Preliminary Assessment of Calendar Year 2018 Rates and Charges

Administrative and Finance Committee
April 27, 2017

Lisa Marie Harris, Director of Finance
Agenda

• CY 2018 rate and charge drivers
• Preliminary CY 2018 rate and charge assessment
• Next steps
CY 2018 Rate and Charge Drivers

• Drivers
  – Water sales uncertainty due to long-term impacts of state water regulations
  – MWD’s CY 2018 rate and charge increases
  – Extended timeframe for MWD rate litigation resolution
    • LRFP assumed resolution and legal MWD rates and charges effective CY 2018
  – Ramp up of IID water deliveries starting in CY 2018
    • 30,000 AF increase
  – Meeting rate and charge goals and objectives

• Rate Relief
  – Utilization of Rate Stabilization Fund
  – Current budget period debt refundings have saved $78.3 million on a present value basis
Projections account for long-term impacts of water use regulations, near-term increased levels of local supplies and local supply development.

*Current projections based on the 2015 Urban Water Management Plan*
### MWD’s Rates and Charges

<table>
<thead>
<tr>
<th>Adopted MWD ($/AF)</th>
<th>CY 2017</th>
<th>CY 2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 Supply</td>
<td>$201</td>
<td>$209</td>
<td>4.0%</td>
</tr>
<tr>
<td>System Access</td>
<td>$289</td>
<td>$299</td>
<td>3.5%</td>
</tr>
<tr>
<td>Water Stewardship</td>
<td>$52</td>
<td>$55</td>
<td>5.8%</td>
</tr>
<tr>
<td>System Power</td>
<td>$124</td>
<td>$132</td>
<td>6.5%</td>
</tr>
<tr>
<td>Treatment</td>
<td>$313</td>
<td>$320</td>
<td>2.2%</td>
</tr>
<tr>
<td>Tier 1 Untreated</td>
<td>$666</td>
<td>$695</td>
<td>4.4%</td>
</tr>
<tr>
<td>Tier 1 Treated</td>
<td>$979</td>
<td>$1,015</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

- CY 2018 total fixed charge increases
  - Readiness-to-Serve Charge (RTS) - $140M for an increase of 3.7%
  - Capacity Charge - $8,700/CFS for an increase of 8.7%

Transportation increase of 4.5%
Achieving a Diversified, Local and Stable Water Supply

- Agreements stabilize cost and supply of water in drought
  - 62% of projected M&I sales are controlled by contract (Desal / IID)
  - The ramp up of IID deliveries begins in CY 2018
    - Increase of 30,000 AF in IID Water deliveries
- By 2022, represents ~280,000 acre-feet of water supply reliability
Meeting Goals and Objectives

- Smooth and predictable rates
  - Mitigating upward rate and charge pressures
    - Continued low water sales environment
    - Increase in QSA supply costs
    - Extended timeframe for MWD lawsuit resolution

- Utilizing the RSF
  - Projected FY 2018 draw of $5M
    - ~$13 per acre-foot of rate relief

Rate Stabilization Fund (RSF) Balance Requirements

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Rate Stabilization Fund Ending Balance</th>
<th>Target Ending Balance</th>
<th>Maximum Allowable Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>121</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>135</td>
<td>$5M draw</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>144</td>
<td>$5M draw</td>
<td></td>
</tr>
</tbody>
</table>

Fiscal Year
Preliminary CY 2018 Total Cost of Water Breakdown*

*Actual member agency increases will vary. Includes water rates and charges and excludes the Water Authority’s IAC and MWD’s RTS and Capacity charges.

<table>
<thead>
<tr>
<th>Water Rates and Charges ($/AF)</th>
<th>CY 2017 Rates</th>
<th>Preliminary CY 2018 Rates</th>
<th>Preliminary CY 2018 Change in Rate</th>
<th>Preliminary Year/Year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melded Supply Rate</td>
<td>$855</td>
<td>$894</td>
<td>$39</td>
<td>4.6%</td>
</tr>
<tr>
<td>Melded Treatment Rate</td>
<td>290</td>
<td>300</td>
<td>10</td>
<td>3.4%</td>
</tr>
<tr>
<td>Transportation</td>
<td>110</td>
<td>115</td>
<td>5</td>
<td>4.5%</td>
</tr>
<tr>
<td>Storage</td>
<td>167</td>
<td>162</td>
<td>(5)</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Customer Service¹</td>
<td>61</td>
<td>61</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Supply Reliability Charge¹</td>
<td>63</td>
<td>71</td>
<td>8</td>
<td>12.7%</td>
</tr>
<tr>
<td>Treated Water Cost*</td>
<td>$1,546</td>
<td>$1,603</td>
<td>$57</td>
<td>3.7%</td>
</tr>
<tr>
<td>Untreated Water Cost*</td>
<td>$1,256</td>
<td>$1,303</td>
<td>$47</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

¹ Customer Service, Storage and Supply Reliability Charges converted to $/AF based on sales forecast.
Projected Treated Water Costs¹

2015 LRFP High/Low Treated Water Costs*

Current CY 2017 Treated Water Cost $1,546 (5.9%)

Preliminary CY 2018 Treated Water Cost $1,603 (3.7%)

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>High Rate Scenario</th>
<th>Low Rate Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,674</td>
<td>1,528</td>
</tr>
<tr>
<td>2018</td>
<td>1,802</td>
<td>1,516</td>
</tr>
<tr>
<td>2019</td>
<td>1,766</td>
<td>1,410</td>
</tr>
<tr>
<td>2020</td>
<td>1,841</td>
<td>1,458</td>
</tr>
<tr>
<td>2021</td>
<td>1,929</td>
<td>1,493</td>
</tr>
<tr>
<td>2022</td>
<td>2,007</td>
<td>1,532</td>
</tr>
<tr>
<td>2023</td>
<td>2,089</td>
<td>1,565</td>
</tr>
<tr>
<td>2024</td>
<td>2,182</td>
<td>1,605</td>
</tr>
<tr>
<td>2025</td>
<td>2,302</td>
<td>1,660</td>
</tr>
<tr>
<td>2026</td>
<td>2,393</td>
<td>1,691</td>
</tr>
<tr>
<td>2027</td>
<td>2,452</td>
<td>1,731</td>
</tr>
</tbody>
</table>

¹Includes water rates and charges and excludes the Water Authority’s IAC and MWD’s RTS and Capacity charges

*Rate guidance assumes resolution of MWD lawsuit and rate restructure in CY 2019

San Diego County Water Authority

9
Projected Untreated Water Costs

2015 LRFP High/Low Untreated Water Costs*

Current CY 2017 Untreated Water Cost
$1,256 (6.4%)

Preliminary CY 2018 Untreated Water Cost
$1,303 (3.7%)

