

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

September 12, 2006 Board Meeting

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**9-5**

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**Subject**

Water Resource Development Policies

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**Description**

**Background.** This letter is in response to the Committee's request at the July 10, 2006 Water Planning, Quality, and Resources Committee to provide the Board with a summary of water supply planning and development policies, including adopted policies regarding water transfers and the use of Metropolitan facilities.

**Policies on Water Resource Development.** The following information is intended to provide the Board with a historical reference of past actions and context for future discussions of the Integrated Water Resources Plan and the System Overview Study. The purpose of these planning studies is to identify water supply and facility improvements required to reliably meet demands and deliver imported water within Metropolitan's service area. Throughout its history, the Board has faced many decisions on how to equitably and reliably develop, treat and distribute water to its member agencies. Underlying all of its efforts is the responsibility of Metropolitan, as public stewards, to perform these tasks effectively and economically.

The Metropolitan Water District of Southern California was formed under the Metropolitan Water District Act (Act). The Act provided Metropolitan with broad powers and intent:

**Metropolitan Water District Act Section 25. [Purposes]**

*Metropolitan water districts may be organized for the purpose of developing, storing, and distributing water for domestic and municipal purposes and may provide, generate, and deliver electric power within or without the state for the purpose of developing, storing, and distributing water for such district.*

In its 1931 Statement of Policy (Attachment 1), the Board broadly defined how it would fulfill its responsibilities under the Act. Key components of this statement include:

- The Board's tasks should be accomplished "...in the most effective and economical manner..."
- Water will be made available to all areas within Metropolitan in accordance with their requirements, domestic use being the dominant use.

In 1952, Metropolitan's Board adopted the Laguna Declaration (Attachment 2). In doing so, the Board reaffirmed Metropolitan's intent to meet member agencies water supply demands:

**Metropolitan Water District Administrative Code Section 4202. Laguna Declaration**

*The District is prepared, with its existing governmental powers and its present and projected distribution facilities, to provide its service area with adequate supplies of water to meet expanding and increasing needs in the years ahead. When and as additional water resources are required to meet increasing needs for domestic, industrial and municipal water, the District will be prepared to deliver such supplies.*

In 1992, Metropolitan's Board adopted a Mission Statement to guide Metropolitan. Again, the Board reaffirmed the commitment to its mission of providing water to Southern California:

**Metropolitan Water District Administrative Code Section 4201. Mission Statement.**

*The mission of The Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high quality water to meet present and future needs in an environmentally and economically responsible way.*

The Mission Statement became a preamble to the Integrated Resources Planning Process, which was initiated in 1993. The purpose of the Integrated Resources Planning Process was to develop a diversified long-term plan for providing reliable water supplies in the Metropolitan service area.

**Integrated Water Resources Plan**

When it approved the IRP in 1996, Metropolitan's Board clarified the role of Metropolitan that was defined by the Laguna Declaration. In the foreword to the 1996 IRP (Attachment 3), it states that, "Since the 1980s, Metropolitan has gradually shifted from an exclusive supplier of imported water to becoming a regional water manager – providing not only imported water, but also supporting local resource development, conservation, and seasonal storage. The IRP represents the fulfillment of this new role for Metropolitan and the recognition that meeting Southern California's future water needs is a shared responsibility among many water providers." In essence, the IRP explicitly recognized the need for a coordinated regional approach to water resource development using imported supplies, conservation, recycled water, and groundwater storage.

The IRP included policy objectives that help to frame the direction of the long-term water resources development strategy for Metropolitan. These policy objectives are consistent with Metropolitan's Mission Statement:

1. Ensure Reliability
2. Ensure Affordability
3. Ensure Water Quality
4. Maintain Diversity
5. Ensure Flexibility
6. Incorporate Institutional/Environmental Constraints

The subsequent long-term water resources plan, approved as part of the IRP, reaffirmed the direction that Metropolitan had initiated in the 1980s. In addition to supplying imported water supplies, Metropolitan would continue to expand its role as a regional water manager by partnering with its member agencies through various incentive programs in the areas of water recycling, groundwater recovery, conservation, seawater desalination, and groundwater conjunctive use. This strategy was restated in the foreword to the IRP Update in 2004 (Attachment 4).

