Proposed Calendar Year 2018
Rates and Charges

Administrative and Finance Committee
June 22, 2017

Lisa Marie Harris, Director of Finance
Agenda

• Carollo cost of service study
• CY 2018 rate and charge drivers
• Proposed CY 2018 rates and charges
• Today’s action
Carollo Cost of Service Study

- Independent comprehensive cost of service study
  - Validated rate and charge methodologies for consistency with AWWA guidelines, legal requirements and Board policies
- Met with Water Authority staff to review operating cost allocations to rate and charge categories
- Validated the rate and charge revenue requirements and proposed CY 2018 rates and charges
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>

- **Transportation increase of 4.5%**

- 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%
MWD Remains the Largest Share of Water Cost

- Excludes MWD’s fixed RTS and Capacity charges, which are not recovered on the Melded Supply Rate

*Excludes the debt service for capital projects and recovery of settlement expenditures. Includes both canal and conservation transfer costs
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
# Proposed CY 2018 Rates and Charges

<table>
<thead>
<tr>
<th>Water Authority Rates and Charges</th>
<th>CY 2016 Previous</th>
<th>CY 2017 Current</th>
<th>CY 2018 Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Variable Rates</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Melded Supply Rate ($/AF)</td>
<td>$780</td>
<td>$855</td>
<td>$894</td>
</tr>
<tr>
<td>Melded Treatment Rate ($/AF)</td>
<td>280</td>
<td>290</td>
<td>300</td>
</tr>
<tr>
<td>Transportation Rate ($/AF)</td>
<td>105</td>
<td>110</td>
<td>115</td>
</tr>
<tr>
<td>Untreated Special Agricultural Water Rate(^1) ($/AF)</td>
<td>594</td>
<td>666</td>
<td>695</td>
</tr>
<tr>
<td>Treated Special Agricultural Water Rate(^1) ($/AF)</td>
<td>874</td>
<td>956</td>
<td>995</td>
</tr>
<tr>
<td><strong>Fixed Charges</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Service Charge ($ Millions)</td>
<td>$26.4</td>
<td>$26.4</td>
<td>$26.4</td>
</tr>
<tr>
<td>Storage Charge ($ Millions)</td>
<td>63.2</td>
<td>65.0</td>
<td>65.0</td>
</tr>
<tr>
<td>Supply Reliability Charge(^2) ($ Millions)</td>
<td>26.0</td>
<td>24.8</td>
<td>28.6</td>
</tr>
<tr>
<td><strong>Other Rates and Charges</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure Access Charge(^3) ($/ME)</td>
<td>$2.76</td>
<td>$2.87</td>
<td>$3.01</td>
</tr>
<tr>
<td>Standby Availability Charge(^4,5) ($)</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>System Capacity Charge ($/ME)</td>
<td>4,840</td>
<td>5,029</td>
<td>5,099</td>
</tr>
<tr>
<td>Treatment Capacity Charge ($/ME)</td>
<td>123</td>
<td>128</td>
<td>141</td>
</tr>
<tr>
<td>MWD Capacity Charge ($)</td>
<td>12,406,380</td>
<td>9,105,600</td>
<td>9,902,340</td>
</tr>
<tr>
<td>MWD Readiness-to-Serve Charge(^5) ($)</td>
<td>22,145,912</td>
<td>18,623,577</td>
<td>16,291,858</td>
</tr>
<tr>
<td>Annexation Application Fee (Per Application)(^6) ($)</td>
<td>3,000</td>
<td>3,000</td>
<td>10,340</td>
</tr>
</tbody>
</table>

\(^1\) Per current Board Policy, TSAWR is set to end Dec. 31, 2020
\(^2\) Supply Reliability Charge was effective Jan. 1, 2016
\(^3\) ME means meter equivalent as defined in the Resolution establishing the IAC
\(^4\) Per parcel or acre, whichever is greater
\(^5\) Fiscal Year
\(^6\) New fee is effective July 1, 2017
## Proposed 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.

### Water Rates and Charges ($/AF)

<table>
<thead>
<tr>
<th>Water Rates and Charges</th>
<th>CY 2017 Rates</th>
<th>Proposed CY 2018 Rates</th>
<th>Proposed CY 2018 Change in Rate</th>
<th>Proposed 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>Storage¹</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><strong>Treated Water Cost</strong>*</td>
<td>$1,546</td>
<td>$1,603</td>
<td>$57</td>
<td>3.7%</td>
</tr>
<tr>
<td><strong>Untreated Water Cost</strong>*</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.
Estimated Breakdown of the CY 2018 Treated Water Rate and Charge Increases*

Breakdown of $57/AF Increase

- Melded Supply Rate
  - $39
  - 68%

- Melded Treatment Rate
  - $10
  - 18%

- Customer Service
  - $-
  - 0%

- Transportation
  - $5
  - 9%

- Storage
  - $(5)
  - -9%

- Supply Reliability Charge
  - $8
  - 14%

Breakdown of the Melded Supply Rate Increase of $39/AF

- MWD Impact
  - $22
  - 56%

- QSA & Desal Impact
  - $17
  - 44%

*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.
Includes water rates and charges and excludes the Water Authority’s IAC and MWD’s RTS and Capacity charges. Lawsuit win rate guidance assumes resolution of MWD lawsuit and rate restructure in CY 2019.
**Proposed Untreated Water Costs**

*2015 LRFP High/Low Untreated Water Costs*

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Status Quo - High Rate Scenario</th>
<th>Status Quo - Low Rate Scenario</th>
<th>Lawsuit Win - High Rate Scenario</th>
<th>Lawsuit Win - Low Rate Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,332</td>
<td>1,227</td>
<td>1,332</td>
<td>1,242</td>
</tr>
<tr>
<td>2018</td>
<td>1,403</td>
<td>1,231</td>
<td>1,403</td>
<td>1,231</td>
</tr>
<tr>
<td>2019</td>
<td>1,529</td>
<td>1,269</td>
<td>1,334</td>
<td>1,127</td>
</tr>
<tr>
<td>2020</td>
<td>1,657</td>
<td>1,340</td>
<td>1,415</td>
<td>1,170</td>
</tr>
<tr>
<td>2021</td>
<td>1,757</td>
<td>1,382</td>
<td>1,469</td>
<td>1,170</td>
</tr>
<tr>
<td>2022</td>
<td>1,850</td>
<td>1,431</td>
<td>1,533</td>
<td>1,192</td>
</tr>
<tr>
<td>2023</td>
<td>1,924</td>
<td>1,461</td>
<td>1,593</td>
<td>1,224</td>
</tr>
<tr>
<td>2024</td>
<td>2,017</td>
<td>1,502</td>
<td>1,660</td>
<td>1,249</td>
</tr>
<tr>
<td>2025</td>
<td>2,100</td>
<td>1,540</td>
<td>1,714</td>
<td>1,280</td>
</tr>
<tr>
<td>2026</td>
<td>2,200</td>
<td>1,575</td>
<td>1,777</td>
<td>1,309</td>
</tr>
<tr>
<td>2027</td>
<td>2,263</td>
<td>1,612</td>
<td>1,824</td>
<td>1,360</td>
</tr>
</tbody>
</table>