Calendar Year

High Rate Scenario 1,332 1,403 1,334 1,415 1,469 1,533 1,593 1,660 1,714 1,777 1,824
Low Rate Scenario 1,242 1,231 1,127 1,170 1,192 1,224 1,249 1,280 1,309 1,330 1,360

*Includes water rates and charges and excludes the Water Authority’s IAC and MWD’s RTS and Capacity charges
*Rate guidance assumes resolution of MWD lawsuit and rate restructure in CY 2019
Next Steps

• Member agency fixed charge allocations
  – May/June Member Agency Finance Officers Meeting

• Develop proposed rates and charges and set public hearing
  – Independent cost of service consultant review/report
  – May Board Meeting

• Hold public hearing and take action on CY 2018 rates and charges
  – June Board Meeting
City of San Jose Case

- New California Supreme Court case.
- Holds that agency staff and officials’ private devices/accounts may contain public record documents that must be turned over on a PRA request.
- Case notes important privacy interests, but also the public’s right to see the public’s business.
- Provides guidance on how to comply while also protecting privacy – key option is **self-policing**: the agency may "reasonably rely on [individuals] to search their own personal files, accounts, and devices . . . ."
Two potential methods referenced by Court: (a) constant duty to copy all “public record” documents to agency; or (b) produce “public record” documents to agency when asked. Water Authority will be doing latter, though all business should be done on Water Authority devices/accounts to the extent possible.

Changes have been made in GM’s Admin. Policies to conform to new law. Changes includes new sections on private devices and accounts in Admin. Policy Numbers 401, 402, and 601, so as to comply with the new case law. These sections spell out proper handling of agency documents and PRA requests.

GC has also created detailed video training to teach staff and Board how to differentiate, and handle, public documents if they are on private accounts/devices.
Chandler Asset Management

San Diego County Water Authority
Corporate Portfolio

April 27, 2017

William Dennehy II, CFA
Executive Vice President
Portfolio Manager
Outlook 2017

- Inflation expectations moving higher will be predicated on wage growth, the Chandler team will be watching developments in average hourly earnings closely.
  - Ten Year TIPS Break Even rates are “normal” between 2.30-2.60%, currently 1.86%.
  - Inflation metrics will move modestly higher over the course of the year.

- Interest rate differentials in developed markets overseas, most importantly in the EU, need to contract for the FOMC to be able to raise interest rates close to their forecast.
  - A strengthening dollar is a de-facto monetary tightening.
  - Chandler maintains the view the terminal Fed Funds rate at equilibrium will be low.

- Equity markets are due for a correction in the short term, and assuming ‘something’ gets done on tax policy and infrastructure spending, markets will end the year in the black.

- The future make up of the Federal Reserve is difficult to quantify, and will add to market uncertainty, particularly later in the year when Chair Yellen’s term as Chair gets closer to expiration.
Equity Market Performance Post Election

- Equity market performance has been strong since the election results in November.
  - Partially predicated on the belief tax reform will occur in 2017 and fiscal stimulus in 2018.
  - Initial market reaction was very positive for small and medium sized corporations; entities viewed as likely to see a disproportional benefit, relative to larger entities, from tax reform and fiscal stimulus.

- As realities of the challenging political environment set-in for new Administration expectations on tax reform and fiscal spending have moderated.

- Continued domestic political gridlock a potential catalyst for a more material correction is risk asset valuations.
San Diego County Water Authority—
Corporate Portfolio
Account Profile
### San Diego County Water Authority

<table>
<thead>
<tr>
<th></th>
<th>3/31/2017</th>
<th>12/31/2016</th>
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</thead>
<tbody>
<tr>
<td><strong>Benchmark</strong>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Maturity (yrs)</td>
<td>2.74</td>
<td>2.29</td>
</tr>
<tr>
<td>Modified Duration</td>
<td>2.60</td>
<td>2.17</td>
</tr>
<tr>
<td>Average Purchase Yield</td>
<td>n/a</td>
<td>1.70%</td>
</tr>
<tr>
<td>Average Market Yield</td>
<td>2.00%</td>
<td>1.72%</td>
</tr>
<tr>
<td>Average Quality**</td>
<td>AA</td>
<td>AA/Aa2</td>
</tr>
<tr>
<td>Contributions/Withdrawals</td>
<td>-112,570</td>
<td></td>
</tr>
<tr>
<td>Total Market Value</td>
<td>30,203,340</td>
<td>30,143,906</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Benchmark***</th>
<th>Portfolio</th>
<th>Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Maturity (yrs)</td>
<td>2.74</td>
<td>2.29</td>
<td>2.40</td>
</tr>
<tr>
<td>Modified Duration</td>
<td>2.60</td>
<td>2.17</td>
<td>2.29</td>
</tr>
<tr>
<td>Average Purchase Yield</td>
<td>n/a</td>
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<td>1.71%</td>
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<td>AA</td>
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<td></td>
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<td>30,143,906</td>
<td></td>
</tr>
</tbody>
</table>

* BAML 1-5 Yr US Corporate Rated AAA-AA Index
** Benchmark is a blended rating of S&P, Moody’s, and Fitch. Portfolio is S&P and Moody’s respectively.
# SDCWA Corporate Portfolio – Issuers

**San Diego County Water Authority – Account #10285**

**As of 3/31/2017**

<table>
<thead>
<tr>
<th>Issue Name</th>
<th>Investment Type</th>
<th>% Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Bancorp</td>
<td>US Corporate</td>
<td>13.43%</td>
</tr>
<tr>
<td>ChevronTexaco Corp</td>
<td>US Corporate</td>
<td>13.41%</td>
</tr>
<tr>
<td>Berkshire Hathaway</td>
<td>US Corporate</td>
<td>13.35%</td>
</tr>
<tr>
<td>Exxon Mobil Corp</td>
<td>US Corporate</td>
<td>13.27%</td>
</tr>
<tr>
<td>Apple Inc</td>
<td>US Corporate</td>
<td>13.21%</td>
</tr>
<tr>
<td>Procter &amp; Gamble Company</td>
<td>US Corporate</td>
<td>6.73%</td>
</tr>
<tr>
<td>Wal-Mart Stores</td>
<td>US Corporate</td>
<td>6.71%</td>
</tr>
<tr>
<td>Microsoft</td>
<td>US Corporate</td>
<td>6.66%</td>
</tr>
<tr>
<td>Bank of New York</td>
<td>US Corporate</td>
<td>6.65%</td>
</tr>
<tr>
<td>Toyota Motor Corp</td>
<td>US Corporate</td>
<td>6.58%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>
San Diego County Water Authority
Period Ending
March 31, 2017
Total Rate of Return
Annualized Since Inception
February 28, 2015

Total Rate of Return: A measure of a portfolio’s performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.
Are there any questions or comments?
Appendix
Unknown: Federal Open Market Committee Changes*

**Doves**
- Janet L. Yellen, Board of Governors, Chair
- William C. Dudley, New York, Vice Chairman
- Lael Brainard, Board of Governors
- Charles L. Evans, Chicago
- Neel Kashkari, Minneapolis

