Legislature

- September 13/14: Legislature concluded its 2019 legislative session
  - On policy front, it was a relatively quiet last 48 hours of session
    - Major policy issues resolved earlier - Dynamex; education bond; rent control; use of force; vaccines
    - 72-hour rule
    - Large Democrat vote margins in both houses
  - However, last night of session was still marred by chaos

- October 13: Last day for Governor to take final action on bills
Sponsored Legislation - AB 1588 (Gloria/Gray)

- AB 1588 is co-sponsored by the Water Authority and the Otay Water District
- AB 1588 is intended to address the lack of satisfactory crediting and equivalency standards for military veterans transitioning into civilian water and wastewater system operator occupations
- Pending consideration on the Governor’s Desk
Major Legislative Issues During Last Week of Session

- **AB 1290 (Gloria)** - Would require the use of PLAs as a condition of receiving state financial assistance for work performed on the City of San Diego’s Pure Water Program
  - Final Assembly Floor vote: 62-17
  - Pending consideration on the Governor’s Desk

- **SB 1 (Atkins)** - Would prevent any federal rollback of statutory and regulatory standards related to environmental protection and workplace safety from state statutory and regulatory baseline standards
  - Assembly Floor vote: 48-22
  - Senate Floor vote: 26-14
  - Pending consideration on Governor’s Desk

Los Angeles Times: *Newsom plans to veto bill that would have blocked Trump’s rollback of endangered species protections*

Associated Press: *California governor plans to veto environmental rules bill*

San Francisco Chronicle: *Newsom says he’ll veto environmental bill aimed at Trump’s rollbacks*

Calmatters: *Newsom breaks with Democrats on environmental ‘Trump insurance’ bill*
Preview of 2020 Legislative Issues

- Resources/resiliency bond measures
- Water use efficiency
  - Implementation of 2018 comprehensive water use efficiency legislation
- Implementation of Governor’s water resilience portfolio effort
- SB 332 (Hertzberg) - reduction in ocean discharge of treated wastewater
- SB 597 (Hueso) - pumped hydropower storage
Four Bond Measures in Play

- Not conventional water bond measures
- Three legislative bond measures
  - AB 352 (E. Garcia)
  - AB 1298 (Mullin)
  - SB 45 (Allen)
- One ballot initiative bond measure
  - Joe Caves sponsored ballot initiative
July 3 - $7.883 billion resources general obligation bond ballot initiative filed with Attorney General - November 3, 2020 general election
- Sponsor: Joe Caves - Conservation Strategy Group

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>TITLE</th>
<th>FUNDING AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 3</td>
<td>Wildfire Prevention and Community Resilience from Climate Impacts</td>
<td>$3.508 B</td>
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<td>Chapter 4</td>
<td>Safe Drinking Water, Protecting Water Supply and Water Quality from Climate Risks</td>
<td>$2.2 B</td>
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<td>Protecting Fish and Wildlife from Climate Risks</td>
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<td>Protecting Agricultural Lands from Climate Risks</td>
<td>$200 M</td>
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<td>Chapter 7</td>
<td>Protecting Coastal Lands, Bays, and Oceans from Climate Risks</td>
<td>$770 M</td>
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<tr>
<td>Chapter 8</td>
<td>Climate Resilience, Workforce Development and Education</td>
<td>$230 M</td>
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</table>

- Measure is now eligible for signature gathering, having received ballot title and summary from AG’s Office
**AB 352 (E. Garcia)**

- $3.92 billion bond measure - November 3, 2020 general election
  - Wildfire Prevention, Safe Drinking Water, Drought Preparation, and Flood Protection Bond Act of 2020

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>TITLE</th>
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<tbody>
<tr>
<td>Chapter 2</td>
<td>Wildfire Prevention and Community Resilience from Climate Change Impacts</td>
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<td>Safe Drinking Water and Protecting Water Supply and Water Quality from Climate Risks</td>
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<td>Climate Resilience, Workforce Development, and Education</td>
<td>$230 M</td>
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</table>
**AB 1298 (Mullin)**