**Current CY 2017 Untreated Water Cost**

$1,256 (6.4%)$

**Proposed CY 2018 Untreated Water Cost**

$1,303 (3.7%)$

*Includes water rates and charges and excludes the Water Authority’s IAC and MWD’s RTS and Capacity charges. Lawsuit win rate guidance assumes resolution of MWD lawsuit and rate restructure in CY 2019*
Achieves the Board’s policy target of 1.50x in FYs 2018 – 2022

Coverage requirements:

1. Senior Lien Debt Service Coverage: 1.20x
2. Overall Debt Service Coverage: 1.00x

Overall debt service coverage includes subordinate lien debt such as the commercial paper program and medium term notes.
# Financial Performance Metrics

## Rate Stabilization (RSF) Fund Balance Requirements

*(Current Board Policy)*

<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>
<th>(Deposit)/Draw</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>120</td>
<td>83</td>
<td>121</td>
<td>8</td>
</tr>
<tr>
<td>2018</td>
<td>117</td>
<td>92</td>
<td>135</td>
<td>5</td>
</tr>
<tr>
<td>2019</td>
<td>114</td>
<td>99</td>
<td>144</td>
<td>5</td>
</tr>
<tr>
<td>2020</td>
<td>109</td>
<td>108</td>
<td>153</td>
<td>6</td>
</tr>
<tr>
<td>2021</td>
<td>112</td>
<td>112</td>
<td>157</td>
<td>(1)</td>
</tr>
<tr>
<td>2022</td>
<td>122</td>
<td>113</td>
<td>158</td>
<td>(8)</td>
</tr>
</tbody>
</table>
Financial Performance Metrics

Current Board Policy - Cash Balances by Fund
(Excludes Debt-Related Funds)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Equipment Replacement Fund</th>
<th>Pay As You Go Fund</th>
<th>Stored Water Fund</th>
<th>Rate Stabilization Fund Ending Balance</th>
<th>Operating Fund Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>3</td>
<td>170</td>
<td>0</td>
<td>120</td>
<td>96</td>
</tr>
<tr>
<td>2018</td>
<td>3</td>
<td>137</td>
<td>0</td>
<td>117</td>
<td>106</td>
</tr>
<tr>
<td>2019</td>
<td>3</td>
<td>99</td>
<td>0</td>
<td>114</td>
<td>108</td>
</tr>
<tr>
<td>2020</td>
<td>3</td>
<td>78</td>
<td>0</td>
<td>109</td>
<td>121</td>
</tr>
<tr>
<td>2021</td>
<td>3</td>
<td>86</td>
<td>0</td>
<td>112</td>
<td>115</td>
</tr>
<tr>
<td>2022</td>
<td>3</td>
<td>83</td>
<td>0</td>
<td>122</td>
<td>121</td>
</tr>
</tbody>
</table>

PAYGO funds are projected to be utilized to pay for the CIP
Today’s Actions

• Adopt Ordinance No. 2017-__ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities, and provision of services.

• Adopt Resolution No. 2017-__ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge.

• Adopt Ordinance No. 2017-__ an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the System Capacity and Water Treatment Capacity Charges imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act.
Amendment to the Administrative Code

Administrative and Finance Committee
June 22, 2017
Section 9.00.030

Text with proposed redline change:

“The Chair shall appoint the full number of representatives on the Metropolitan board of directors to which the Authority is entitled under the Metropolitan Water District Act, with such representatives to vote as provided under that Act. The Metropolitan Delegates are individually and collectively authorized to represent the Authority in all matters as determined by a majority of the Metropolitan Delegates.”
Why make the change?

- The current text is not clearly aligned with the MWD Act, which does not specify majority block voting. The CWA Act does allow it:

  **CWA Act**: “A public agency with more than one representative shall have the option, by ordinance, to either require its representatives to cast all of that agency's votes as a unit, as a majority of the representatives present shall determine, or to entitle each such representative to cast an equal share of the total vote of such agency.” section 45-6(e).
Recommendation

- General Counsel recommends the adoption of the ordinance amending section 9.00.030 of the Administrative Code.
General Manager’s Recommended Budget for Fiscal Years 2018 & 2019

Maureen A. Stapleton, General Manager
FY 2018 & 19 Budget Development

- Board Input - January 2017
- Recommended Budget - May 2017
- A&F Committee Workshops - June 6 & 8
  - Overview
  - Asset Management
  - Capital Improvement Program
  - Operating Departments
    - Engineering, Operations & Maintenance
  - Cyber Security
  - Operating Departments
    - Administrative Services, Finance, Water Resources, Colorado River, MWD Program, Public Outreach & Conservation, General Counsel, General Manager
  - Equipment Replacement
  - Grants
- Consideration of Budget Approval – June 22
### FYs 2018 & 2019 Sources of Funds

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Sales</td>
<td>$1,302,329</td>
<td>82%</td>
</tr>
<tr>
<td>Infrastructure Access Charges</td>
<td>67,991</td>
<td>4%</td>
</tr>
<tr>
<td>Net Fund Withdraws</td>
<td>63,341</td>
<td>4%</td>
</tr>
<tr>
<td>Build America Bonds &amp; Investment Income</td>
<td>33,028</td>
<td>2%</td>
</tr>
<tr>
<td>Capacity Charges</td>
<td>33,424</td>
<td>2%</td>
</tr>
<tr>
<td>Property Taxes &amp; In-Lieu Charges</td>
<td>25,361</td>
<td>2%</td>
</tr>
<tr>
<td>Water Standby Availability Charges</td>
<td>22,245</td>
<td>1%</td>
</tr>
<tr>
<td>All Other Revenue Sources</td>
<td>36,409</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,584,128</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
## FYs 2018 & 2019 Recommended Budget

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Purchases &amp; Treatment</td>
<td>$1,048,373</td>
<td>66%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>280,945</td>
<td>18%</td>
</tr>
<tr>
<td>CIP Expenditures</td>
<td>118,618</td>
<td>7%</td>
</tr>
<tr>
<td>Operating Departments</td>
<td>103,202</td>
<td>7%</td>
</tr>
<tr>
<td>Other &amp; Grants</td>
<td>28,135</td>
<td>&lt;2%</td>
</tr>
<tr>
<td>Equipment Replacement</td>
<td>4,855</td>
<td>&lt;1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,584,128</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Breakdown