**Hawks**
- Stanley Fischer, Board of Governors
- Patrick Harker, Philadelphia

**Unknown**
- Robert S. Kaplan, Dallas
- Jerome H. Powell, Board of Governors
- Vacant, Board of Governors
- Vacant, Board of Governors
- Vacant, Board of Governors (*Daniel K Tarullo resigns effective April 5, 2017*)

**Hawkish Language** - Suggests Fed will take a more aggressive approach. (ie raising rates, dialing back economic stimulus)

**Doveish Language** - More accommodative monetary policy (ie rate cuts, quantitative easing)

Miramar Pump Station
Rehabilitation
Notice of Completion

Engineering & Operations Committee Meeting
April 27, 2017
Project Location

MIRAMAR PUMP STATION REHABILITATION PROJECT

LEGEND
- Water Authority Service Area with Member Agency Boundaries
- Pipelines Completed, in Use

SCALE (miles)

0 5 10
Project Location

Clear Well #2

Clear Well #1

EXISTING WATER AUTHORITY MIRAMAR PUMP STATION
Original Pump Station
Completed Pump Station
San Diego 27 Flow Control Facility
# Contract Summary

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Contract Amount</td>
<td>$4,097,900</td>
</tr>
<tr>
<td>Change Orders</td>
<td>$336,310</td>
</tr>
<tr>
<td><strong>Final Contract Amount</strong></td>
<td>$4,434,210</td>
</tr>
</tbody>
</table>
Existing Anchor Bolts
Startup Testing Coordination

Clear Well #2
Clear Well #1

SCRIPPS LAKE DRIVE

EXISTING WATER AUTHORITY MIRAMAR PUMP STATION
Staff Recommendations

- Authorize the General Manager to accept the Miramar Pump Station Rehabilitation project as complete, record the Notice of Completion, and release funds held in retention to Kiewit Infrastructure West Co. following expiration of the retention period.

- Authorize the General Manager to execute the Reimbursement Agreement between San Diego County Water Authority and City of San Diego for design, construction, ownership, operation, and maintenance of San Diego 27 Flow Control Facility in the amount of $400,000.
MWD Low-Flow Meter Installation at Skinner WTP (Action)

Engineering & Operations Committee
April 27, 2017
MWD Skinner 2nd Aqueduct Service Area (Meter)

Project Cost - $2,630,360
Payback - 1.7 years

Control Butterfly Valves
36"
30"
96"
120"

SKPE-1
300 MGD Venturi Master Meter

SKPE-2
250 MGD Venturi Master Meter

Skinner Water Treatment Plant

Finished Water Reservoir
Authorize the General Manager to fund the installation of a low-flow meter at the Skinner Water Treatment Plant in an amount not to exceed $2,630,360.
Acoustic Fiber Optic Pipeline Monitoring Services (Action)

Engineering & Operations Committee
April 27, 2017
Pipeline Monitoring

- Acoustic Fiber Optic System

- Purpose
  1. Condition of Pipeline
  2. Reduce Risk
  3. Plan Rehabilitation
Acoustic Fiber Optics Monitoring

Fiber Optic Cable Inside Pipe
Pipeline Management

Cost Savings
- Reduced inspection
- Water discharge
- Deferred rehabilitation

Benefits
- Member Agency Impacts
- Proactive response
Monitoring Services

- Sole source contract
- Only available monitoring system
- Proprietary methods

Acoustic Data
Authorize the General Manager to award a professional services contract to Pure Technologies U.S. Inc. for acoustic fiber optic cable monitoring services in the amount of $2,319,814 for two years, from July 1, 2017 through June 30, 2019, with an option to extend the contract for an additional three years.
Agenda

- California energy market challenges
- Topics on all sized technologies and case studies

ACWA

- Water-energy nexus
- Helping its members learn about market issues and storage

CESA

- Technology and business model neutral storage advocacy group
- One size does not fit all
Need for Flexibility and Reliable Grid

Source: CPUC Website
Locations of Storage on Grid

- Transmission System
  - Bulk PS
  - Large Battery

- Monitoring & Control
  - Small PS
  - Utility Scale Battery
  - Small Distributed Batteries

- Distribution System
  - Small Battery
  - Microgrid
  - Small Battery
  - Small Battery
  - Small Battery
SDG&E Escondido Lithium Ion Battery Installation 30 MW: 24 (640 SF) containers which house 400,000 Samsung batteries in almost 20,000 modules the size of a kitchen drawer wired together in racks. Located on 1.5 Acres
UCSD Microgrid Tour

2.5 MW Batteries  
2.8 MW Fuel Cell  
2 MW Solar
Agenda

- Review of Completed/Ongoing Work
- San Vicente Energy Storage Facility Request for Letters of Interest Process
- Potential Next Steps
## Work Completed/Ongoing

### FEASIBILITY STUDIES
- Phase 1 - B&V Study/Other Studies
- Phase 2 - Navigant Study
- Revenue opportunity for Owners

### FEDERAL ENERGY REGULATORY COMMISSION
- Preliminary Permit
- Notice of Intent/Preliminary Application Document
- Submit 6-month progress reports

Note: Updated Energy Task Force and E&O Committee Throughout Process
Business Model Considerations

Who builds assets?

Who owns assets?

Water

Land

Generation/Transmission (G&T)

Civil
Business Model Types

1. Lease
   - Build and own nothing

2. Partnership
   - Build and own civil only
   - Build all, sell G&T
   - Build and sell all, lease back
   - Build and own in Public-Private Partnership (P3)

3. All In
   - Build, Own, Operate

Note: Percentage share of revenue would be based on contributions by partners.
Business Model Risk-Reward Comparison

- Lease
- Partnership
- All In
Revenue Streams

VALUED IN MARKET

- Energy
- Ancillary Services
- Capacity

NOT YET VALUED IN MARKET

- Renewable Integration
- Grid Congestion Relief
- Operating Cost Reduction
- Real-Time Flexibility

Value of Storage
September 8, 2017
Special E&O Committee Direction

Two Questions

1. Does the project provide potential revenue for the Owners?
2. Is there interest from potential partners?

Conduct process to gauge interest
Request for Letters of Interest Process

January 4, 2017
Advertised RFLOI

February 15, 2017
Received 19 Letter Responses

March 2017
Meetings with 18 Interested Parties
Panel = WA/City Staff and Energy Task Force

Mar/Apr 2017
Energy Task Force Meetings
Activities Needed to Implement Proposed Project

- Offtaker
- Financing
- Design
- Permit
- Build
- Operate
Categories of Interested Parties

- **Full Service** - Finance, design, permit, build, operate, secure offtaker
- **Developer** – Finance, design, permit, build, operate, secure offtaker
- **Offtaker** - Purchase project benefits
- **Other** – Engineering-Procurement-Construction (EPC), contractor, equipment company, consultants
Responses by Category

