

**MINUTES OF THE SPECIAL WORKSHOP BOARD MEETING
OF THE BOARD OF DIRECTORS OF
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC)
WITH THE MWDOC MET DIRECTORS**

January 6, 2010

At 8:00 a.m., President Clark called to order the Workshop Board Meeting of the Board of Directors of Municipal Water District of Orange County (MWDOC) at the District facilities located in Fountain Valley. Director Thomas led the Pledge of Allegiance and Secretary Goldsby called the roll.

MWDOC DIRECTORS

Brett R. Barbre*
Wayne A. Clark
Larry Dick*
Joan Finnegan
Susan Hinman
Ed Royce, Sr.
Jeffery M. Thomas

MWDOC STAFF

Kevin Hunt, General Manager (absent)
Karl Seckel, Assistant General Manager
Maribeth Goldsby, Secretary
Dan Payne, Legal Counsel
Harvey De La Torre, Principal Analyst
Darcy Burke, Dir. of Public Affairs
Warren Greco, Water Resource Analyst
David Cordero, Dir. of Governmental Affairs
Joe Berg, Water Use Efficiency Prog. Mgr.

*Also MWDOC Met Directors

OTHER MWDOC MET DIRECTORS

Jack Foley

OTHERS PRESENT

Ray Miller
Thom Coughran
Doug Reinhart
Peer Swan
Trudy Ohlig-Hall
Paul Shoenberger
Bob McVicker
William Kahn
Bob Hill
Diana Leach
Bob Moore
Dick Dietmeier
Richard Gardner
Mike Dunbar
Debbie Espo
Ken Dills
Don Froelich
Tom Rending
Lisa Ohlund
Michael Wolfe
Mike Greer

City of San Juan Capistrano
City of La Habra
Irvine Ranch Water District
Irvine Ranch Water District
Mesa Consolidated Water District
Mesa Consolidated Water District
Mesa Consolidated Water District
El Toro Water District
El Toro Water District
Consultant to Golden State Water Company
South Coast Water District
South Coast Water District
South Coast Water District
South Coast Water District
South Coast Water District
San Diego County Water Authority
City of Huntington Beach
Moulton Niguel Water District
City of San Clemente
East Orange County Water District
City of Orange
City of Fountain Valley

Brian Thomas
Deven Upadhyay
Michael Hurley

Metropolitan Water District of So. Calif.
Metropolitan Water District of So. Calif.
Malcolm Pirnie

PUBLIC PARTICIPATION/PUBLIC COMMENTS

President Clark announced members of the public wishing to comment on agenda items could do so after the item has been discussed by the Board and requested members of the public identify themselves when called on. Mr. Clark asked whether there were any comments on other items which would also be heard at this time.

No comments were made.

UPDATES BY MET DIRECTORS REGARDING MET COMMITTEE PARTICIPATION

Director Barbre commented that he was sworn in as a MET Director at the December meeting; he is awaiting appointment to Committees.

MET PROPOSED FISCAL YEAR 2010/11 BUDGET AND RATES AND CHARGES

Mr. Deven Upadhyay (MET) provided an overview of MET's proposed 2010/11 budget as well as its rates and charges, noting that the MET staff (in the previous year) anticipated the 2010/11 rate increase would be approximately 21.5%. He advised that the actual proposed increase for 2010/11 was anticipated to be approximately 12.6% and that financial conditions are better than expected. Mr. Upadhyay then provided information regarding the projections from the 09/10 budget, the status of reserve levels, and an overview of reserve draw-downs for 09/10 (which were projected to be lower than expected). He also reviewed the major cost drivers for the upcoming year, namely, State Water Contract, supply programs, Colorado River power, debt service, demand management, departmental operations & maintenance costs, and capital improvement projects.

Considerable discussion ensued (by all present) regarding the potential increase (12.6%), the System Access Rate (why it was under collected), the bundled rates and charges, MET's union/labor negotiations, and MET's forecasted financial condition (including information from the Long Range Finance Plan). Mr. Upadhyay presented the budget and rates schedule, noting that MET anticipates final action in March. President Clark requested that staff email Mr. Upadhyay's presentation to all present.

The Board received and filed the report as presented.

ACTION ITEM

HOOVER POWER ALLOCATION ACT

President Clark advised that the proposal to support the "Hoover Power Allocation Act" was before the Board for consideration.

Upon MOTION by Director Dick, seconded by Director Finnegan, and carried (7-0), the Board authorized the General Manager to submit a letter to the Chair of the House's Natural Resources Subcommittee on Water and Power supporting the proposed federal legislation, "Hoover Power Allocation Act" that will authorize a new 50-year contract for the use of hydropower generated at Hoover Dam; the Board also authorized staff to solicit support from Orange County's Congressional delegation, including contacting Tom McClintock and asking Dana Rohrbacher to become a co-sponsor to the legislation.

DISCUSSION ITEMS

TENTATIVE RULING ON COLORADO RIVER AGREEMENT

Principal Analyst Harvey De La Torre provided an overview of the ruling by Superior Court Judge Roland Candee regarding the Quantification Settlement Agreement (QSA) which tentatively identifies a flaw in the QSA. At issue is whether the state of California improperly agreed to pay for restoration of the Salton Sea. Under the QSA, Imperial Irrigation District (IID), Coachella Valley Water District (CVWD), and San Diego County Water Authority (SDCWA) agreed to commit \$163 million toward Salton Sea mitigation. The State of California agreed to be responsible for any costs that exceeded this amount. Judge Candee's tentative ruling holds that the State's commitment to cover additional mitigation costs was unconditional; violating a provision in the California Constitution related to the State's debt limitation. It was noted that MET Deputy General Counsel (Linus Masouredis) believes there are strong grounds for an appeal as there are a number of exceptions to the constitution's debt-limitation provision. Mr. De La Torre stated that he would continually keep the Board updated as issues unfold.

MWD ITEMS CRITICAL TO ORANGE COUNTY

- a. MWD's Water Supply Allocation Plan
- b. Integrated Resource Plan 2009 Update
- c. Long Range Finance Plan – Cost of Service Review
- d. Colorado River Issues
- e. Bay Delta/State Water Project Issues
- f. Central Pool Augmentation Project
- g. Introduction of Local Water into the AMP
- h. MET's Ocean Desalination Policy and Potential Participation by MET in the South Orange Coastal Ocean Desalination Project (formerly Dana Point Desalination Project)
- i. Second Lower Cross Feeder
- j. IRWD Strand Ranch Water Transfer Through MET

The Board received and filed the report.

METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

a. Summary regarding December MET Board Meeting

The Board received and filed the information.

b. Review items of significance for the January MET Board and Committee Agendas

The Board received and filed the information.

ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 9:50 a.m.

APPROVED:

Wayne A. Clark, President

Maribeth Goldsby, Board Secretary