- **Water Purchases/Treatment**: 66%
- **Debt Service**: 18%
- **CIP Expenditures**: 7%
- **Operating Departments**: 7%
- **Other & Grants**: <2%
- **Equipment Replacement**: <1%

**Total**: 91% of TOTAL BUDGET
Lake Hodges Pumped Storage Facility
Operations

- General Managers recommended budget includes staffing and services to perform operations of Lake Hodges Pumped Storage Facility by Water Authority staff

- Budget Development Timeline
  - January 2016 – Requested renewal terms from Contract Operator
  - February 2016 – Contract Operator preliminarily responded that they would request an increase in terms
  - March 2016 – Contract Operator revised response to maintain existing terms
  - May 25, 2017 – GM presented recommended budget to Board
  - June 15, 2017 – Contract Operator submitted two options in response to GM’s recommendation

- Staff reviewed all options and determined that the GM’s recommendation to perform operations using Water Authority staff is most cost effective and in the best interest of the Water Authority
Lake Hodges Pumped Storage Facility
Operations

Additional factors supporting GM’s Recommendation

› Water Authority performed facility start-up, and operations and maintenance prior to initiation of current contract services

› Complimentary to current Water Authority activities
  – Water Authority performs similar support of Rancho Peñasquitos Hydroelectric Facility, San Vicente Pump Station and Olivenhain Pump Station

› Provides economy of scale for outside services

› Reduces need for contractual oversight

› Allows Water Authority to develop and maintain highly skilled staff
## Annualized Operating Costs

<table>
<thead>
<tr>
<th>O&amp;M Approach</th>
<th>Cost</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Contract</td>
<td>$1.7M</td>
<td>-</td>
</tr>
<tr>
<td>Proposed O&amp;M Approach</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Authority</td>
<td>$1.1M</td>
<td>$0.6M</td>
</tr>
<tr>
<td>Contractor Option 1</td>
<td>$1.4M</td>
<td>$0.3M</td>
</tr>
<tr>
<td>Contractor Option 2</td>
<td>$1.3M</td>
<td>$0.4M</td>
</tr>
</tbody>
</table>
Staff Recommendation

- Staff recommends that the Board formally adopt the General Manager’s Recommended Budget for Fiscal Years 2018 & 2019.
- Approve adoption of Resolution No. 2017-___, a Resolution of the Board of Directors of the San Diego County Water Authority approving the General Manager’s Recommended Budget for Fiscal Years 2018 and 2019, for operations and capital improvements and appropriating $1,584,127,560 consistent with the approved budget.
Aqueduct Operating Plan

Engineering & Operations Committee Meeting
June 22, 2017
Aqueduct Operating Plan (AOP)

- Improve communication
- Coordinate operations
- Maximize regional resources
- Monthly Operating Heads meeting
Aqueduct Operating Plan

1. Water Supply/Conveyance (Treated and Untreated)
   - Untreated Water Distribution Priorities
2. Aqueduct Shutdowns
3. Member Agency Shutdowns
4. Energy Production/Consumption
5. Reservoir Operation/Coordination
6. Asset Management Activities
Treated Water: Projected Demand vs Deliveries for FY 2017
Untreated Water: Projected Demand vs Deliveries for FY 2017
Treated Water Delivery FY 2018

The chart shows the average monthly flow (in cfs) and compares it to the pipeline capacity (650 cfs). The data is presented from July to June, with the months of November and December showing significantly lower flow rates compared to the other months.
Untreated Water Delivery FY 2018

The graph shows the average monthly flows (cfs) compared to the pipeline capacity (780 cfs). The months with the highest average monthly flows are September and October, while the lowest is December. The graph also indicates that the percent untreated water system capacity is consistently below 100%, with the highest being around 60% in July and August.
Untreated Distribution Priorities

June 1 – October 31
Summer Untreated Water Delivery Priority
1) Member Agency Treatment Plants
2) Water Authority Treatment Plants
3) Storage

Winter Untreated Water Delivery Priority
1) Member Agency Treatment Plants
2) Storage
3) Water Authority Treatment Plants
   November 1 – May 31
Aqueduct Shutdowns and Outages

**Nov 5 - Nov 14, 2017: Treated**
1. Warranty inspection of Desal Conveyance Pipeline
2. Warranty inspection of Twin Oaks TP Desal Improvements
3. CR6 Flow Control Facility Final tie-in and bulkhead removal

**Mar 18 - Mar 27, 2018: Treated**
4. Warranty Inspection of P2A Pump Station improvements
5. Warranty inspection of Ramona Pumpwell Improvement project
6. Ramona Pipeline Joint Bonding Project

**Oct 2 – Oct 20, 2017: Untreated**
1. Pipeline 3 Reline Project - Lake Murray to Sweetwater Reservoir
2. Internal condition assessment of Pipeline 3
3. Pipeline 4 through Mission Trails internal condition assessment

**Jun 4 - Jun 7, 2018: Untreated**
4. Isolation removal and reactivation of Pipeline 3 from Mission Trails to Terminus

**Nov 5 - Nov 14, 2017: Treated**
1. Carlsbad Desalination Plant semi-annual maintenance

**Nov 13 - Nov 22, 2017: Untreated**
2. Lake Hodges Hydroelectric Facility semi-annual maintenance

**Mar 19 - Mar 28, 2018: Untreated**
4. Lake Hodges Hydroelectric Facility annual maintenance

**Mar 4 - Mar 13, 2018: Treated**
3. Carlsbad Desalination Plant semi-annual maintenance

* Green= untreated shutdown, Blue= treated shutdown, Orange= outage
Member Agency Shutdowns

- 7/2017 – 9/2017
  Filter Media Replacement Project at Plant (Oceanside)

- 11/2017 – 3/2018
  8.0 MG Reservoir Rehabilitation (Fallbrook)

- 12/2017 – 1/2018
  SCADA System Upgrade Project at Plant (Oceanside)

- 10/2017 – 4/2018
  570-1 Reservoir Liner and Cover Replacement (Otay)
FY 2017 Energy Production

- Rancho Peñasquitos
  - Projected Revenue: $470,000
  - Expenses*: $252,000

- Lake Hodges Pump Storage
  - Projected Revenue: $2,800,000
  - Expenses*: $2,301,000

(Sources of Revenue: 80% availability/ 20% O&M variability payment)

* Expenses are only associated with hydroelectric operation of each facility
FY 2018 Projected Energy Production

- **Rancho Peñasquitos**
  - Goal: $316,000*
  - Projected Expenses**: $565,000

- **Lake Hodges Pump Storage**
  - Goal: $2,800,000 (based on availability charges)
  - Projected Expenses**: $1,783,000