<table>
<thead>
<tr>
<th>Full Service</th>
<th>Developer</th>
<th>Offtaker</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>2</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Note: Some parties indicated flexibility in taking on a greater or lessor role based on the Owners’ needs.
# Key Themes

<table>
<thead>
<tr>
<th>PROJECT SPECIFIC</th>
<th>GENERAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest is strong</td>
<td>Bulk storage and smaller storage technologies are complimentary</td>
</tr>
<tr>
<td>Significant opportunity to help with power market issues</td>
<td>Wholesale market is evolving</td>
</tr>
<tr>
<td>Planning phase size seems appropriate</td>
<td>Willingness by some parties to invest/finance part or all</td>
</tr>
<tr>
<td>Existing infrastructure in place</td>
<td></td>
</tr>
<tr>
<td>Working with two public agencies</td>
<td></td>
</tr>
<tr>
<td>Located in energy load center</td>
<td></td>
</tr>
</tbody>
</table>
Energy Task Force

Two Energy Task Force Meetings

Two Questions

1. Does the project provide potential revenue for the Owners? ✓ Yes

2. Is there interest from potential partners? ✓ Yes
Request for Proposal Process

**Objective 1**
- Minimize risk and maximize reward for the Owners

**Scope**
- Type of Partner:
  - Provide full-service team

**Objective 2**
- Narrow down partners to begin working on draft terms and conditions

**Scope**
- Business Models:
  - Lease option
  - Limited partnership
Three Options

1. Approve issuing a Request for Proposals, to all full-service teams, for potential implementation of the San Vicente Energy Storage Facility Study.

2. Approve issuing a limited Request for Proposals, to full-service teams that participated in the Request for Letters of Interest Process only, for potential implementation of the San Vicente Energy Storage Facility Study.

3. Do not proceed with the next phase of work.
Timeline and Key Milestones

May/June 2017
• Prepare RFP

Fall 2017
• RFP Responses

Apr 2018
• CAISO application window

July/August 2017
• Advertise RFP

May 2018
• FERC Permit Expires

Note: Will update Energy Task Force and E&O Committee Throughout Process
Energy Task Force Recommendation

- Approve issuing a Request for Proposals, to all full-service teams, for potential implementation of the San Vicente Energy Storage Facility Study.
MWD Issues

Imported Water Committee
April 27, 2017

Maureen Stapleton
Rate Case
MWD Litigation:
What’s at Stake for San Diego County?

- MWD overcharges estimated at more than $537 million over 8 years; up to $7.4 billion dollars over 45 years
- Water rights equivalent to $1B seawater desal project in Carlsbad
Nov. 18, 2015: San Francisco Superior Court Judge Curtis E.A. Karnow ruled MWD’s 2011–15 rates:
- Violate California Constitution Article XIIIC (Proposition 26)
- Violate California Wheeling Statutes
  - Water transportation law
- Government Code Section 54999.7(a)
  - Limiting rates to cost-of-service
- Common law rules limiting rates to cost of service

MWD continues to set rates using same formula ruled illegal by the Court
Lower Court Decision in Favor of San Diego – Award: $244M and Growing

- Damages for four years of overcharges, with interest, costs and attorneys’ fees
- Interest accrues at 7% per year
- If upheld and enforced, decision will prevent future MWD overcharges
- Appeal filed
  - May 10, 2017 – oral arguments
  - Decision expected in summer/fall 2017
# What’s at Stake for Water Authority’s Member Agencies

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Four Years: 2011-2014</th>
<th>Overcharge Net Allocable to Member Agencies (1)</th>
<th>Eight Years: 2011-2018</th>
<th>Overcharge Net Allocable to Member Agencies(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>$10,128,399.74</td>
<td></td>
<td>$20,426,226</td>
<td></td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>644,181</td>
<td></td>
<td>1,307,820</td>
<td></td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>10,392,151</td>
<td></td>
<td>21,415,356</td>
<td></td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>4,864,585</td>
<td></td>
<td>9,761,687</td>
<td></td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>17,430,118</td>
<td></td>
<td>35,910,410</td>
<td></td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>2,079,548</td>
<td></td>
<td>3,999,546</td>
<td></td>
</tr>
<tr>
<td>National City, City of</td>
<td>1,137,557</td>
<td></td>
<td>2,790,852</td>
<td></td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>14,058,034</td>
<td></td>
<td>28,513,173</td>
<td></td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>12,192,543</td>
<td></td>
<td>24,461,646</td>
<td></td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>18,925,110</td>
<td></td>
<td>38,124,478</td>
<td></td>
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<tr>
<td>Padre Dam M.W.D.</td>
<td>$6,648,857</td>
<td></td>
<td>$13,187,178</td>
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<tr>
<td>Pendleton M.C.B.</td>
<td>29,619</td>
<td></td>
<td>120,455</td>
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<tr>
<td>Poway, City of</td>
<td>7,009,697</td>
<td></td>
<td>13,731,196</td>
<td></td>
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<tr>
<td>Rainbow M.W.D.</td>
<td>7,056,475</td>
<td></td>
<td>14,013,650</td>
<td></td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>3,082,086</td>
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<td>6,108,185</td>
<td></td>
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<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>3,714,870</td>
<td></td>
<td>7,356,609</td>
<td></td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>106,146,313</td>
<td></td>
<td>221,186,562</td>
<td></td>
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<tr>
<td>San Dieguito W.D.</td>
<td>2,277,933</td>
<td></td>
<td>5,099,947</td>
<td></td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>4,604,365</td>
<td></td>
<td>9,656,040</td>
<td></td>
</tr>
<tr>
<td>South Bay I.D.</td>
<td>3,979,451</td>
<td></td>
<td>10,209,210</td>
<td></td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>9,383,579</td>
<td></td>
<td>18,740,595</td>
<td></td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>5,549,657</td>
<td></td>
<td>10,870,961</td>
<td></td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>9,522,410</td>
<td></td>
<td>19,735,330</td>
<td></td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>194,070</td>
<td></td>
<td>654,624</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$261,051,606.60</strong></td>
<td></td>
<td><strong>$537,381,736</strong></td>
<td></td>
</tr>
</tbody>
</table>

1 Includes pre- and post-judgment interest, attorney fees and court costs.
Annual Savings Value of Rate Case Victory
Result of Lawful Rates at MWD Going Forward

Estimated Annual Savings in 2020 Based upon Proportional Share of Municipal & Industrial Deliveries:

\[ \text{Estimated Annual Savings Value from Rate Litigation Victory} \]