- Unspecified funding amount - November 3, 2020 general election
  - Climate Resiliency, Fire Risk Reduction, Recycling, Groundwater and Drinking Water Supply, Clean Beaches, and Jobs Infrastructure Bond Act of 2020

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>TITLE</th>
<th>FUNDING AMOUNT</th>
</tr>
</thead>
<tbody>
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<td>Chapter 3</td>
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<td>Chapter 5</td>
<td>Local Government and Community Climate Resiliency and Fire Risk Reduction Infrastructure</td>
<td>Unspecified</td>
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<td>Chapter 6</td>
<td>Protection of Rivers, Improved Coastal Economies, Community Access, and Habitat Improvements</td>
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<tr>
<td>Chapter 7</td>
<td>Clean Beaches and Oceans, Parks, and Wildlife Corridors</td>
<td>Unspecified</td>
</tr>
</tbody>
</table>
**SB 45 (Allen)**

- $3.999 billion bond measure - March 3, 2020 primary election*
  - Wildfire Prevention, Safe Drinking Water, Drought Preparation, and Flood Protection Bond Act of 2020

*Amendments will be necessary in January to shift bond to the November 3, 2020 general election ballot

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>TITLE</th>
<th>FUNDING AMOUNT</th>
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<tbody>
<tr>
<td>Chapter 2</td>
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<td>$1.619 B</td>
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<tr>
<td>Chapter 3</td>
<td>Ensuring Safe Drinking Water and Protecting Water Supply and Water Quality from Climate Risks</td>
<td>$1.1 B</td>
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<tr>
<td>Chapter 4</td>
<td>Protecting Fish and Wildlife from Climate Risks</td>
<td>$500 M</td>
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<td>Chapter 5</td>
<td>Protecting Agricultural Lands from Climate Risks</td>
<td>$190 M</td>
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<td>Chapter 6</td>
<td>Protecting Coastal Lands, Bays, and Oceans from Climate Risks</td>
<td>$530 M</td>
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<tr>
<td>Chapter 7</td>
<td>Climate Resilience, Workforce Development, and Education</td>
<td>$60 M</td>
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Water Authority Objectives in Water/Resources Bond

- Major funding categories related to San Diego region’s needs
  - Advanced water treatment projects, including potable reuse, recycled water, and desalination
  - Water resilience infrastructure - implementation of Governor’s water resilience portfolio effort
  - Reservoir augmentation, construction, and infrastructure necessary to advance large-scale pumped hydropower energy storage
  - Regional allocation to reinvigorate the IRWM program
  - Fully implement the 10-year Salton Sea Management Program
  - Asset management projects, including pipeline relining and infrastructure rehabilitation
  - Statutory language to ensure P3 projects are eligible to compete for bond funding
  - Statutory language to ensure IRWM participating organizations may be eligible for 100 percent advanced payment of IRWM grants under $1 M
2019 Public Opinion Survey

Legislation and Public Outreach Committee Meeting
September 26, 2019

Craig Balben, Public Affairs Representative
Timothy McLarney, Ph.D., True North Research, Inc.
Purpose

- Measure and track public awareness, knowledge and attitudes as they relate to water
  - Supply reliability
  - Cost/value
  - Water use/water efficiency

- Track progress toward Business Plan objectives
Background

- 2018: Assessed survey practices
  - Refine methods to increase participation and accuracy
- Spring 2019: RFP for research services
- May 2019: True North Research hired
  - Based in Encinitas, CA
  - Deep experience in San Diego County
  - Addressed need for updated survey methods
METHODOLOGY OF STUDY

- Conducted August 16th to August 27th, 2019
- Stratified Random Sample of 1,063 residents in the Water Authority’s service area
- Mixed-Method approach
  - Recruited via email and phone
  - Data collection via phone and online
  - 17-minute average interview length
  - English & Spanish
- Overall margin of error is ± 3.0%
RELIABILITY OF WATER SUPPLIES IN NEXT YEAR