* Rancho Peñasquitos is projecting reduced revenue due to PPA expiration and low flows

** Projected expenses are only associated with hydroelectric operation of each facility
Reservoirs and Regional Storage

- Regional Usable Capacity
  - 724,473 Acre Feet (AF)

- May 9 Usable Inventory
  - 438,700 AF (61%)
Asset Management Activities

Last Year Included:

- Installed 38 new Sipos electric valve actuators
- Tested and inspected all Water Authority fiber-optic cable and communication interconnections
- Pipeline Condition Assessment
  - Pipeline 3
  - La Mesa Sweetwater Extension pipeline
- Installation of five online water quality analyzers
Asset Management Activities

- Replacement of damaged section of La Mesa Sweetwater pipeline discovered during comprehensive condition assessment using remote field technology

- Collaborative effort internally
  - Engineering
  - ROW
  - Water Resources
  - O&M
Asset Management Activities

Next Year:

- Comprehensive condition assessment of Pipeline 3 relined pipe in Spring Valley
- Inspection of 25 miles of pipeline including Carlsbad Conveyance Pipeline
- Replacement of three ultrasonic flow meters
- Perform cyber–security evaluation of the SCADA system
- Replace 52 flow control facility electric actuators
Aqueduct Operating Plan – Future

- Operating Heads (monthly)
- FY 2019 AOP Schedule
  - Shutdown schedule to Operating Heads/MWD – January 2018
  - General Managers – May 2018
  - Board – June 2018
Nob Hill Improvements
Notice of Completion

Engineering & Operations Committee Meeting
June 22, 2017
- Access Road
- Pipeline
  - Tunnel
- Connections
Nob Hill Cross-Section View

Elevation 735 feet

New Tunnel Pipe

Elevation 735 feet

130 feet
Tunnel and Pipe
Tunnel Tie-in
Tunnel Site Restored
### Contract Summary

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Contract Amount</td>
<td>$ 9,987,970</td>
</tr>
<tr>
<td>Change Orders</td>
<td>$ 118,837</td>
</tr>
<tr>
<td><strong>Final Contract Amount</strong></td>
<td><strong>$ 10,106,807</strong></td>
</tr>
</tbody>
</table>
Staff Recommendation

- Authorize the General Manager to accept the Nob Hill Improvements project as complete, record the Notice of Completion, and release funds held in retention to L.H. Woods and Sons, Inc. following expiration of the retention period.
San Vicente Energy Storage Facility
Cost-Sharing Agreement with the City of San Diego
Engineering and Operations Committee

JUNE 22, 2017

Michael Hogan, San Vicente Energy Storage Task Force Chair
Kelly Rodgers, Energy Program Manager
Phases of Work

- **Phase 1** - Black and Veatch Initial Study and FERC preliminary application document - **complete**
- **Phase 2** - Navigant detailed study - **complete**
- **Phase 3** - Completing the two solicitations, coordinating with outside agencies, and engaging in other initial project development activities
Meetings

APRIL 27 E&O COMMITTEE

- Request for letters of interest process complete - significant interest
- Approval to solicit proposals:
  - From all full-service teams perform all activities to fully deliver project
  - On low risk business models
  - Open to everyone

JUNE 15 SAN VICENTE ENERGY STORAGE TASK FORCE

- Discussed processes and task force participation
- Formulated recommendation
Activities Needed to Implement Proposed Project

- Offtaker
- Financing
- Design
- Permit
- Build
- Operate
Business Model Considerations

Who builds assets

Who owns assets

Compensation for partner contributions
Business Model Types

1. Lease
   • Use existing assets

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.
Phase 3 - Outside Agency Coordination

- April 2018 - California Independent System Operator
  - Interconnection request

- May 2018 - Federal Energy Regulatory Commission
  - New preliminary permit application

- Offtake Strategy
  - Continue discussions
## Phase 3 - Two Solicitation Processes

<table>
<thead>
<tr>
<th><strong>FULL-SERVICE TEAM (FST)</strong></th>
<th><strong>OWNERS REPRESENTATIVE(S) (OR)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Solicit a FST that can complete all project activities</td>
<td>- Solicit a multidisciplinary team to assist with FST selection and negotiations</td>
</tr>
</tbody>
</table>
Parallel Processes

- **July 2017**
  - Issue FST RFP

- **Sept 2017**
  - FST Proposals Due
  - OR on board to assist with process

- **Dec 2017**
  - Board Recommendation to negotiate with preferred FST

- **Feb/Mar 2018**
  - Board Recommendation on FST Agreement
Phase 3 - Cost-Sharing Agreement with City

- FY 18/19 Budget request of $3.3M
- Each agency funds their own staff resources and special counsel costs

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
<th>Shared 50/50 with City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Services</td>
<td>$1,650,000</td>
<td>✓</td>
</tr>
<tr>
<td>Regulatory Costs/ Fees</td>
<td>$1,007,000</td>
<td>✓</td>
</tr>
<tr>
<td>Water Authority Staff Resources and Special Counsel</td>
<td>$643,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$3,300,000</td>
<td>$2,657,000</td>
</tr>
</tbody>
</table>
San Vicente Energy Storage Task Force Recommendation

- Authorize the General Manager to enter into an Agreement with the City of San Diego for implementation of Phase 3 Work for the San Vicente Energy Storage Facility Study.
Metropolitan Water District
Integrated Water Resources Plan Update

Imported Water Committee
June 22, 2017

Amy Chen, Director of MWD Program
MWD’s Integrated Resources Plan

- First IRP adopted following 1987–92 drought
  - IRP’s six objectives:
    - Acknowledge environmental and institutional constraints, and ensure:
      - Affordability
      - Water quality
      - Flexibility
    - Reliability
    - Diversity
  - “Preferred Resources Mix” – imported and local
  - IRP drives MWD spending decisions
    - Blue Ribbon Taskforce critiqued on the need to tie investment decisions with member agencies’ willingness to pay for such services
IRP Updates

- **2004 – the “buffer”**
  - Demand for MWD water declined by 500,000 AF
  - Added “planning buffer” of up to 500,000 AF

- **2010 – three–components**
  - “Core resources” plan to implement projects to meet all member agency dry–year demands
  - 500,000 AF “uncertainty buffers” to *implement* an additional 300,000 AF of supply projects and 200,000 AF of conservation programs
  - “Foundational actions” on research, studies and legislative efforts to move new technologies forward
2015 IRP Update

- Staff told board it would be a bifurcated process
  - Technical data collection  •  Policy discussion to follow
- But in January 2016, staff presented the technical report as 2015 IRP Update
  - Later board discussions limited to “implementation policy”
  - No discussion about **affordability** or need to integrate MWD planning with member agency demands
- MWD now says purpose of the IRP is not to meet demand for MWD water but to provide a redundant water supply for 100% of So Cal water
Demand for MWD water continues to decline

Source: MWD
Member agencies are developing local water supplies

Inventory of Potential Local Projects
2015 IRP Update

<table>
<thead>
<tr>
<th>Total Local Resource Potential (Thousand Acre-Feet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
</tr>
<tr>
<td>Full Design</td>
</tr>
<tr>
<td>Adv. Planning</td>
</tr>
<tr>
<td>Feasibility</td>
</tr>
<tr>
<td>Conceptual</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>
What’s the problem?