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Estimated Annual Savings Value from Rate Litigation Victory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>$3,097,088</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>199,266</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>3,202,873</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>1,484,586</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>5,359,825</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>605,093</td>
</tr>
<tr>
<td>National City, City of</td>
<td>428,914</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>4,328,319</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>3,702,413</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>5,781,550</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>$2,000,878</td>
</tr>
<tr>
<td>Pendleton M.C.B.</td>
<td>19,013</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>2,069,598</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>2,137,211</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>922,408</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>1,111,428</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>33,506,994</td>
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<tr>
<td>San Dieguito W.D.</td>
<td>758,331</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>1,433,159</td>
</tr>
<tr>
<td>South Bay I.D.</td>
<td>1,583,249</td>
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<tr>
<td>Vallecitos W.D.</td>
<td>2,842,005</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>1,651,787</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>2,966,823</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>98,951</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$81,291,763</strong></td>
</tr>
</tbody>
</table>

2020 value is $197 per acre-foot, computed based upon average member agency purchases 2011–16
Financial Practices of MWD and the Risk to Southern California Ratepayers
MWD’s Last Long-Range Financial Plan was 2004

Data Source: MWD
MWD Has Doubled Rates Over Past Decade

<table>
<thead>
<tr>
<th>Year</th>
<th>MWD Tier 1 Treated Water Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>2008</td>
<td>$508</td>
</tr>
<tr>
<td>2009</td>
<td>$579</td>
</tr>
<tr>
<td>2010</td>
<td>$701</td>
</tr>
<tr>
<td>2011</td>
<td>$744</td>
</tr>
<tr>
<td>2012</td>
<td>$794</td>
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<tr>
<td>2013</td>
<td>$847</td>
</tr>
<tr>
<td>2014</td>
<td>$890</td>
</tr>
<tr>
<td>2015</td>
<td>$923</td>
</tr>
<tr>
<td>2016</td>
<td>$942</td>
</tr>
<tr>
<td>2017</td>
<td>$979</td>
</tr>
<tr>
<td>2018</td>
<td>$1,015</td>
</tr>
</tbody>
</table>

Total % Increase: 100%

Compounded Annual Rate Increases: 7.2%

Data Source: MWD
MWD Overcharged Ratepayers by $847 Million (2012–15)

$847 Million

$93
$251
$354
$149

2012  2013  2014  2015

Data Source: MWD
MWD’s $189 Million in Ratepayer Overcharges by Water Authority Member Agencies

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Cost to Member Agencies (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>$7,332,089</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>466,331</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>7,523,022</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>3,521,540</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>12,617,903</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>1,505,413</td>
</tr>
<tr>
<td>National City, City of</td>
<td>823,493</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>10,176,806</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>8,826,351</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>13,700,149</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>4,813,200</td>
</tr>
<tr>
<td>Pendleton M.C.B.</td>
<td>21,442</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>5,074,416</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>5,108,280</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>2,231,165</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>2,689,245</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>76,840,785</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>1,649,028</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>3,333,163</td>
</tr>
<tr>
<td>South Bay I.D.</td>
<td>2,880,780</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>6,792,902</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>4,017,474</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>6,893,404</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>140,490</td>
</tr>
<tr>
<td><strong>Our Region’s Total</strong></td>
<td><strong>$188,978,871</strong></td>
</tr>
</tbody>
</table>

(1) Allocation based on average of Member Agency purchases from 2011-14.
MWD Overspent Its Budget by $1.2 Billion (2013–16)

$1.2 Billion

2013
2014
2015
2016

Data Source: MWD
MWD Has Authorized $900 million in Unplanned Borrowing

$900 Million

Data Source: MWD
Of the $378 million MWD projects it will hold in cash reserves on June 30, 2017, $300 million is money borrowed from commercial banks.
Expanded Information Effort

Water Authority expanding informational effort beyond San Diego County
- Engage public officials, civic and opinion leaders throughout MWD’s service area
- Get answers to the questions the Water Authority’s have been asking at MWD
- Bring about changes in MWD’s practices so that it is accountable and sustainable
- Require transparency in MWD’s business practices and decision-making

Ultimately, resolve disputes and be part of a sustainable MWD
Support Water Authority Efforts

- Support the Water Authority’s pending rate litigation and any future litigation to recover illegal rates
- Keep apprised of MWD activities that impact our region’s ratepayers
- Utilize opportunities to share information with community members
- Engage other elected officials throughout Southern California in a dialogue regarding concerns with MWD’s fiscal affairs
- Consider adopting resolution or letter of support
Assessment of Metropolitan Water District Statements and Documents

Imported Water Committee
April 27, 2017

Maureen A. Stapleton, General Manager
False and Misleading: Primary Water Provider

- “We[MWD] are your primary water provider”
- “We typically deliver more than 80 percent of all the water that comes into San Diego”

- In 2016, MWD provided 41 percent of all water used in San Diego County; will decline to 21 percent in 2020, and 13 percent in 2035
False & Misleading: MWD Does Long Range Finance Planning

- “Metropolitan sets rates every two years based on an exhaustive study of future costs”
- “Metropolitan engages in long-range financial forecasting”
- MWD deliberately set rates based on sales that would be exceeded seven out of 10 years (CFO Gary Breaux: April 8, 2013 F&I)
- 13-page 10-year rate forecast is no substitute for a long range finance plan
MWD Knows the Difference Between 10-year Rate Forecast & LRFP

- MWD’s 13-page forecast is not a long range financial plan because it fails to:
  - Guide MWD’s financial decisions
    - Example: $1.2B in unbudgeted, unplanned expenses
  - Consider future scenarios
  - Identify how to manage potential future challenges

- MWD’s claim betrayed by its own information
  - 82-page 2004 Long Range Financial Plan (LRFP)
    - Still listed on its web site under Financial Documents
      - [http://www.mwdh2o.com/WhoWeAre/Management/Financial-Information](http://www.mwdh2o.com/WhoWeAre/Management/Financial-Information)
## LRFP vs. MWD’s 10–Year Forecast

### Long Range Financial Plan
- Financial objectives and strategic planning
- **Governing financial policies**
  - Debt, reserves, capital financing
  - Credit rating history and review
- Water sales projections
- Capital Improvement Plan
  - CIP history
  - CIP adopted budget
- Capital financing plan
- **Strategy for finance mix**
- Debt service coverage overview
  - History; strategy for management
- Debt portfolio
- Water rate financial forecast
- Funds and reserves
- **Risk sensitivity analysis**
  - High/low forecast driven by water sales, interest rates
- List of policies
  - Investment and debt management policies
- Stakeholders

### MWD 10–Year Forecast
- Forecast of revenues
- Forecast of costs
- Forecast of water sales
- Projected rates and charges
- Capital Investment Plan
  - Funding: PayGo vs. bonds
- CIP (no formal adoption)
- Debt portfolio
  - GO, fixed–variable rate mix
- Fund balances/reserves
- Financial ratios
- Average rate increase forecast

*Bolded items not included in MWD forecast*
False: MWD makes “careful, calibrated detailed forecasts”

“We look at every facet of our budget and make careful, calibrated detailed forecasts of where MWD finances are headed for the decade ahead.”

