

CENTRAL BASIN MUNICIPAL WATER DISTRICT

JUNE 9, 2004 – Water Resources
Morse, Cole

JUNE 28, 2004 – Board Meeting

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INFORMATION CALENDAR

STATUS OF IMPORTED WATER
PURCHASE AGREEMENTS

SUMMARY:

MWD’s Purchase Order

In the fall of 2002, Central Basin agreed to sign a ten-year voluntary Purchase Order with Metropolitan Water District (MWD) that entitled the District to purchase annually a set amount of non-interruptible water (Annual Tier 1 Maximum) at the lower Tier 1 rate. It also committed the District to purchase a minimum amount over the ten-year term of the Purchase Order (Purchase Commitment). The table below shows the District’s Purchase Order terms with MWD:

Imported Water Purchase Order with MWD
ACRE-FEET (AF)

Initial Base Allocation	Tier 1 Annual Maximum (90% of Base)	Purchase Commitment (60% of Base x 10)
80,400 AF	72,360 AF	482,400 AF

District’s Purchase Agreements

In order to meet these conditions with MWD without solely bearing the liability of exceeding the Annual Tier 1 Maximum and/or Purchase Commitment, the District established its own purchase contract policy for its relationship with its customer agencies. The District’s Imported Water Purchase Agreements mimic the MWD version in terms of an Annual Tier 1 Maximum and total Purchase Commitment, but offer more flexibility to the customer. The District requires only a five-year commitment, as opposed to MWD’s ten-year term. Additionally, customer agencies have the opportunity to adjust their Tier 1 and Purchase Commitment amounts annually, if conditions are favorable, and can also reduce their Commitment by offsetting imported water demand with recycled water purchased from the District. For purchases above the Tier 1 limit, or in the absence of a Purchase Agreement, the customer agency pays the Tier 2 rate (currently \$81 AF above the Tier 1 rate).

The District’s Initial Base Allocation with MWD, shown in the table above as 80,400 AF, was allocated to each customer agency on a pro-rata basis (Exhibit “A”). However, Base Allocation from customers that elected not to sign a Purchase Agreement resulted in an “unallocated pool” that the District carries to meet future requests for allocation increases. The pool

currently stands at 2,185 AF, or roughly 3% of the total. Of the District's 28 customer agencies, only seven elected not to sign a Purchase Agreement.

At the end of 2003, the District's imported non-interruptible sales totaled 63,000 AF, approximately 9,360 AF below the District Tier 1 limit with MWD and about 14,760 AF above the 60% minimum Purchase Commitment average. Included in the total sales were 1,472 AF of Tier 2 sales, with 92% of that total from customer agencies without a Purchase Agreement.

Currently, the District is projected to be below its Annual Tier 1 Maximum and above its minimum Purchase Commitment average through the term of the Purchase Order with MWD (2012).

FISCAL IMPACTS:

Not applicable.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Water Resource Committee on June 9, 2004 and agendized to the June 28, 2004 Board meeting as information for discussion.

RECOMMENDED MOTION:

This item is for information only.

LIST OF EXHIBITS:

Exhibit "A" - 2004 West Basin MWD Customer Base Allocation Table