<table>
<thead>
<tr>
<th>Region</th>
<th>Prefer not to answer</th>
<th>Getting worse</th>
<th>Staying about same</th>
<th>Improving</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>10.1</td>
<td>7.0</td>
<td>41.8</td>
<td>9.0</td>
</tr>
<tr>
<td>Southern California</td>
<td>7.1</td>
<td>7.0</td>
<td>40.2</td>
<td>9.0</td>
</tr>
<tr>
<td>San Diego</td>
<td>7.2</td>
<td>9.6</td>
<td>42.5</td>
<td>9.0</td>
</tr>
</tbody>
</table>
RELIABILITY OF COUNTY WATER SUPPLY OVER NEXT 20 YEARS

Not sure / Prefer not to answer: 9.8%
Very reliable: 7.6%
Very unreliable: 16.3%
Somewhat reliable: 34.5%
Somewhat unreliable: 31.9%
TOP CONCERNS RELATED TO UNRELIABLE WATER SUPPLY

- Drought, not enough supply: 32.2%
- Health, diseases, contaminated water: 22.9%
- Water cost, rate increases: 20.7%
- Housing, population growth: 9.8%
- Climate change: 8.8%
- Not sure: 6.1%
- Life, survival: 5.4%
- Ecological impact: 4.4%
- Lack of governmental leadership to act ahead: 3.8%
- Aging infrastructure, lack of storage, transfer capacity: 3.7%
- Decline in quality of life: 3.4%
- Lack of infrastructure for desalination plants: 2.0%
- Decline in property value: 1.9%
- Water distribution: 0.8%
- Relocate to other state: 0.3%
I trust my water agencies to ensure that we have a reliable long-term supply of water.

A reliable water supply is essential for a healthy economy.

A reliable water supply is essential to my quality of life.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Strongly Disagree</th>
<th>No Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>A reliable water supply is essential for a healthy economy</td>
<td>73.3</td>
<td>20.5</td>
<td>2.3</td>
</tr>
<tr>
<td>A reliable water supply is essential to my quality of life</td>
<td>74.9</td>
<td>17.9</td>
<td>2.3</td>
</tr>
<tr>
<td>I trust my water agencies to ensure that we have a reliable long-term supply of water</td>
<td>22.3</td>
<td>42.4</td>
<td>18.9</td>
</tr>
</tbody>
</table>
SUPPORT FOR WATER RELIABILITY STRATEGIES

- Expanding the use of recycled water for agriculture and irrigation uses
  - Strongly support: 76.5%
  - Somewhat support: 17.7%
  - Strongly oppose: 1.3%
  - Not sure: 0%
  - Prefer not to answer: 0%

- Recycling water, purifying it to drinking water standards using advanced water treatment technologies
  - Strongly support: 55.8%
  - Somewhat support: 23.6%
  - Somewhat oppose: 7.9%
  - Strongly oppose: 7%
  - Not sure: 5.1%
  - Prefer not to answer: 0%

- Developing additional brackish groundwater supplies
  - Strongly support: 35.4%
  - Somewhat support: 35.1%
  - Somewhat oppose: 10.1%
  - Strongly oppose: 5%
  - Not sure: 13.5%
  - Prefer not to answer: 1%

- Securing rights on Colorado River to store additional water during droughts, emergencies, help avoid shortages on river
  - Strongly support: 35.6%
  - Somewhat support: 34.9%
  - Somewhat oppose: 10.1%
  - Strongly oppose: 6%
  - Not sure: 12.2%
  - Prefer not to answer: 1%
SUPPORT FOR MONTHLY BILL INCREASE TO FUND WATER RELIABILITY PROJECTS

- **$10 monthly**:
  - Support: 44.9%
  - Oppose: 32.5%
  - Not sure: 21.9%
  - Prefer not to answer: 1%