<table>
<thead>
<tr>
<th>MWD Forecast</th>
<th>Reality</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004 LRFP forecast 2014 average rate between $552 and $597 per acre-foot</td>
<td>2014 average rate was $865/AF</td>
</tr>
<tr>
<td>2015 Budget forecast unrestricted reserves in FY 2017 at $521 million</td>
<td>FY 2017 reserves projected to have $78 million in cash and $300 million in borrowed funds</td>
</tr>
<tr>
<td>2015 Forecast Senior Bond Debt Coverage in 2018 of 2.0x</td>
<td>MWD’s Feb. 24, 2017 Official Statement–2018 coverage: 1.15x</td>
</tr>
</tbody>
</table>
False: Met all regional deliveries during drought

- “When the drought was at its worst, we met all regional deliveries…. Metropolitan was able to meet the increased demand thanks to water held in the District’s storage network....”

- Despite withdrawing 1.1 MAF from storage in 2014, MWD imposed a 15% water shortage allocation in 2015
  - Water Authority’s investments reduced supply shortage to 1%
False: Sales were “higher than expected”

- “…the result was higher than expected sales, not water ‘overcharges.’”

- MWD expected higher sales than it budgeted because MWD deliberately set rates to over-collect in seven of 10 years (CFO Gary Breaux, MWD April 8, 2013 Finance & Insurance Committee meeting)
False: SWP costs “based on detailed information”

- “We look at State Water Contract costs long term based on detailed information provided by the state as well as our own forecasts of power costs.”

- MWD set its rates based upon a 50% SWP allocation during the drought, when it expected the allocation to be far lower (e.g. 20%).
  - Set rates based upon higher expenses it knew wouldn’t materialize
    - Over-collected on its rates far above its costs, amassing $847 million over 2012–2015
False: MWD purchases paid for by cash

- “Metropolitan purchased these investments with cash from its funds.”

- MWD’s purchase of Delta islands, Palo Verde land and turf removal totaled $870 million
  - Drew down cash reserves
  - Used PayGo funds intended for capital projects and debt-financed the capital projects instead
  - Issued unplanned debt to repay Delta islands purchase
  - Took out unplanned lines of credit to replenish depleted cash reserves
False: Water Authority Seeks to Shift Costs to Others

- “SDCWA through a lawsuit is seeking to shift costs for its own Colorado River water acquisition onto MWD’s 25 other member agencies”

- MWD improperly assigned costs, not the Water Authority
  - Misallocation cross-subsidizes other 25 MWD member agencies at Water Authority’s expense

- Neutral judge in San Francisco ruled MWD’s rates are illegal and unconstitutional

Hon. Curtis E.A. Karnow
False: All Graphs Must Start with Zero

- “‘Standard practice’ or ‘standard fashion’ dictates that all financial graphics use the number zero in the x-y axis”

- No citation to applicable accounting standard to support assertion of “standard practice”
- Graphics clearly illustrate the numbers
- The numbers & facts are undisputed by MWD
False: Water Authority graphs suggest MWD’s sales decline to zero

- “On sales, the [Water Authority] staff graphic would suggest at a glance that we are heading to zero sales.”
- Graphic doesn’t “suggest” – at a glance or otherwise – that MWD’s sales are heading to zero
- Graph clearly shows MWD’s sales have declined by 500,000 AF/year from 2000–08
- All data on slide are from MWD itself, including its forecasted 2018 sales of 1.3 MAF
Misleading, Irrelevant: Water Authority Rates

“Water Authority’s…rates for treated water are 60% higher…. Untreated… are 90% higher”

- Water Authority’s treatment rate is 7% lower than MWD’s ($290 vs. $313)
- Over past 10 years, Water Authority’s rate increases about 1% higher than MWD’s
- MWD’s rate increases were biggest driver of Water Authority’s rate increases over period
  - MWD omits mention of the impact its rate increases have on Water Authority’s rates
Misleading and Irrelevant: Water Authority Debt Load

- “SDCWA for its size has a much greater debt load than Metropolitan.”

- A lower debt load, by itself, does not necessarily equate to better financial position
- Water Authority debt burden of 18.9% is appropriate and consistent with best practices given its CIP program designed to produce highly reliable water supply
  - MWD debt load is only slightly lower: 16.8%
- MWD raided its PayGo cash, issued unplanned long-term debt and took out lines of credit to finance $1.2 billion in unplanned spending
Summary

- MWD’s responses:
  - Do not dispute facts about MWD’s financial practices:
    1. MWD over-collected $847M in revenues
    2. MWD authorized $1.2B in unbudgeted expenses
    3. MWD approved $900M in unplanned debt
    4. MWD’s unrestricted cash reserves of $378M includes $300M in borrowed funds (debt)
    5. MWD doubled its treated water rate over past decade
  - Ignore Water Authority’s legitimate concerns
  - Seek to divert attention from MWD’s own fiscal mismanagement
Amend Professional Services Agreement with SCN Strategies

Imported Water Committee
April 27, 2017

Denise Vedder
Senior Public Affairs Manager
Background

- Professional services agreement was awarded in March 2011 after a competitive bid process to select a firm to conduct statewide education and media relations in support of MWD rate challenge.

- SCN selected for national and statewide media and public policy education expertise.
  - Firm principals have long-standing relationships with key media, legislators and organizations, which are important to informing statewide stakeholders about the rate case.
Recommendation

- Authorize the General Manager to amend the Professional Services Agreement with SCN Strategies for continued consulting services by $150,000 through June 30, 2018, for a period of 12 additional months, for a total not-to-exceed amount over 7 years of $1,139,050.
Bay Delta Flow Standards Update

Imported Water Committee
April 27, 2017

Amy Chen, Director of MWD Program
Issues

- Delta Outflow vs. Exports
- 2010 Flow Criteria
  - *"the best available science suggests that current flows are insufficient to protect public trust resources"*
- State Board proposes “impaired flow” as metric for flow criteria
  - Encourages negotiated settlements; allows for inclusion
  - Will set standards even if settlements are not reached
- ACWA concerns with rigidity
  - Policy statement supports negotiated settlement
Recommendation

- Adopt Resolution in support of ACWA’s Policy Statement on Bay Delta Flow Requirements
Legislature

- April 17: Returned from spring recess
- April 28: Deadline for bills to pass through policy committees
- May 26: Fiscal committee deadline
- June 2: Deadline for bills to pass out of House of origin
Water Authority Sponsored Bills

- AB 1323 (Weber)
  - Stakeholder workgroup process through DWR to develop long-term water use efficiency standards
  - April 25 hearing – Assm. Water, Parks, and Wildlife Committee

- SB 701 (Hueso)
  - Water Authority partnered with other stakeholders on a state general obligation bond to address state settlement obligations, including Salton Sea restoration
  - Passed Senate Natural Resources and Water Committee – 7–2
  - Pending hearing in Sen. Governance and Finance Committee
## Lead in Drinking Water