**Metropolitan Strategic Plan**

In 1999, Metropolitan's Board approved a set of policy principles as part of a Strategic Planning Process (Attachment 5). These principles were intended to guide the Board's strategic vision, which centered on choice – the opportunity for member agencies to competitively manage their supply and demand for water while ensuring reliability, quality, and fairness. The policy principles included a statement of common interests that formed the basic elements for Metropolitan's strategic plan. These common interests are:

1. Regional Provider – Metropolitan provides regional water services to meet member agencies' needs.
2. Financial Integrity – Metropolitan must maintain financial integrity in all aspects of its operations.
3. Local Resources Development – Metropolitan supports local resources development through partnerships and financial assistance.
4. Imported Water Service – Metropolitan is responsible for providing imported water supplies.
5. Choice and Competition – Member agencies may choose the most cost-effective supplies from either Metropolitan, local resources development, and/or market transfers.

6. Responsibility for Water Quality – Metropolitan is responsible for advocating source water quality and for implementing compliant drinking water supplies.
7. Cost Allocation and Structure – There should be a fair allocation of costs and financial commitments reflected in a rate structure.

**Water Transfer Policy and Use of Metropolitan Facilities.** In addition to the guiding policies listed above, Metropolitan’s Board has developed and approved a number of specific policies related to implementing its water supplies goals. Among these implementation policies are those guiding the development of water transfers and those describing the use of Metropolitan facilities for non-Metropolitan supplies.

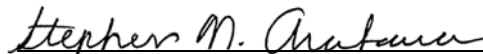
Metropolitan’s water transfer policy (Attachment 6) provides the direction that Metropolitan will “vigorously pursue” water transfers on a voluntary basis with willing partners from state and federal agencies, public and private water districts, and individual water users. The policy also seeks to pursue water transfers in cooperation with the agricultural community and address local impacts on associated communities.

Associated with the water transfer policy is the policy for access to Metropolitan facilities, also known as “wheeling.” Metropolitan’s wheeling policy (Attachment 7) was developed to provide for a level playing field and fair cost recovery. The wheeling policy is consistent with the Strategic Plan in that it enables choice and competition while seeking to maintain financial integrity and a fair cost allocation in Metropolitan’s service area. The essence of the wheeling policy is that use of Metropolitan’s system for transporting non-Metropolitan supplies is permitted to the extent that there is no financial harm to other member agencies and that there is no impact to the reliability or quality of water supplies to other member agencies.

## Policy

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Board request

  
 Stephen N. Arakawa  
 Manager, Water Resource Management

9/6/2006

Date

  
 Jeffrey Kightlinger  
 General Manager

9/6/2006

Date

Attachment 1 – 1931 Statement of Policy

Attachment 2 – Laguna Declaration

Attachment 3 – 1996 IRP

Attachment 4 – 2004 IRP Update

Attachment 5 – Strategic Planning Process Policy and Principles

Attachment 6 – Metropolitan’s Water Transfer Policy

Attachment 7 – Metropolitan’s Wheeling Policy

BLA #4773

**PRESENTED AND APPROVED IN BOARD OF DIRECTORS MINUTE ITEMS 1218 & 1219**

**STATEMENT OF POLICY  
OF  
THE METROPOLITAN WATER DISTRICT OF SOUTHERN  
CALIFORNIA  
ADOPTED JANUARY 9, 1931**

To the end that the furnishing of a supply of water to the Coastal Plain of Southern California from the Colorado River may be accomplished in the most effective and economical manner, and to the best interests of the area taken as a unit, the following statement of policy is presented:

- (1) The Coastal Plain is taken to be  
That part of Los Angeles County southerly from the Santa Susana and the San Gabriel or Sierra Madre Mountains; that part of San Bernardino County south of the San Gabriel or Sierra Madre Mountains, and south and west of the San Bernardino Mountains extending easterly to the summit of San Geronio Pass; that part of Riverside County west of the San Jacinto Mountains; that part of Orange County west and north of the Santa Ana Mountains.
- (2) Those portions of the Coastal Plain to which the aqueduct system can economically deliver water are regarded as the ultimate area that should be included within the Metropolitan Water District.  
Water will be made available to all areas within the District in accordance with their requirements, domestic use being the dominant use.
- (3) Applications from municipalities, or other areas eligible for membership in the District, within the described area, will be individually considered by the Board of Directors. The consent of the Board to such municipalities or areas becoming a part of the District and receiving water from the aqueduct system will be decided on the basis of mutual advantage, and the terms and conditions of joining will be determined on the merits of each application.

(4) The Metropolitan Water District will deliver water, either directly or indirectly, through a system provided by the District, to each of the eleven original member cities, and to those cities whose application for admission prior to March 1, 1931, have been approved, at or near the boundary of each, this point of delivery to be determined by considerations of economy and convenience with respect to the general engineering plans adopted by the District, and to such other points as the Directors may determine.