- MWD assumes 50% MWELO compliance
- MWD includes only “existing & under construction” local projects
- Ignores 90% of local projects being developed and underestimates local conservation due to mandate
MWD’s spending plan under IRP is not prudent

<table>
<thead>
<tr>
<th>Year</th>
<th>Average-Year</th>
<th>Single Dry-Year</th>
<th>Multiple Dry-Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>1,651,000</td>
<td>642,000</td>
<td>145,000</td>
</tr>
<tr>
<td>2025</td>
<td>1,732,000</td>
<td>720,000</td>
<td>116,000</td>
</tr>
<tr>
<td>2030</td>
<td>2,085,000</td>
<td>983,000</td>
<td>223,000</td>
</tr>
<tr>
<td>2035</td>
<td>2,208,000</td>
<td>1,103,000</td>
<td>271,000</td>
</tr>
<tr>
<td>2040</td>
<td>2,245,000</td>
<td>1,138,000</td>
<td>288,000</td>
</tr>
</tbody>
</table>

MWD’s estimated surplus supplies with current programs and programs under development, assuming MA develops 10% local supplies

Data Source: MWD 2015 UWMP
IRP Issues Raised by Delegates

- MWD needs to identify who will benefit and who it expects to pay for all the new water supplies it is developing
  - Meet current or projected demand? If so, whose demand?
- Potential for stranded investment at MWD must be addressed
  - Learned from recent fixed treatment charge experience
- 100% supply redundancy plan for So Cal is not prudent
  - San Diego does not want or need this kind of “insurance”
- If MWD rates are based on cost of service, this problem will resolve itself
  - Right now, member agencies think MWD insurance is “free”
Next Steps

Continue to advocate MWD to:

- Realistically assess conservation potential
- Account for local water supply development that is actually underway
- Apply cost of service requirements to identify who will pay the water supply development costs it is incurring
- Consider
  - Affordability and impact on disadvantaged communities
  - High potential for stranded investments
Canal Lining Post Construction Status Update

Imported Water Committee
June 22, 2017
Canal Lining Projects

- Construction of canal lining projects is complete
- Ongoing environmental mitigation and O&M responsibilities
Completed Canal Lining Mitigation Projects

- Wister Sport Fishery
- Tree Planting
- Wildlife Watering Ponds
- Fencing along the canal
Completed Canal Lining Mitigation Projects

Large Mammal Monitoring and Groundwater Monitoring

Installation of ladders and buoys
AACLP Remaining Mitigation
Chanan Remington Memorial
Wetland

2006

2008

2016
AACLP Remaining Mitigation
Dune Restoration
CCLP Remaining Mitigation Project Location
Dos Palmas Water Supply System
Small Contractor Outreach and Opportunities Program Programmatic Goal

Legislation and Public Outreach Committee
June 22, 2017

Teresa Penunuri, Public Affairs Supervisor
SCOOP Overview

- Goal: Increase the bidding opportunities for small businesses in public contracting bids.
  - Communicate and provide opportunities
  - Track and report small-business participation

- Current annual goal: 20% (Established 2016)
Benefits

- Small businesses
  - Access to contracts they may have considered outside of their means
  - Technical assistance
  - Exposure to large primes and public agencies

- Water Authority and ratepayers
  - Raise awareness of projects
    - High-quality response
    - Increased bid accuracy
    - Better cost
Previous SCOOP Goals

- 2004 – Goal established: 21%
- 2005 – 23%
- 2007 – 25%
- 2013 – 30%
- 2016 – 20%
Goal Evaluation Process

- Identify types of contracting/subcontracting opportunities

- Adjust availability #s based on:
  - Historical achievement
  - Economic climate
  - Likelihood of small businesses to bid
  - Capacity of availability pool
  - Percentages resulting from availability surveys or disparity studies
  - Other public agency projects
  - Experience factors of goal-setter
## SCOOP Measurements

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>SB Achievement</th>
<th>SB Amount $</th>
<th>MW</th>
<th>MW Amount $</th>
<th>Total Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>25%</td>
<td>$ 27,466,923</td>
<td>17%</td>
<td>$ 19,343,351</td>
<td>$ 110,694,189</td>
</tr>
<tr>
<td>2010</td>
<td>12%</td>
<td>$ 21,167,391</td>
<td>8%</td>
<td>$ 13,584,791</td>
<td>$ 170,571,174</td>
</tr>
<tr>
<td>2011</td>
<td>41%</td>
<td>$ 16,805,729</td>
<td>10%</td>
<td>$ 4,222,121</td>
<td>$ 40,862,936</td>
</tr>
<tr>
<td>2012</td>
<td>26%</td>
<td>$ 13,728,837</td>
<td>4%</td>
<td>$ 1,948,097</td>
<td>$ 53,711,295</td>
</tr>
<tr>
<td>2013</td>
<td>32%</td>
<td>$ 12,614,158</td>
<td>6%</td>
<td>$ 2,569,301</td>
<td>$ 39,987,730</td>
</tr>
<tr>
<td>2014</td>
<td>39%</td>
<td>$ 41,392,762</td>
<td>5%</td>
<td>$ 5,462,593</td>
<td>$ 105,045,976</td>
</tr>
<tr>
<td>2015</td>
<td>63%</td>
<td>$ 41,171,177</td>
<td>13%</td>
<td>$ 8,492,936</td>
<td>$ 65,073,625</td>
</tr>
<tr>
<td>2016</td>
<td>28%</td>
<td>$ 15,585,755</td>
<td>12%</td>
<td>$ 6,763,412</td>
<td>$ 55,626,587</td>
</tr>
</tbody>
</table>
SCOOP Measurements to Date

- 2002-2016
  - $1.7 billion in procurements
  - $380.5 million to small businesses
  - $97 million to minority/women-owned businesses
## SCOOP 3rd Quarter Report FY 2017