- **$7.5 monthly**:
  - Support: 49.9%
  - Oppose: 30.7%
  - Not sure: 18.7%
  - Prefer not to answer: 1%

- **$5 monthly**:
  - Support: 64.4%
  - Oppose: 22.1%
  - Not sure: 12.5%
  - Prefer not to answer: 1%
ESTIMATED COST OF WATER PER GALLON

- $0.00: 5.7% respondents
- $0.01: 2.2% respondents
- $0.02 to $0.05: 7.9% respondents
- $0.06 to $0.10: 9.4% respondents
- $0.11 to $0.20: 7.5% respondents
- More than $0.20: 22.7% respondents
- Not sure / No guess: 42.5% respondents
- Prefer not to answer: 2.1% respondents
VALUE OF TAP WATER AFTER LEARNING TRUE COST (1 CENT/GALLON)

- Excellent: 28.8
- Good: 29.4
- Fair: 24.4
- Poor: 6.0
- Very poor: 3.1
- Not sure: 6.7
- Prefer not to answer: 1.5
TAKEN ACTION TO REDUCE HOUSEHOLD WATER USE IN PAST YEAR

- Yes, taken action to reduce usage: 70.2%
- Have not taken action to reduce usage: 26.2%
- Prefer not to answer: 0.7%
- Not sure: 2.9%
AIDED AWARENESS OF SDCWA

Q5 Heard of the San Diego County Water Authority

% Respondents

<table>
<thead>
<tr>
<th>Year</th>
<th>Had not heard of Authority</th>
<th>Heard of Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>28.4</td>
<td>71.6†</td>
</tr>
<tr>
<td>2017</td>
<td>38.1</td>
<td>61.9</td>
</tr>
<tr>
<td>2015</td>
<td>29.6</td>
<td>70.4</td>
</tr>
</tbody>
</table>
AWARENESS & IDENTIFICATION OF LOCAL WATER AGENCY

- Do not know name of local water agency: 44.3%
- Correctly identified local water agency: 39.8%
- Mentioned other agency: 11.9%
- Not sure / Prefer not to answer: 4.0%

Know name of local agency: 55.7%
KEY TAKE-AWAYS

- With the ‘official’ end of the drought, water reliability is no longer top-of-mind for many residents.
- However, concerns about water reliability remain, especially when projecting to the future.
- Public recognizes the importance of water to the economy, their overall quality of life, and trust that local water agencies will be proactive in improving water reliability.
- Strong support for water-reliability projects, and nearly two-thirds are willing to pay a modest increase to fund the initiatives.
- Public tends to overestimate the cost of water, which can impact perceived value.
Claude “Bud” Lewis Carlsbad
Desalination Plant
Operations for Fiscal Year 2019

Water Planning and Environmental Committee
September 26, 2019

Jeremy Crutchfield
Water Resources Manager
Agenda

- Contract Year 2018/2019 Plant Operation and Performance
  - Water Delivery
  - Water Quality
  - Regulatory Compliance
  - Costs
Lewis Carlsbad Desalination Plant

- Public-Private Partnership (P3)
  - Risk Transfer to private sector
  - Commercial operation began on December 23, 2015
  - Produced over 53 billion gallons of water

- Water Purchase Agreement (WPA) between Water Authority and Poseidon
  - Commercial and financial terms for production and delivery of water
  - Water Authority agreed to purchase entire output from plant, with a minimum commitment of 48,000 AF/year
    - Purchase contracts with Carlsbad and Vallecitos (6,000 AF/year)
    - Poseidon committed to supply up to 56,000 AF/year
Water Authority Order Requirements:
- Annual Minimum Demand Commitment
- Monthly Minimum Demand Commitments

Poseidon Supply Requirements:
- Delivered Water (45,038 AF)
- Supply Shortfalls
  - Excused (1,261 AF)
  - Unexcused (1,092 AF)
- Unscheduled Outage (1,630 AF)
- Performance Challenges
  - Mechanical failure on reverse osmosis piping system
  - Source water quality fluctuations
  - Regulatory permit operations constraints