Particular considerations shall be given to designing the feeder system so that areas of large potential consumption may be adequately served.

Whenever possible, economies of exchange of water shall be encouraged.

(5) The delivery of water to areas within the District will be so conducted, organized and controlled that the District may retain its right to recover water originating in its system which may reach and replenish underground basins.

(6) The District intends to use underground storage to the greatest possible extent.

Neither surface nor subsurface storage shall be created to the advantage of any area within the limits of the District, or elsewhere, unless such storage is necessary and economical part of the general engineering plans which may be accepted.

(7) All water shall be sold by the District within its defined limits at wholesale rates which shall be uniform for like classes of service throughout.

Water applied to the soil directly or indirectly for the purpose of underground storage shall be sold at as low a rate as may be economically possible or desirable.

## **Metropolitan Water District Administrative Code**

### **§ 4202. Avoidance in District Service Area of Overlapping or Paralleling Governmental Authorities (Laguna Declaration Adopted by The Board on December 16, 1952).**

(a) The District is prepared, with its existing governmental powers and its present and projected distribution facilities, to provide its service area with adequate supplies of water to meet expanding and increasing needs in the years ahead. When and as additional water resources are required to meet increasing needs for domestic, industrial and municipal water, the District will be prepared to deliver such supplies.

(b) Taxpayers and water users residing within the District already have obligated themselves for the construction of an aqueduct supply and distribution system. This system has been designed and constructed in a manner that permits orderly and economic extensions and enlargements to deliver the District's full share of Colorado River water and State Project water as well as water from other sources as required in the years ahead. Establishment of overlapping and paralleling governmental authorities and water distribution facilities to service Southern California areas would place a wasteful and unnecessary financial burden upon all of the people of California, and particularly the residents of Southern California.

Section 301.2 based on M.I. 14727 - December 16, 1952. Section 301.2 repealed and Section 4201 adopted by M.I. 36464 - January 13, 1987, effective April 1, 1987; Section 4201 renumbered Section 4202 by M.I. 39412 - January 14, 1992.

## INTEGRATED WATER RESOURCES PLAN, MARCH 1996

**FOREWORD**

There is no resource more important to the economic and social well-being of Southern California than water. In 1996, the Metropolitan Water District of Southern California (Metropolitan) celebrates 55 years of service providing imported water to a region comprising half of the population, jobs, and business of the State of California. Looking back, we can take great pride in accomplishments that are unparalleled in the water industry. And yet, there is little time to look backward. Particularly, when the future looks so different from the past.

During the last three years, Metropolitan, its member agencies, groundwater basin management agencies, and other water providers have participated in the development of an Integrated Resources Plan (IRP). This plan represents a dramatic shift in the way we look at water management now and into the future. It replaces exclusive dependence on Metropolitan for supplemental water with coordinated approaches developed in conjunction with local resources. It implements water conservation measures together with new supplies. And it searches for solutions that offer long-term reliability at the lowest possible cost to the region as a whole.

This change did not occur overnight. Since the 1980s, Metropolitan has gradually shifted from an exclusive supplier of imported water to becoming a regional water manager — providing not only imported water, but also supporting local resource development, conservation, and seasonal storage. The IRP represents the fulfillment of this new role for Metropolitan and the recognition that meeting Southern California's future water needs is a shared responsibility among many water providers.

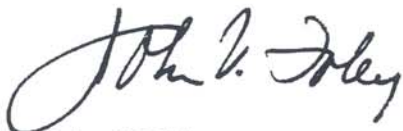
The IRP represents both a process and a plan. As a process, it broke new ground in communication among the many water agencies and providers in the region. Most importantly, the process achieved the coordination of hundreds of important initiatives and projects that were being undertaken throughout Southern California. As a plan, it explicitly linked future supply reliability with the necessary resource and capital investments.

This report documents the product of this process and sets targets for improvements in every area of demand management and water supplies available to the region. It presents Metropolitan's commitments, as well as the contributions expected from local water providers. It is a picture of where we are today and a vision for where we want to be in the future. Through the coming years, it will be an important yardstick against which we can measure our progress and adjust our plans.