<table>
<thead>
<tr>
<th>Bill No./Author</th>
<th>Brief Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB 247 (C. Garcia)</td>
<td>Statewide lead task force</td>
<td>Assm. Appropriations Committee</td>
</tr>
<tr>
<td>AB 305 (Arambula)</td>
<td>School accountability report card</td>
<td>Two–year bill</td>
</tr>
<tr>
<td>AB 746 (Gonzalez Fletcher)</td>
<td>Lead testing in schools</td>
<td>Assm. Education Committee</td>
</tr>
<tr>
<td>AB 885 (Rubio)</td>
<td>Lead testing in schools</td>
<td>Assm. Environmental Safety Committee</td>
</tr>
<tr>
<td>SB 210 (Leyva)</td>
<td>Closure of water access outlets in schools</td>
<td>Senate Appropriations Committee</td>
</tr>
<tr>
<td>SB 427 (Leyva)</td>
<td>Lead user service lines</td>
<td>Senate Appropriations Committee</td>
</tr>
</tbody>
</table>
State Final Framework on Long-Term Water Use Efficiency and Drought Planning

Legislation and Public Outreach Committee Meeting
        April 27, 2017

Presentation by:
Dana Friehauf, Water Resources Manager
April 7, 2017 Final Framework
“Making Conservation A California Way of Life”

- Response to Governor Brown Executive Order B-37-16
- Focus on two areas for urban water agencies:
  - New water use targets
  - Water shortage contingency planning
- Final consistent with draft document
- Implementation will be through legislation and regulatory rulemaking
April 7, 2017 Final Framework
New Water Use Targets
Summary Analysis based on Comment Letter

<table>
<thead>
<tr>
<th>Main Comments/Concerns</th>
<th>Addressed in Final Framework?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance efficiency and local supply development. Account for drought-resilient supplies when lowering standards.</td>
<td>No. Consistent with draft. Language in Enforcement section mentions seeking balance, where appropriate</td>
</tr>
<tr>
<td>Exempt recycled water from water production calculation when determining compliance.</td>
<td>Yes (sort of). General language added pertaining to incentivizing recycled water (potable and non-potable).</td>
</tr>
<tr>
<td></td>
<td>• Non-potable provided higher application volumes.</td>
</tr>
<tr>
<td></td>
<td>• No details on potable reuse.</td>
</tr>
<tr>
<td>Form workgroup to identify CII performance measures</td>
<td>No. Consistent with draft</td>
</tr>
</tbody>
</table>
## April 7, 2017 Final Framework
### New Water Use Targets
---

**Summary Analysis based on Comment Letter**

<table>
<thead>
<tr>
<th>Main Comments/Concerns</th>
<th>Addressed in Final Framework?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide alternative target setting methodologies (similar to SBX7-7)</td>
<td>No. Consistent with draft. Only budget based method.</td>
</tr>
<tr>
<td>Use irrigable area in landscape calculation</td>
<td>No. Consistent with draft. Still no decision on whether irrigable or irrigated acreage will be used.</td>
</tr>
<tr>
<td>Revisions to standards must be through stakeholder process with legislative approval. State agencies cannot be given authority to unilaterally decrease standards.</td>
<td>No. Specific language added clarifying that the SWRCB will be setting standards and have independent enforcement discretion.</td>
</tr>
</tbody>
</table>
Final Framework

New Language Added on Recycled Water

• Summary of language added
  • California Water Action Plan calls for increased recycled water use
  • Imperative that new targets be compatible with the goal of expanding recycled water supplies
  • Proposed standard would allow a higher water application volume for outdoor non-potable recycled water use
  • Proposing that suppliers utilizing recycled, for either potable or non-potable uses, continue to be incentivized within the targets or through their implementation

• Concerns from member agencies that higher application volume may not be adequate incentive for non-potable

• No details provided on incentive for potable reuse
Final Framework

Proposed Expansion of SWRCB Authority

- Adopt standards through regulatory rulemaking
  - Interim (2018)
  - Final (2021)
  - Revisions (every 5 years)

- Determine enforcement actions for suppliers failing to meet targets and CI1 performance measures

- Determine enforcement actions pertaining to local supply and shortage planning compliance
  - Pertains to submittal and requirements for Urban Water Management Plans and Shortage Contingency Plans
Final Framework

Water Shortage Contingency Planning

- Primary objectives of framework recommendations:
  - Assure suppliers adequately plan for droughts
  - Provide DWR with information necessary to evaluate supplier’s responses to drought conditions
    - Allow focused attention where necessary
    - Forestall overarching mandates that may conflict with existing adequate local plans and responses
  - Ensure that legislative language is included that prevents state mandates that conflict with local plans
Collaboration with Stakeholders

- Worked closely with water agencies statewide to develop proposed legislative language under ACWA working group
  - New water use targets (AB 968 (Rubio))
  - Water shortage contingency planning (AB 1654 (Rubio))

- Continue coordination with member agencies and agencies statewide to forward legislative priorities

- Active outreach and education effort with local stakeholders
Status Update on Long-Term WUE Legislation

Legislation and Public Outreach Committee
April 27, 2017

Glenn Farrel, Government Relations Manager
Water Use Efficiency Legislation

Budget Trailer Bill #1

AB 641 (Harper)  
AB 869 (Rubio)  
AB 723 (Arambula)  
AB 1041 (Levine)  
AB 1000 (Friedman)  
AB 1323 (Weber)  
AB 1667 (Friedman)  
AB 1271 (Gallagher)  
AB 968 (Rubio)  
AB 1668 (Friedman)  
AB 1273 (Gallagher)  
AB 1669 (Friedman)  
AB 1654 (Rubio)  

