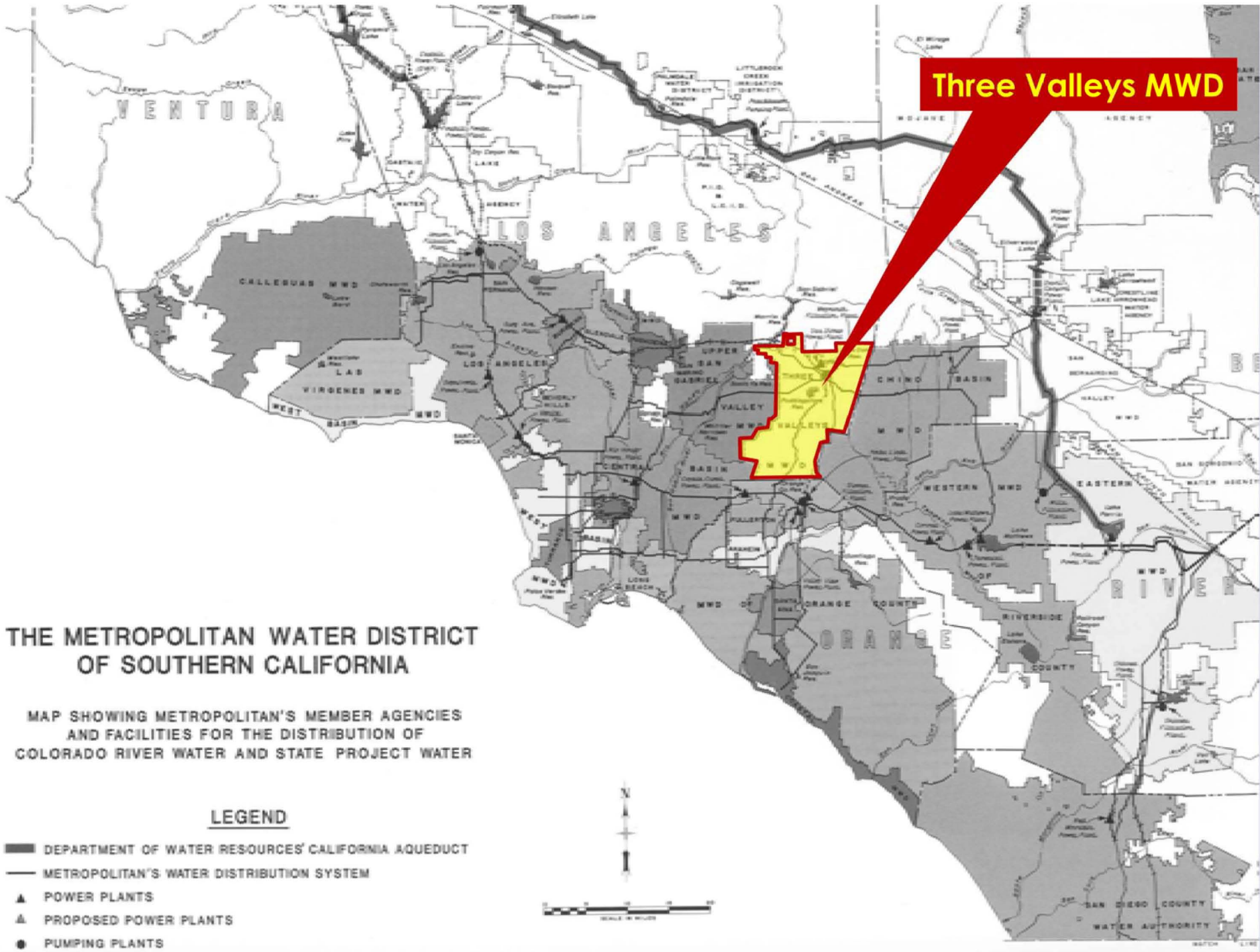


MWD's Role Past, Present and Future

Rick Hansen
General Manager
Three Valleys Municipal Water District



Three Valleys MWD

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MAP SHOWING METROPOLITAN'S MEMBER AGENCIES AND FACILITIES FOR THE DISTRIBUTION OF COLORADO RIVER WATER AND STATE PROJECT WATER

LEGEND

- DEPARTMENT OF WATER RESOURCES' CALIFORNIA AQUEDUCT
- METROPOLITAN'S WATER DISTRIBUTION SYSTEM
- ▲ POWER PLANTS
- ▲ PROPOSED POWER PLANTS
- PUMPING PLANTS



Three Valleys Municipal Water District

- Incorporated and joined MWD in 1950
- One of the first regions required to form a larger Municipal Water District prior to joining MWD
- Wholesale water agency
- Serving 13 retail water agencies
- Population of 600,000
- Imported water demands of 60,000 – 85,000 AF
- On average, 50% (0-100%) dependent on import supplies
- District has full range of water resources/programs: groundwater, surface, recycled, replenishment, imported, groundwater cleanup, conservation
- “Mini” MWD

Key Points

- ⦿ Regional approach to water supply has been the hallmark of 80+ yrs of Metropolitan success – it should be the foundation of our future
- ⦿ If we didn't have the reliable water supply, we wouldn't have the economy we have today
- ⦿ Laguna Declaration provides the flexibility to develop regional supplies where ever those supplies may exist
- ⦿ Changing Metropolitan to enable “choice” or “opt out” compromises regional solutions

Laguna Declaration

“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.”