Take-or-pay provisions avoided
Water Quality/Regulatory Compliance

- Water Quality
  - Met all state and federal drinking water requirements

- Regulatory Compliance
  - Three primary permits
    - NPDES (San Diego Water Board)
    - Wastewater Discharge Permit (Encina WW Authority)
    - Domestic Water Supply Permit (Division of Drinking Water)
  - Corrective action taken on two violation letters from DDW and three staff enforcement letters from RWQCB
  - No remaining outstanding issues
WPA Risk Transfer Performed as Advertised

<table>
<thead>
<tr>
<th>Cost Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Purchase Cost</td>
<td>$113.8 M</td>
</tr>
<tr>
<td>Conveyance Pipeline Cost</td>
<td>$9.1 M</td>
</tr>
<tr>
<td><strong>SubTotal</strong></td>
<td><strong>$122.9 M</strong></td>
</tr>
<tr>
<td>Poseidon Penalties (estimate)</td>
<td>($2.0 M)</td>
</tr>
<tr>
<td><strong>Total 2016/2017 Cost</strong></td>
<td><strong>$120.9 M</strong></td>
</tr>
</tbody>
</table>

- **Actual 2018/2019 Unit Cost** $2,685/AF
  - Includes six months of TSOP rate, increases in electrical rates
- **Projected 2019/2020 Unit Cost** $2,817/AF
  - Includes full year of TSOP rate
Water Purchase Price Breakdown

Does not include adjustment for Poseidon penalties (-$13/AF)
IRWM Proposition 1
Implementation Grant Application

Water Planning and Environmental Committee
September 26, 2019

Mark Stadler
Principal Water Resources Specialist
• An innovative way to increase reliable water supplies, improve water quality, and protect natural resources

• Fosters cooperation and planning among public agencies and non-profit public interest organizations

• Mechanism through which region is eligible for state grant funding from voter-approved bond measures
DWR Prop 1, Round 1 Implementation Grant

- $222 million available for implementation projects in 48 recognized IRWM regions
- $15.3 million for San Diego IRWM Region
- 18 projects submitted for consideration
  - Total grant request: $87 million
Project Selection Workgroup

- **Purpose**: Review projects and recommend suite of projects for grant application
- **Six members** appointed by Regional Advisory Committee
- **Three members** represent IRWM Regional Management Group
- **Five meetings** during June-August
  - 34 hours of deliberation
  - Interviews with 10 project sponsors
- **Final package** recommended unanimously
Workgroup Results

- Six recommended projects
  - Total grant recommendation: $15,346,156
    - $14,416,156 for projects; $930,000 for grant administration
    - $3.7 million grant funding for 1 disadvantaged community project
  - Total project costs (grant + local match): $142,087,678
## Recommended Priority Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Sponsor</th>
<th>Rec. Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paradise Valley Creek Water Quality and Community Enhancement (DAC)</td>
<td>City of National City</td>
<td>$3,681,056</td>
</tr>
<tr>
<td>North City Pure Water Facility Influent Pump Station and Conveyance Pipeline</td>
<td>City of San Diego</td>
<td>$1,477,600</td>
</tr>
<tr>
<td>2020 Regional Water Use Efficiency Programs</td>
<td>San Diego County Water Authority</td>
<td>$1,440,000</td>
</tr>
<tr>
<td>North San Diego County Potable Reuse Project</td>
<td>City of Oceanside</td>
<td>$4,560,000</td>
</tr>
<tr>
<td>Lower Santa Margarita River IPR Pilot Project</td>
<td>Fallbrook Public Utility District</td>
<td>$687,500</td>
</tr>
<tr>
<td>North San Diego County Integrated Recycled Water Project</td>
<td>San Elijo Joint Powers Authority</td>
<td>$2,570,000</td>
</tr>
<tr>
<td><strong>Total Grant</strong></td>
<td></td>
<td><strong>$14,416,156</strong></td>
</tr>
</tbody>
</table>
Project Alternates

