed escrow (which is when the long-term agreement with a landowner becomes operational). Metropolitan and PVID staff are

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working with landowners to bring closure to the remaining long-term contracts. Those remaining landowners are able to participate in the interim program through July 2006.

State Water Project Initial Allocation - In a November 22 notice to the State Water Project contractors, the Department of Water Resources announced its initial SWP allocation of Table A water for calendar year 2006. The initial allocation of 55 percent provides approximately 1.05 million acre-feet for Metropolitan. DWR will review the allocation periodically as 2006 hydrology develops.

Revised Colorado River Water Order - On the Colorado River, actual calendar year 2005 use to date by California agricultural users is less than previously projected. As a result, the Bureau of Reclamation has again increased the volume of Colorado River water available for use by Metropolitan in 2005 from 830,000 acre-feet to 877,000 acre-feet. In addition, the Bureau has approved the diversion of 10,000 acre-feet to accommodate the Southern Nevada Water Authority storage account and 176 acre-feet for delivery to Tijuana under its agreement with Metropolitan. All of the available water is projected to be used or stored by Metropolitan in 2005.

State Water Project

Energy – The California Department of Water Resources initiated its gas hedging protocols to reduce future SWP exposure to volatile natural gas pricing. A key milestone was that DWR received approval to enter into the necessary service contract with broker AG Edwards. This results in DWR being better positioned to manage their cost exposure under its two long-term contracts with Duke Energy. The costs of these two energy contracts are indexed to the changing price of natural gas. The hedging strategy relies on locking in natural gas prices for future months. DWR expects to pay Duke Energy about \$70 million for about ten percent of the SWP power needs this year. Natural gas prices have risen over the last year as a result of winter heating need demands and hurricane disruption to supply systems.

The State Water Contractors approved funding of \$10 million to be placed in a reserve account of which Metropolitan pays approximately two-thirds. This reserve account will be used to help hedge against rising natural gas prices. Currently, about \$4.2 million of the \$10 million in the hedging account is encumbered.

Conservation

Weather-Based Irrigation Controller Program - In November, staff held three product distribution events that tested viability of new approaches to marketing Metropolitan's weather-based irrigation controller incentives. Metropolitan was able to begin proving the effectiveness of new distribution approaches, overcome perceived marketing obstacles, and gauge the public's willingness to retrofit with more efficient, state-of-the-art models. All three events were funded using Proposition 13 grants administered by the California Department of Water Resources.

In partnership with Los Angeles Department of Water and Power and Armstrong Garden Center, Metropolitan distributed more than 120 weather-based irrigation controllers to Los Angeles residents. Residents were required to provide a copy of their water bill, turn in their old controllers, and attend a 20-minute installation and programming workshop prior to receiving their new units. Additionally, weather-based irrigation controllers were also provided as part of Metropolitan's residential Protector del Agua irrigation efficiency training. Installation and programming training were incorporated into the four-class series. Nearly 60 retail customers in the service areas of San Diego County Water Authority and Calleguas Municipal Water District participated in the giveaway program.

California Friendly Model Home Program – In concert with Metropolitan, the California Building Industry Association announced its new California Green Builder Program, which introduces the industry's latest voluntary green building standards for new homes in California. The program addresses energy and water efficiency, ventilation design, and diversion and recycling of waste. The water efficiency component is based on

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Metropolitan's specifications for California Friendly Homes. Builders participating in Metropolitan's program are eligible to receive full credit toward California Green Builder's water efficiency requirement.

Industrial Process Improvement Program - Metropolitan executed a financial assistance agreement with Valet Services to implement a water reuse project at a commercial laundry facility located in Upper San Gabriel Valley Municipal Water District's service area. This is the second agreement to be executed under the newly reconfigured program that was streamlined to allow customers to receive partial funding upon project start-up. Under the agreement, Metropolitan provided half of the \$42,000 incentive payment upfront. The remaining balance would be paid after equipment installation and verification of water savings over a 12-month monitoring period following operation.

Local Resources

Decker Canyon Water Reclamation Facilities Project - Staff executed an agreement with Las Virgenes Municipal Water District to provide financial incentives of \$175 per acre-foot over 20 years for up to 300 acre-feet per year of recycled water. The Project will deliver tertiary treated recycled water to customers via an extension of the existing recycled water distribution system, including the Malibu Golf Course and other future customers. The largest customer, Malibu Golf Course, would convert from potable water to recycled water for landscape irrigation.

Local Resources Program Performance – In response to the General Auditor's report on LRP performance, staff reached an agreement with the City of Los Angeles Department of Water and Power to reflect more realistic production targets for the Sepulveda Basin Water Reclamation Project. The contract limit was changed from 1,900 to 1,500 acre-feet per year. These adjustments improve clarity to our Integrated Resources Plan implementation, with more accurate planning by all parties. Staff will keep the Board informed as further efforts in this area are completed.

Alamitos Barrier Reclaimed Water Project – In October, operations commenced on the 3,025 acre-feet per year Alamitos Barrier Reclaimed Water Project. Renamed as the Leo J. Vander Lans Water Treatment Facility, tertiary treated recycled water from Los Angeles County Sanitation Districts' Long Beach Water Reclamation Plant undergoes advanced treatment using microfiltration, reverse osmosis and ultraviolet disinfection. Project water is blended with imported water and pumped into the Alamitos Seawater Barrier to protect against seawater intrusion.

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