<table>
<thead>
<tr>
<th>Measurements</th>
<th>Total</th>
<th>% Small</th>
<th>% M/W</th>
</tr>
</thead>
<tbody>
<tr>
<td>Database</td>
<td>2274</td>
<td>29%</td>
<td>24%</td>
</tr>
<tr>
<td># Bidders</td>
<td>258</td>
<td>41%</td>
<td>26%</td>
</tr>
<tr>
<td># Firms</td>
<td>418</td>
<td>28%</td>
<td>6%</td>
</tr>
<tr>
<td>Contracts</td>
<td>111</td>
<td>28%</td>
<td>13%</td>
</tr>
<tr>
<td>$ Awarded</td>
<td>$29,921,314</td>
<td>29%</td>
<td>11%</td>
</tr>
</tbody>
</table>

**Overall SCOOP participation goal for 2017 = 20%**
Staff Recommendation

- Continue the SCOOP Program Goal of 20 percent for fiscal year 2018.
Community Outreach for Capital Improvement Projects

Legislation and Public Outreach Committee
June 22, 2017
Capital Improvement Program

- $2.8 billion CIP (1989 – 2030)
  - $1.5 billion Emergency & Carryover Storage Program (E&CSP)

- Dozens of major projects
  - Dams
  - Pipelines (New and rehabilitation)
  - Pump stations
  - Canals
  - Pipeline structures (pressure control, flow control, etc.)
  - Desalination facility
Community Outreach – CIP

- Water Authority projects are large in size
- Community engagement and support are critical to project success
  - Identify specific community concerns
  - Resolve issues before escalation
  - Keep project on time, on budget

Olivenhain Dam construction
San Vicente Dam construction
Stages of CIP outreach

- Planning
- Design
- Construction
- Operation

San Vicente Dam Raise Outreach
Outreach Tactics – Early ESP

- Gather information
  - Impacted communities
  - Interested parties
- Newsletters
- Community meetings
- Tours
- Open houses
- Ceremonial events
Community Outreach – CIP

- Outreach ramped up in early 2000s
  - Master Plan preparation
  - Beginning of ESP
  - Consultant utilized to increase visibility of projects

- ESP support – 2002 sample
  - 127 tours
  - 2 public hearings
  - 36 presentations
  - Community database of approximately 10,000 subscribers
Evolution of Outreach Tactics

- E-blasts
- Social media
- Meet and greets
- Community tabling
  - Farmers markets
  - Chamber events
  - Business districts
- Evolving communities
Team Approach to Outreach

- Work closely with design and construction team
  - Eyes in the field
- Field team able to anticipate potential issues
- Streamline outreach

San Diego County Water Authority
Pipeline Relining Project

- Web: sdcwa.org/pipeline-relining
- Email: CIPinfo@sdcwa.org
- Info line: (877) 682-9283, Ext. 7005
Current Support

- Large projects are complete
- Multiple, smaller projects
- 15 projects during FY 16/17

Success
- Awards
- Imitation is best flattery

Ongoing involvement
- Facility tour requests
- Operational issues

Nob Hill Improvements

Carlsbad 6 FCF
Upcoming Support
Lake Murray to Sweetwater Relining

- Held two community meetings in Dec. 2016
- Outreach plan by portal
- Events
  - La Mesa Farmers Market
  - La Mesa Chamber of Commerce Mixer
ABOUT THE POLL

- 1,001 San Diego County adults surveyed May 3rd through 28th, 2017

- Telephone (N=500) and online (N=501) consolidated into single data set (N=1,001)

- A sample of cell phone contacts (N=150) was also included in the telephone component

- Overall margin of error equivalent to ± 3.1%, 19 times out of 20
Public Interest in Water Issues
### “Top-of-Mind” County Issues

“What do you feel is the most important issue facing San Diego County residents today?”

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable housing</td>
<td>13%</td>
</tr>
<tr>
<td>Economy/unemployment</td>
<td>11%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>8%</td>
</tr>
<tr>
<td>Poverty/homelessness</td>
<td>7%</td>
</tr>
<tr>
<td>Electricity/heating costs/supply</td>
<td>6%</td>
</tr>
<tr>
<td>Water supply/drought</td>
<td>6%</td>
</tr>
<tr>
<td>Immigration</td>
<td>5%</td>
</tr>
<tr>
<td>Cost of living</td>
<td>5%</td>
</tr>
<tr>
<td>Crime/safety</td>
<td>5%</td>
</tr>
<tr>
<td>Too much traffic</td>
<td>4%</td>
</tr>
<tr>
<td>Gov't mismanagement</td>
<td>2%</td>
</tr>
<tr>
<td>Growth/dev't sprawl</td>
<td>2%</td>
</tr>
<tr>
<td>Environmental/pollution</td>
<td>2%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>2%</td>
</tr>
<tr>
<td>Other (Unsure)</td>
<td>13%</td>
</tr>
</tbody>
</table>

2015: 33% chose water supply/drought
Public Satisfaction with Water Authority Performance
Public Satisfaction with Water Authority Performance

“Thinking about all the activities and responsibilities of the San Diego County Water Authority, would you say they are doing a good job or a poor job overall? Let’s use a 1 to 10 scale where a “1” means the water authority is doing a very poor job and a “10” means they are doing a very good job overall.”

Base: All respondents
Public Views on Water Reliability
Importance of a Reliable Water Supply

84%: Essential for a healthy economy

80%: Needed for good quality of life
Views on Reliability of San Diego County’s Water Supply

“A reliable water supply is one that can be depended upon to consistently provide enough water to meet the region’s needs. Currently, how reliable or unreliable do you think San Diego County’s water supply is? Would you say it is...?”

Base: All respondents
Supply Diversification

79% support Water Authority’s supply diversification strategy
Support for Advanced Treated Recycled Water

“How would you feel about mixing advanced treated recycled water into the supply of drinking water, that is, water treated with ultra-filtration, reverse osmosis and advanced oxidation?”

<table>
<thead>
<tr>
<th>Base: All respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total support</td>
</tr>
<tr>
<td>Men</td>
</tr>
<tr>
<td>Women</td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>&lt;35</td>
</tr>
<tr>
<td>35-54</td>
</tr>
<tr>
<td>55+</td>
</tr>
</tbody>
</table>

61% 69% 52% 70% 54% 57%
Statewide Regulations

51% support statewide emergency cuts during droughts; 42% back cuts on a county-by-county basis.

66% say best strategy to ensure future reliability in CA is to save water and develop local supplies. Only 28% preferred focusing on saving water.
Views on Water Costs
Many Continue to See Water as a Good Value

67% feel water is good value compared to other utilities.
Estimated Average Per-Gallon Cost

17% think water costs more than $1.00 per gallon

17% think water costs more than $.26 per gallon

Only 1% guessed true cost of tap water

Majority (53%) were unsure

Average of 92 cents per gallon
Perceived Need for Water Rate Increases

“Additional water rate increases are necessary to support the region’s water supply reliability.”