- Project Selection Workgroup recommendation:
  - If DWR indicates it is likely to reject a project, redistribute grant funds within project list
  - Project Selection Workgroup recommends:
    - Reallocate to Paradise Creek Water Quality and Community Enhancement Project (up to an additional $1,743,944)
  - If additional grant money remains:
    - Apply funds to San Diego County Water Authority’s 2020 Regional Water Use Efficiency programs
Staff Recommendation

Adopt Resolution No. 2019-_____ authorizing the General Manager or her designee to:

▪ Submit 2019 IRWM Proposition 1 Implementation Grant application for $15,346,156
▪ Accept grant funds that are awarded
▪ Enter into contracts to distribute funds to project sponsors
Update on Implementation of Senate Bill 606 and Assembly Bill 1668

Water Planning and Environmental Committee
September 26, 2019

Jeff Stephenson
Principal Water Resources Specialist
## Background

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2018</td>
<td>• Governor Brown signed SB 606 and AB 1668</td>
</tr>
<tr>
<td></td>
<td>• Provides for long-term improvements in water conservation and drought planning</td>
</tr>
<tr>
<td>Nov. 2018</td>
<td>• California Department of Water Resources (DWR) and State Water Resources Control Board (SWRCB) released a “primer” of the legislation</td>
</tr>
<tr>
<td>April 2019</td>
<td>• Water Planning and Environmental Committee updated on primary goals outlined in primer document</td>
</tr>
<tr>
<td>July 2019</td>
<td>• Water Planning and Environmental Committee updated on state’s efforts to form stakeholder workgroups</td>
</tr>
<tr>
<td>Aug 2019</td>
<td>• State announced membership of stakeholder workgroups</td>
</tr>
</tbody>
</table>
Stakeholder Workgroups

- State announced plans to form workgroups on May 20, 2019
  - Maximum of 35 people per workgroup
  - Goal was to limit people to one workgroup, with exceptions
  - Applications due to DWR by June 14, 2019

- Water Authority applied to only six of seven workgroups
  - Did not apply to Water Use Studies workgroup, but will participate in coverage of the meetings as member of public and comment as warranted

- Workgroup membership announced on August 2, 2019
Stakeholder Workgroup Membership

- Water Authority appointed to six workgroups:
  - Landscape Area Measurement
  - Wholesale Water Loss
  - Standards, Methodologies, and Performance Measures
  - Urban Water Management Plan Guidebook
  - Annual Water Supply and Demand Assessment
  - Data Streamlining
Status of Stakeholder Workgroups

- Two workgroups active
  - Landscape Area Measurement
    - Previously an informal workgroup formed in February 2019
    - Workgroup objective is to develop reliable method to estimate irrigable area statewide using aerial imagery
  - Wholesale Water Loss
    - First meeting on August 20, 2019
    - Workgroup objective is to evaluate merit of wholesale water loss reporting and assist with preparation of report to Legislature through comments and technical input
    - Goal is to prepare draft wholesale water loss recommendations by January 2020
- No meetings scheduled yet for remaining five workgroups
Next Steps

- Continue updates to Water Authority Board
- Participate on workgroups
- Continue to coordinate with ACWA, CMUA, member agencies, and other water suppliers to provide information and expertise to DWR and SWRCB
- Continue updates to member agency managers, community groups, trade organizations, etc.
- Continue to support member agency implementation efforts
2003: MWD unbundles its water rates and charges
   - Created Water Stewardship Rate (WSR) to recover costs of MWD’s “demand management” programs
     - Assessed on “all users of Metropolitan’s conveyance and distribution system” (i.e., transportation)

2010: Left with no alternative, Water Authority challenges MWD’s rates and charges
   - Including MWD charging WSR on exchange water (Water Authority's independent Colorado River supplies)
Background