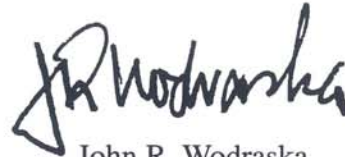
In January of 1996, Metropolitan's Board of Directors approved the IRP as a planning guideline to be used for resources and capital facility investments. We expect that adjustments to this plan will be necessary. In fact, the only certainty with long-range planning is that the future is often unpredictable and never exactly what was projected.

For this reason, the most important message of the IRP is that the water providers of Southern California must continue to work together in a collaborative open process of management and wise stewardship of our water and financial resources. Frequently, the competition for water leads to conflict and disagreement. That fact will likely never change. On the other hand, the IRP process has demonstrated that it is economically prudent to look for ways to replace conflict with cooperation, good intentions with commitments, and fragmented efforts with coordinated plans.

We congratulate the many hundreds of participants and contributors to this Integrated Resources Plan for their sustained level of effort. For Metropolitan's part, we pledge to fulfill our commitments to the IRP and will continue to participate in a new era of collaborative water management for Southern California.



John V. Foley  
Chairman of the Board



John R. Wodraska  
General Manager

# Foreword

Water is a common denominator, it ties every part of the state and every water agency together. The reason? There is no resource more socially and economically important than water. In Southern California, we also share the responsibility of ensuring we have a reliable and high quality water supply. To meet this responsibility, there has to be an integrated plan.

The framework for regional planning for southern California is the Integrated Water Resources Plan, adopted by Metropolitan Water District's board of directors in 1996. A plan of this type does three things: takes into account what we know, factors in what we can expect, and plans for uncertainties by including contingencies.

The 1996 IRP provided a 20-year resource plan that brought a balance between locally developed resources and imported supplies. It called for investments in water conservation, recycling, groundwater treatment, storage, and water transfers, and in return brought diversity and stability. It has proven to be a successful plan from both a planning and implementation standpoint. The IRP Update builds upon the success of the 1996 IRP.

An update was planned because Metropolitan and its member agencies wanted to ensure that the original vision that has been successful in providing reliability, diversity and flexibility for the region would continue to be successful. The IRP Update had three clear objectives: (1) to review the goals and achievements of the 1996 IRP (2) to identify changed conditions for water resource development (3) to update the resource targets through 2025.

The most significant changed conditions were the implementation successes seen in the form of regional conservation savings and Member Agencies plans for increased local supply development. Goals for deliveries from the State Water Project and Colorado River Aqueduct were also refined. This type of introspection and innovative



planning also highlighted the need for infrastructure improvements to ensure the continued reliability of our distribution, treatment, and storage systems.

The bottom line conclusion from the IRP Update is that the resource targets from the 1996 IRP, factored in with changed conditions, will continue to provide for 100 percent reliability through 2025. However, the region's reliability can be reinforced through continually maintaining contingency plans.

Contingency planning has served the region well in recent years. Our diverse resource mix gave Southern California the flexibility to withstand operational interruptions like the rehabilitation of the Colorado River Aqueduct in 2003, and unforeseen reductions in flow due to historically dry conditions. Even with these challenges, Metropolitan was able to set aside 500,000 acre-feet of water in storage.

The reason that the planning has been on target is because of the involvement, cooperation, and commitment of Metropolitan's member agencies. The collaborative development of the IRP and the extensive public outreach conducted on the draft IRP Update Report underlines the important partnerships that exist. As the responsibility for supply reliability is shared, so too is the success.

  
Phillip J. Pace  
Chairman of the Board

  
Ronald R. Gastelum  
Chief Executive Officer

# Final Strategic Plan Policy Principles

December 14, 1999

## Preamble

Metropolitan is a voluntary cooperative of member public agencies created for the purpose of “developing, storing and distributing water.” Metropolitan’s Board is committed to providing a high quality, reliable supply of affordable water for the residents in its service area.

The strategic planning process was initiated in July 1998 in an effort to address the evolving needs of the member agencies and their retailers to effectively fulfill Metropolitan’s mission over the long-term. These diverse needs focus on flexibility, certainty and public stewardship.

**Flexibility:** There are significant legislative and economic pressures to increase the flexibility and responsiveness of water services to meet changing demands through a competitive water market. Fair compensation for wheeling through Metropolitan’s conveyance systems is an essential element of Southern California’s developing market.

**Certainty:** Certainty in Metropolitan’s supply reliability and cost of service is important to member agencies and retailers, particularly in their efforts to ensure value to their customers.

**Public Stewardship:** Metropolitan and its member agencies must ensure that water is available to meet the needs of the public in a cost-effective and environmentally sound manner.