Base: All respondents

- **2014**: 13% (Moderate) + 20% (Strongly)
- **2015**: 20% (Moderate) + 24% (Strongly)
- **2017**: 23% (Moderate) + 18% (Strongly)
Openness to Additional Costs

“Many water agencies in the San Diego region are considering options to develop additional local water supplies to make the region more resilient to drought. These efforts would require additional costs for consumers. How much more would you personally be willing to pay per month – if anything – for additional local water supplies in San Diego County?”

Base: All telephone respondents

<table>
<thead>
<tr>
<th>Cost Range</th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 (nothing)</td>
<td>16%</td>
<td>24%</td>
</tr>
<tr>
<td>$5 or less</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>$6 to $15</td>
<td>9%</td>
<td>14%</td>
</tr>
<tr>
<td>$16 to $30</td>
<td>8%</td>
<td>13%</td>
</tr>
<tr>
<td>Over $30</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>(Depends)</td>
<td>20%</td>
<td>26%</td>
</tr>
<tr>
<td>Unsure</td>
<td>18%</td>
<td>18%</td>
</tr>
</tbody>
</table>
Water Use and Efficiency
Water-Use Efficiency as Civic Duty

“It is my civic duty to use water efficiently.”

2014: 82% (60% moderately agree, 22% strongly agree)
2015: 87% (67% moderately agree, 20% strongly agree)
2017: 81% (61% moderately agree, 20% strongly agree)

Base: All respondents
Anticipated Water Consumption Changes

“Thinking about your home water use, both indoors and outdoors, do you think that you will use more water, less water or about the same amount of water in 2017 as you did in 2016?”

- More, 5%
- Same, 59%
- Less, 33%
- Unsure, 3%

Base: All respondents
Majority Feel They Can Save More

51% say they could do more to conserve water at home ...

especially younger residents.

However, 22% felt they could do little else to save more water.
Questions?

Contact:

Scott MacKay
1-877-538-5545
scott@probe-research.com

THANK YOU!
Sacramento Report and Update on Long-Term Water Use Efficiency Legislation

Legislation and Public Outreach Committee
June 22, 2017

Glenn Farrel, Government Relations Manager
Dana Friehauf, Water Resources Manager
Water Use Efficiency Legislation

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

Budget Trailer Bill #1
Budget Trailer Bill #2
# Water Use Efficiency Legislation

<table>
<thead>
<tr>
<th>BILL</th>
<th>SYNOPSIS</th>
<th>WA POSITION</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AB 869 (Rubio)</strong></td>
<td>Recycled water exclusion</td>
<td>Support</td>
<td>Sen. Natural Resources/Water and Sen. Envtl Quality</td>
</tr>
<tr>
<td><strong>AB 1323 (Weber)</strong></td>
<td>DWR stakeholder workgroup</td>
<td>Sponsor</td>
<td>Senate Natural Resources/Water</td>
</tr>
<tr>
<td><strong>AB 1654 (Rubio)</strong></td>
<td>Water shortage contingency plans</td>
<td>Support/Co-Sponsor</td>
<td>Senate Natural Resources/Water</td>
</tr>
<tr>
<td><strong>AB 1667 (Friedman)</strong></td>
<td>Ag water management plans</td>
<td>Oppose Unless Amended</td>
<td>Senate Natural Resources/Water</td>
</tr>
<tr>
<td><strong>AB 1668 (Friedman)</strong></td>
<td>Water shortage contingency plans</td>
<td>Oppose Unless Amended</td>
<td>Senate Natural Resources/Water</td>
</tr>
<tr>
<td><strong>RN 17–09926</strong></td>
<td>Water shortage contingency plan</td>
<td>Oppose Unless Amended</td>
<td>Budget process</td>
</tr>
<tr>
<td><strong>RN 17–12268</strong></td>
<td>Long–term WUE standards</td>
<td>Oppose</td>
<td>Budget process</td>
</tr>
</tbody>
</table>
Water Use Efficiency Legislation

- Upcoming milestones in legislative process
  - Deadline for bills to pass second House policy committee and beginning of Summer recess – July 21
  - Return from Summer recess – August 21
  - Last day of 2017 legislative session – September 15
Assembly Water Conservation Working Group

- **Status of activities**
  - Five meetings to-date
  - Staffed by Speaker’s Office and WPW Committee Consultants
  - Preliminary intent to work through Summer

- **Progress**
  - Draft long-term water use principles developed
  - Reached-out to Senate
  - Continue to meet – all bills are presently in Senate
    - Scheduled for July 11 hearing (except AB 869 (Rubio))
Governor’s Budget Trailer Bills

- Governor’s office has met with stakeholders
  - Parallel activity to Assembly working group
  - Involves water, environmental, and business community stakeholders – DWR and SWRCB well represented
  - Allowing policy bill process to proceed for now
  - Retain opportunity to advance budget trailer bills
June 20, 2017 Administration Draft Legislation

- Revises April 2017 Budget Trailer Bill
- Represents state administration work on ensuring consistency with framework and incorporating comments received
  - Agricultural and urban water suppliers
  - Environmental non-governmental organizations
- Improvement from April 2017 Budget Trailer Bill
  - Still does not fully address legislative priorities
## Administrative Draft Legislation: Summary Analysis Based on Legislative Priorities

<table>
<thead>
<tr>
<th>Priority</th>
<th>Addressed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycled Water Credit</td>
<td>Partially.</td>
</tr>
<tr>
<td></td>
<td>• Potable reuse credit up to only ten percent of supplier’s water use target.</td>
</tr>
<tr>
<td></td>
<td>• Non-potable recycling given special landscape allowance as set forth in Model Water Efficient Landscape Ordinance</td>
</tr>
<tr>
<td>Form workgroup to identify CII performance measures</td>
<td>Partially.</td>
</tr>
<tr>
<td></td>
<td>• Requires broad stakeholder input into developing recommended performance measures</td>
</tr>
<tr>
<td></td>
<td>• Recommendations must support economic productivity of CII sector</td>
</tr>
<tr>
<td></td>
<td>• Still includes required performance measures, such as, separate irrigation meters for existing landscapes</td>
</tr>
<tr>
<td>Priority</td>
<td>Addressed?</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Setting use standards must be through stakeholder process with legislative approval.</td>
<td>Partially. The revisions do allow for stakeholder input, but no legislative oversight.</td>
</tr>
<tr>
<td>Provide alternative target setting methodologies (similar to SBX7–7)</td>
<td>No. Consistent with Framework. Only budget based method.</td>
</tr>
<tr>
<td>Ensure future emergency regulation mandates factor in local supply availability (similar to “stress test”)</td>
<td>No.</td>
</tr>
</tbody>
</table>
What is the Water Authority doing?