- 2017: Appellate Court Decision (partial)
  - “Improper” for MWD to charge WSR on Water Authority’s exchange water
  - Demand management costs cannot be recovered based on “avoided costs”
- 2018: MWD adopts 2019 and 2020 rates and charges; and “suspends” collection of WSR on exchange water for 2018-2020
  - During this period, “staff will undertake an internal process... to further study and determine the most appropriate cost allocation of the Demand Management cost function..”
May-July 2019

- MWD launches “demand management cost allocation study” process in May
  - Introduces consultant Peter Mayer of Water Demand Management
  - Mayer’s presentation includes:
    - Background on demand management
    - Described “functional” assignment

- Mayer’s presentation in July
  - Conclusion of 1996 IRP
    - “No longer infrastructure driven
    - “Changes in regional water supply
    - “Regulatory constraints
    - “Climate change
    - “Reliability and variability of imported supply
    - “Consideration of new supplies”
  - Based on “avoided cost”
Via PowerPoint, Mayer presents his recommendation to allocate demand management (DM) costs to MWD’s “functional categories” base on avoided costs.
July 2019

Via PowerPoint, Mayer presents his recommendation to allocate demand management (DM) costs to MWD’s “functional categories” based on avoided costs.

- Conveyance and Aqueduct: 51%
- Distribution: 17%
- Supply: 20%
- Storage: 12%

~70% of Demand Management Costs on Transportation
MWD transmitted Mayer’s report, recommending an avoided cost approach

Now a two-phase process

- Phase 1: “Determine the appropriate functional assignment of the demand management costs”
- Phase 2: staff will consider if recommendation from Phase 1 should be incorporated into rates and charges either via the “existing rate structure or design a new rate and/or charge”

Mayer not at F&I Committee meeting
MWD introduces another consultant, Rick Giardina of Raftelis Financial Consultants, Inc.
  - “Follow-on” to Mayer’s work
Giardina presents four alternatives to WSR
  - Three based on Mayer’s cost allocation recommendation
<table>
<thead>
<tr>
<th>Alternative</th>
<th>Based on Mayer’s Rec.</th>
<th>Cost Recovery Component</th>
<th>Approx. % of DM Costs Assigned</th>
<th>Variable or Fixed</th>
<th>Approx. % of DM Costs Assigned to Wheeling Rates</th>
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# Rate Design Alternatives

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"Allocate supply and transportation portion of DM costs to member agencies based on some measure of sales and all transactions"
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“All Allocate supply and transportation portion of DM costs to member agencies based on some measure of sales and all transactions”
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</table>

“Allocate supply and transportation portion of DM costs to member agencies based on some measure of sales and all transactions”

“Allocate DM costs to member agencies based on: population, acreage, assessed value, or some combination thereof”
Water Authority’s Observations & Concerns

- Mayer’s recommendation
  - Based on a cost-avoidance approach, which the Appellate Court already ruled is “improper”
  - Lacks Proposition 26 analysis
  - Fails to consider that MWD future investments relate to supply and are not “infrastructure-driven”
  - Inconsistently applied

- MWD’s Consultants
  - Cost of service or rate setting experience
  - Giardina applies Mayer’s approach

- MWD’s process
  - Not defined, continues to morph
  - Does not allow sufficient Board or member agency input
Next Steps

- Nov. 2019: Present “Preferred Alternative”
- Jan. 2020: 2021 and 2022 budget and rate setting process begins
- Feb. 2020: Present proposed rates and charges for 2021 and 2022
As-Needed Contracts for Cost Estimating and Constructability Review Services

Engineering & Operations Committee
September 26, 2019

Andrew Oleksyn
Engineer (PE)
Materials, Equipment, & Labor

Annual Percent Change in Indices

- Percent Change from Previous Year
- ENR
- Tunnel
- Pipeline Relining
- Concrete Vault
- Pipeline
- Pump Station
Mitigation Measures