The Board has been engaged in a strategic planning process for the past year and a half. This process identified areas of common interests that form the basic elements for Metropolitan’s strategic plan. Issues related to cost allocation and rate structure require further discussion and resolution.

## Statement of Common Interests

- Regional Provider. Metropolitan is a regional provider of water for its service area. In this capacity, Metropolitan is the steward of regional infrastructure and the regional planner responsible for drought management and the coordination of supply and facility investments. Regional water services should be provided to meet the needs of the member agencies. Accordingly, the equitable allocation of water supplies during droughts will be based on water needs and adhere to the principles established by the Water Surplus and Drought Management Plan.

- Financial Integrity. The Metropolitan Water District Board will take all necessary steps to assure the financial integrity of the agency in all aspects of its operations.
- Local Resources Development. Metropolitan supports local resources development in partnership with its member agencies and by providing its member agencies with financial incentives for conservation and local projects.
- Imported Water Service. Metropolitan is responsible for providing the region with imported water, meeting the committed demands of its member agencies.
- Choice and Competition. Beyond the committed demands, the member agencies may choose the most cost-effective additional supplies from either Metropolitan, local resources development and/or market transfers. These additional supplies can be developed through a collaborative process between Metropolitan and the member agencies, effectively balancing local, imported, and market opportunities with affordability.
- Responsibility for Water Quality. Metropolitan is responsible for advocating source water quality and implementing in-basin water quality for imported supplies provided by Metropolitan to assure full compliance with existing and future primary drinking water standards and to meet the water quality requirements for water recycling and groundwater replenishment.
- Cost Allocation and Rate Structure. The fair allocation of costs and financial commitments for Metropolitan's current and future investments in supplies and infrastructure may not be reflected in status quo conditions and will be addressed in a revised rate structure:
  - a) The committed demand, met by Metropolitan's imported supply and local resources program, has yet to be determined.
  - b) The framework for a revised rate structure will be established to address allocation of costs, financial commitment, unbundling of services, and fair compensation for services including wheeling, peaking, growth, and others.

Refer to the Composite Rate Structure Framework.

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## **Metropolitan Water District Administrative Code**

### **§ 4203. Water Transfer Policy.**

To meet its public water supply objectives in the future, Metropolitan will vigorously pursue the development of water transfers, subject to the following considerations:

- (a) Water transfers, including water marketing, will be developed only on a voluntary basis with willing partners;
- (b) A full-range of water transfer options will be pursued, including arrangements with appropriate state and federal agencies, public and private water entities, and individual water users;
- (c) Water transfers will be designed to protect and, where feasible, enhance environmental resources;
- (d) Water transfers will be designed to avoid contributing to or creating a condition of long-term groundwater overdraft;
- (e) Efforts will continue to develop water transfers in cooperation with the agricultural community, which seek to avoid unreasonable operational and financial impacts; and
- (f) Strategies will be developed to appropriately address community impacts of water transfers.

## **POLICY PRINCIPLE ON WHEELING**

### **Policy Adopted:**

- Level Playing Field: Metropolitan customers receiving comparable service must pay comparable costs for the service.
- Cost Recovery: Wheeling charges must fully recover properly allocable fixed and variable costs of conveying water through Metropolitan's system.
- Financial Impacts: Use of Metropolitan's system for wheeling must not result in increased costs or financial harm to non-participating member agencies.
- Previous Capital Commitments: Metropolitan's wheeling charges must recover a fair share of previously committed capital expenditures on the same basis as for customers receiving comparable service.
- Recognition of Wheeling Benefits: Wheeling arrangements will account for measurable benefits to the Metropolitan system on a case-by-case basis as mutually agreed by the wheeling party and Metropolitan.
- Wheeling Capacity: The use of Metropolitan's delivery system for wheeling of water supplies must not result in a reduction in Metropolitan's ability to meet its service demands from its member agencies. Beyond this, access to transportation capacity should not be unreasonably withheld.
- Reliability: Use of Metropolitan's delivery system for the wheeling of water supplies must not result in a reduction in reliability to member agencies.
- Water Quality: Wheeling must not result in adverse water quality impacts. Mitigation measures should be considered whenever reasonably and feasibly accomplished.
- Resource Management: Wheeling policies and arrangements must be consistent with the commitment of Metropolitan and its member agencies to water management programs such as reclamation and conservation.
- Wheeling Preference: Metropolitan should give priority to wheeling arrangements for member agencies before arrangements for non-members.

M.I. 42162 - November 19, 1996.