- Trying to stay balanced between and within each of the parallel processes underway
  - Conventional legislative process – bills in Senate policy committees
  - Assembly conservation working group
  - Administration’s budget trailer bill process

- Engaged with other water agency stakeholders

- Water Authority approach analogous to effort during water bond debate in 2013–14
  - Attempt to get San Diego region protections and interests addressed in ANY vehicle that moves forward
Regulatory Advocacy Services

Legislation and Public Outreach Committee
June 22, 2017
Selection of Recommended Service Provider

- Request for Proposals issued April 20, 2017
  - Advertised extensively within Sacramento and in statewide publications
- Four proposals received
- Water Authority selection panel conducted interviews
  - Board Chair Mark Muir
  - LPO Chair Christy Guerin
  - Asst. GM Dennis Cushman
  - Govt Rel. Mgr. Glenn Farrel
  - Water Resources Mgr. Toby Roy
- Selection panel recommends firm of Smith, Watts & Hartmann to provide regulatory advocacy services
# Water Authority Advocacy Services

<table>
<thead>
<tr>
<th>EXISTING ADVOCACY</th>
<th>PROPOSED ADVOCACY</th>
<th>ADVOCACY FOCUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Authority Sacramento Government Relations Staff</td>
<td>Water Authority Sacramento Government Relations Staff</td>
<td>Legislative/Regulatory (Full Service)</td>
</tr>
<tr>
<td>Gonzalez, Quintana, Hunter &amp; Cruz</td>
<td>Gonzalez, Quintana, Hunter &amp; Cruz</td>
<td>Legislative (Regulatory as needed)</td>
</tr>
<tr>
<td>Lang, Hansen, O’Malley &amp; Miller</td>
<td>Lang, Hansen, O’Malley &amp; Miller</td>
<td>Legislative</td>
</tr>
<tr>
<td>V. John White &amp; Associates</td>
<td>__________</td>
<td>Legislative</td>
</tr>
<tr>
<td>__________</td>
<td>Smith, Watts &amp; Hartmann</td>
<td>Regulatory Only</td>
</tr>
</tbody>
</table>

**Note:** The table above lists the existing and proposed advocacy services for the Water Authority, along with the firms responsible for these services and the respective advocacy focus areas. The focus areas range from legislative to regulatory services, with options for full service or specific regulatory needs.
Selection Panel Recommendation

- The Water Authority regulatory advocacy services selection panel recommends the Board of Directors enter into an agreement with the firm of Smith, Watts & Hartmann for a period of 12 months, from July 1, 2017 through June 30, 2018, for a total amount not to exceed $93,500.
WCP Planning and Evaluation Services

Water Planning Committee
June 22, 2017
Overview

- Upcoming Conservation actions
- Program evaluation services
- Grant portfolio highlights
- RFP process
Drivers

- Program management (cost effectiveness)
- Board’s Water Use Efficiency Policy Principles
- Grant requirements
Past RFP process (2010)
- $409,085 (5% to 10% range)

Multiple service providers
- A&N Technical Services
- Winzler & Kelly
- Aquacraft
Scope of Services

- Pre-project planning & database needs
- Mid-project assessment & adjustments
- Post-project evaluation (Final Report)
  - Process evaluation
  - Impact assessment
Typical Grant Timeline

1 - 2 years
- Grant Writing
  - Grant application
  - Selection process
  - Notice of award

3 - 5 years
- Completion
  - Contract execution & mobilization
  - Ongoing implementation
  - Reporting, including a final report

> 1 year
- Close-Out
  - File retention review
  - Financial close-out

5-7 Year Average
Typical Grant Timeline (Cont’d)

DWR IRWM Prop. 84 Final Round Grant ($3.8 million)

Post-Performance Reports: Grantee shall submit Post-Performance Reports. Post-Performance Reports shall be submitted to State within ninety (90) calendar days after the first operational year of a project has elapsed. This record keeping and reporting process shall be repeated annually for a total of 10 years after the completed project(s) begins operation.
Next Steps

- Complete RFP
  - Multiple firms
  - 3 year term w/ 2-yr extension option
- Recommendation to Board this summer
Qualified Water Efficient Landscaper (QWEL) Training

Water Planning Committee
June 22, 2017
Overview

- Program Development
- Implementation Highlights
- Next Steps
What is QWEL

- EPA WaterSense-approved professional certificate program for irrigation system auditing and water management
- Originally developed by Sonoma County Water Agency
- 20 hours of in-class and hands-on instruction
- Provides graduates with knowledge in water-efficient and sustainable landscape practices including water management
Program Implementation

- Approved May 2015 as part of Board’s emergency drought response package
  - Second phase approved September 2016

- First phase January-December 2016
  - 15 class series completed

- Second phase January-June 2017
  - 10 class series completed
QWEL Training & Certification

- 25 class series completed
- 625 participated
- 559 completed program
- 79% earned certificate
99% felt the class provided them with skills and knowledge to manage landscapes more efficiently.

97% rated the class as good or excellent.

Many participants responsible for managing large residential and commercial landscapes.

Piloted Spanish-language classes.

170+ entities represented:
- Suppliers, contractors and public organizations.
Next Steps

- Recommend continuation of program
  - Consistent with regional “how-to resources” to advance long-term water efficiency
    - Fills important gap in regional training resources
  - $165,000 funding available from grants
    - Additional $10,000 in recommended operational funds
- RFP in process; will seek Board approval this summer
WaterSmart Landscape Makeover Program

Water Planning Committee
June 22, 2017
The Results

WSLM Series (four in-person classes)
- 36 series conducted countywide
- 760 homeowners graduated
- Average turf conversion area > 1,000 sf

Key Evaluation Finding*

"Water use among WSLM participants decreased in a materially and statistically significant level...averaging 32.8%"

WSLM Design Workshops (three hours)
- Member agencies have hosted 55 workshops in two years with more than 2,800 attendees

WSLM Videos On Demand (17-part series)
- Debuted in 2016 and have attracted more than 2,300 views

Contract Terms/ Scope of Work

Three-year professional services contract
- First two years: not-to-exceed amount of $381,000
  - $171,000 in grant funds from DWR’s Prop 84 Drought & Final Rounds
  - $210,000 in FY 2018/19 POC operational funds
- Third and future years: funding based on future grant acquisition and budget availability

Administration, enrollment, management, instruction and technical assistance
- 15 four-class makeover series (400 homeowners)
- 48 three-hour design workshops (3,000 participants)
- Explore community college and online learning
Recommendation

Authorize the General Manager to award a three-year professional services contract, with the option for a two-year extension, in an amount not-to-exceed $381,000 to Studio West Landscape Architecture & Planning to implement the WaterSmart Landscape Makeover Program.