“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.”

The Laguna Declaration Works Today

1. In 1952 we had about 11M residents – today ~39M
2. Overall water demands have increased
3. Under the Laguna Declaration we have responded with remarkable infrastructure & programs
4. Rates were unbundled in 2001 after interactive process with the members resulting in current methodology

Adaptive Management Has Essentially Characterized our Actions Over the Last Several Decades

Metropolitan and its Members had to adapt to:

- > Drought of 87-92
- > Wanger Decision
- > Quantification Settlement Agreement
- > Wheeling imperative
- > Water transfers
- > Water quality concerns
- > Local control concerns
- > Groundwater contamination

Adaptive Management

- Provides for flexible decision-making that accomodates uncertainty
- Helps ensure supply reliability in an economical manner through "low risk, no regrets actions"
- We need to **identify the optimal array of projects** and programs to provide for regional reliability
- Then determine the **appropriate agency roles and funding** to implement projects/programs as various uncertainties either rise or fade

Adaptive Management

- Further diversify supply sources – move to enhance Metropolitan’s role to, where appropriate, own local supply (Enhanced Regional Model)
- Continue partnering/collaboration – opt out discourages it. Metropolitan is stronger and more flexible with all agencies engaged and “at the table”
- **The current IRP process should reaffirm Metropolitan’s leadership role in providing for the region’s long-term water supply reliability.**

Laguna Declaration Demands an Enhanced Regional Model

1. Plan regionally to avoid rationing
2. Metropolitan should be involved in local project development
3. Enhanced Regional Model allows for adaptive management of risks

November 25, 2009

Mr. Tim Brick, Chairman
Metropolitan Water District
of Southern California
P. O. Box 54153
Los Angeles, CA 90054

Mr. Jeffrey Kightlinger, General Manager
Metropolitan Water District
of Southern California
P. O. Box 54153
Los Angeles, CA 90054

Dear Chairman Brick:

ADAPTIVE INTEGRATED RESOURCES PLAN POSITION STATEMENT

The signatories below would like to share with the Board of Directors of the Metropolitan Water District of Southern California (Metropolitan) their perspective on Metropolitan's Integrated Resources Plan (IRP), which is scheduled workshop. We believe that the appropriate Southern California is one that allows for water supply projects. The role must be at this end, we believe that any role that a water provider is unworkable and any further work on this option would detract

There are a variety of uncertainties that an "adaptive" IRP approach including:

- Uncertainty and timing of cost improvements;
- Regulatory uncertainty;
- Climate change effects on supply;
- Economic uncertainty affecting water;
- Level of penetration of conservation;
- Litigation risk; and
- Cost escalation on project implementation.

We further believe that the appropriate approach should be developed first, followed by a review and Member Agencies to ensure that the

Specifically, Metropolitan should adopt the following elements:

- Hedges against uncertainty – the Colorado River Aqueduct supplies water in the face of climate change, hurdles in local supply;
- Provides Metropolitan the maximum flexibility – the IRP should not be overly prescriptive;
- Allows Metropolitan to consider a variety of options;
- Provides for local flexibility and technical or institutional approval.

November 25, 2009

Tim Brick, Chairman
Jeff Kightlinger, General Manager
November 25, 2009 Page 2

- Develops resources and achieves reliability using a mix of resources that will meet multiple regional objectives (e.g., storage, reliability, water quality);
- Provides for project and program phasing that ensures flexibility in decision making;
- Empowers appropriate agencies to implement projects;
- Aggressively addresses short- to medium-term reliability challenges; and
- Incorporates an historical approach that identifies reliability needs prior to consideration of agencies' roles.

Our agencies are committed to working closely with Metropolitan Staff in a series of technical workshops to explore the appropriate programs and projects to achieve reliability in the face of great future uncertainty and are committed to completing the IRP by May 2010.

Sincerely,



Shana Epstein
City of Beverly Hills



Rich Harsen
Three Valleys MWD



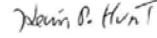
John Rossi
Western MWD



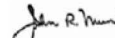
Rich Atwater
Inland Empire Utilities Agency




Robert Beste
City of Torrance



Kevin Hunt
MWD of Orange County



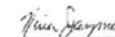
John Mundy
Las Virgenes MWD



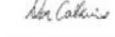
Rich Nagel
West Basin MWD



A.J. Fack
Eastern MWD



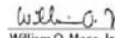
Nina Jazmadarian
Foothill MWD



Don Calkins
City of Anaheim



Gil Borboa
City of Santa Monica



William O. Mace, Jr. P.E.
City of Burbank



Steve Johnson
Upper San Gabriel MWD



James B. McDaniel
Los Angeles DWP



David Schickling
City of Fullerton

Strong Endorsement of the Adaptive Management Approach

Questions