Budget Trailer Bill #2
## Water Use Efficiency Legislation

<table>
<thead>
<tr>
<th>BILL</th>
<th>SYNOPSIS</th>
<th>WATER AUTHORITY POSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB 869 (Rubio)</td>
<td>Recycled water exclusion</td>
<td>Support</td>
</tr>
<tr>
<td>AB 968 (Rubio)</td>
<td>Long-term WUE standards</td>
<td>Staff rec: Co-Sponsor</td>
</tr>
<tr>
<td>AB 1000 (Friedman)</td>
<td>Certify water conservation/loss detection/control technologies</td>
<td>No position</td>
</tr>
<tr>
<td>AB 1041 (Levine)</td>
<td>Water shortage contingency plans</td>
<td>Oppose—Unless Amended—No position</td>
</tr>
<tr>
<td>AB 1323 (Weber)</td>
<td>DWR stakeholder workgroup</td>
<td>Sponsor</td>
</tr>
<tr>
<td>AB 1654 (Rubio)</td>
<td>Water shortage contingency plans</td>
<td>Staff rec: Co-Sponsor</td>
</tr>
<tr>
<td>AB 1667 (Friedman)</td>
<td>Dedicated landscape meters Ag</td>
<td>Staff rec: Oppose—No position</td>
</tr>
<tr>
<td>AB 1668 (Friedman)</td>
<td>Water shortage contingency plans</td>
<td>Staff rec: O/A</td>
</tr>
<tr>
<td>AB 1669 (Friedman)</td>
<td>Long-term WUE standards</td>
<td>Staff rec: Oppose</td>
</tr>
<tr>
<td>RN 17–09926</td>
<td>Water shortage contingency plan</td>
<td>Staff rec: O/A</td>
</tr>
<tr>
<td>RN 17–12268</td>
<td>Long-term WUE standards</td>
<td>Staff rec: Oppose</td>
</tr>
<tr>
<td>Water Authority Priorities</td>
<td>AB 968 (Rubio)</td>
<td>AB 1323 (Weber)</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------------------</td>
<td>----------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Exemption for recycled water</td>
<td>√</td>
<td>*</td>
</tr>
<tr>
<td>Account for drought–resilient supplies</td>
<td>√</td>
<td>*</td>
</tr>
<tr>
<td>Alternative target setting methodologies available to urban water suppliers</td>
<td>√</td>
<td>*</td>
</tr>
<tr>
<td>Formation of workgroup to establish CII performance measures</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Revisions to standards undertaken through a stakeholder process</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Recognition of potential unintended consequences of new water use targets</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Submittal of annual assessment data will forestall overarching reduction mandates</td>
<td>√</td>
<td>X</td>
</tr>
<tr>
<td>Water shortage contingency planning based on local circumstances</td>
<td>√</td>
<td>√/X</td>
</tr>
<tr>
<td>All water supplies are included in annual assessment to determine shortage levels</td>
<td>√</td>
<td>X</td>
</tr>
</tbody>
</table>
### Three Paths for Legislative Consideration

<table>
<thead>
<tr>
<th>Regulate</th>
<th>Hybrid</th>
<th>Legislate</th>
</tr>
</thead>
</table>
| -AB 1669 (Friedman)  
- RN 17-12268 | **Hybrid**  
-AB 1323 (Weber)  
AB 1323 would create a stakeholder working group to seek consensus on long-term standards and performance measures and provide the Legislature with legislative oversight in codifying the recommendations. | **Legislate**  
-AB 968 (Rubio)  
These measures would attempt to achieve the water community’s preferred approach through legislation enacted this session – concerns with implementability and unintended consequences. |

These measures essentially shift all details relative to long-term water use efficiency standards and performance measures to the SWRCB.
Upcoming milestones in legislative process

- Assembly Water, Parks, and Wildlife Committee hearing – April 25
  - All 8 long-term WUE bills passed to Appropriations
- Appropriations Committee deadline – May 26
  - Three hearings remaining: May 3, May 10, May 17
- Deadline for bills to pass House of origin – June 2
- Budget must be passed by June 15
- Deadline for bills to pass second House policy committee – July 14
What is the Water Authority doing?

- Direct legislative advocacy – letters, visits
  - San Diego delegation
  - Relevant policy and fiscal committees
  - Legislative leadership
  - Governor’s office

- Participating in statewide coalition efforts
  - Primarily occurring through ACWA

- Building local coalition of interests – business, civic, community organizations, member agencies
Update on Water Supply Conditions

Water Planning Committee
April 27, 2017

Tim Bombardier
Principal Water Resources Specialist
On April 7, 2017, the Governor issued Executive Order B-40-17 rescinding the statewide drought emergency.

Terminates the January 17, 2014 drought emergency for all counties in California except Fresno, Kings, Tulare and Tuolumne.

Directs state agencies to continue efforts on developing long-term water use efficiency standards.
Northern Sierra Precipitation
8-Station Index

206% of Normal
(April 26, 2017)

Source: Department of Water Resources
Northern Sierra Snowpack

191% of Normal (April 26, 2017)

Source: Department of Water Resources
Lake Oroville Storage Volume
Major Reservoir State Water Project System

Capacity

Historical Average
WY 2016
WY 2017

79% of Capacity
99% of Average
(April 25, 2017)

Source: Department of Water Resources
San Luis Reservoir Storage Volume
Major Reservoir State Water Project System

San Luis Reservoir

CY 2017 current SWP Allocation: 85%

97% of Capacity
109% of Average
(April 25, 2017)

Source: Department of Water Resources
Precipitation 118% of normal as of April 24, 2017

Snow water equivalent 107% of normal as of April 24, 2017
## Local Conditions

### Water Year 2017 Precipitation

<table>
<thead>
<tr>
<th>Station</th>
<th>April 1–25, 2017</th>
<th>% Normal</th>
<th>Since October 1, 2016 (WY 2017 to date)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lindbergh Field</td>
<td>0.01 in.</td>
<td>1%</td>
<td>11.71 in.</td>
</tr>
<tr>
<td>Ramona Airport</td>
<td>0.00 in.</td>
<td>0%</td>
<td>21.58 in.</td>
</tr>
</tbody>
</table>

Total reservoir storage as of April 24, 2017: 443,000 AF, or 60 percent of storage capacity
Final Mitigated Negative Declaration for the Second San Diego Aqueduct Moosa Canyon Crossing Erosion Control Project

Water Planning Committee
April 27, 2017

Presented by: Don Chadwick, Senior Water Resources Specialist
Project Location
Project Objectives/Components

Protect the 2\textsuperscript{nd} SD Aqueduct by:

- Preventing stream bank erosion
- Preventing head cuts from moving upstream
- By installing $\frac{1}{2}$ ton rip rap
Changed Site Conditions

- Altered by landowner
- Erosion
Environmental Impacts

• Significant permanent impacts to biological resources, but

• Implementation of MMRP mitigates impacts to less than significant
Public Comment

• No oral comments at the February 23 public hearing

• 2 written comment letters received:
  • Native American Heritage Commission
  • San Diego County

• Comments focused on:
  • Flood Control
  • Traffic
Staff Recommendation

The Board adopt a resolution that:

• Finds that the project with mitigation measures will not have a significant effect on the environment;

• Adopts the Final Mitigated Negative Declaration pursuant to CEQA;

• Adopts the Mitigation Monitoring and Reporting Program;

• Approves the Project; and

• Authorizes filing a Notice of Determination
Final Mitigated Negative Declaration for the Second San Diego Aqueduct Moosa Canyon Crossing Erosion Control Project

Water Planning Committee
April 27, 2017
Changed Site Conditions - Action Plan

- Proceed with permitting and easement acquisition using existing project construction plans (no change)
- Additional land surveying (in progress)
- Revise construction drawings (TBD)
- Apply for and obtain wetland permit amendments (TBD)

At this time any related additional construction, mitigation and post construction costs are speculative