- Monitor Material Prices
- Value Engineering
- Tracking Technology
- Cost Estimate Preparation
As-Needed Contracts

- Accurate cost estimates
- Constructability and Value Engineering review
- 21 projects over next four years.
- Procure outside expertise to support Water Authority staff as-needed
Professional Service Contract

- Request for Proposal advertised on June 11, 2019
- Five consultants submitted written proposals
- Four consultants were interviewed
- Consultants were evaluated based on:
  - Understanding of Work
  - Experience with Water Facilities
  - Staff Qualifications
  - Past Performance
Consultant Selection

- Capo Projects Group
- Management Solutions, LLC
- MW Construction Services, Inc.
Authorize the General Manager to award professional services contracts to Capo Projects Group for $200,000; Management Solutions, LLC for $200,000; and MW Construction Services Inc. for $200,000; for cost estimating and constructability review services, as-needed, for a period of four years with an option to extend one additional year.
Energy Program Update

Engineering & Operations Committee
September 26, 2019

Gary Bousquet
Deputy Director of Engineering
Agenda

- Carlsbad Desalination Plant Energy Reduction
- Energy Storage Senate Bill 597
Carlsbad Desalination Plant Energy

- Direct Access
- CPUC Advice Letter
- Technical Advisor Request for Proposals
Energy Supplies - Direct Access

- Applied to lottery - June 2019
- Notified - August 2019
  - Water Authority No. 257
  - Poseidon No. 330
Renewable Energy Self-Generation Bill Credit Transfer Program (RES-BCT) Advice Letter

- CPUC approved Advice Letter on 8/15/19

- Ability to apply generated energy to offset Carlsbad Desalination Plant Energy Use

- Working with Tenaska and SDG&E to identify optimum timing to begin RES-BCT
Energy Technical Advisor Request for Proposals

- Proposal Received September 17
- Interview on October 1
- Examine alternative energy scenarios
- Provide recommendations for board approval in mid-2020
Legislation

- SB 597 (Sen. Hueso)
- Outreach
- Timetable
Timeline

<table>
<thead>
<tr>
<th>FERC Preliminary Permit Period</th>
<th>Secure FERC License</th>
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<tr>
<td>CAISO Inter. Study</td>
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<tr>
<td>Term Sheet</td>
<td>Water Authority Board Approval</td>
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<tr>
<td>PDA</td>
<td>CEQA</td>
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<tr>
<td>Power Marketing / Secure Offtake</td>
<td>Site Investigations (Geotech, etc)</td>
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<td>Preliminary Engineering</td>
<td>Detailed Engr.</td>
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<tr>
<td>Land / Real Property Rights - Optioning</td>
<td>Land / Real Property Rights - Acquisition</td>
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<tr>
<td>EPC bidding / contracting</td>
<td>Const. Finance</td>
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<tr>
<td>Construction</td>
<td>COD</td>
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2018 2019 2020 2021 2022 2030
Pipeline 4 Repair in Moosa Canyon Update

Engineering & Operations Committee
September 26, 2019

Neena Kuzmich
Engineering Manager
## Completed and Current Activities

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
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<tbody>
<tr>
<td>August 2</td>
<td>Detected leak at Moosa Creek</td>
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<tr>
<td>August 7</td>
<td>Declared an emergency</td>
</tr>
<tr>
<td>September 9 - 16</td>
<td>Shutdown Pipeline 4</td>
</tr>
<tr>
<td>September 10 - 12</td>
<td>Installed two bulkheads</td>
</tr>
<tr>
<td>September 11</td>
<td>Performed internal investigation</td>
</tr>
<tr>
<td>In progress</td>
<td>Install temporary aqueduct pressure relief system</td>
</tr>
<tr>
<td>Ongoing</td>
<td>Coordinate with Member Agencies</td>
</tr>
</tbody>
</table>
Future Activities

- Carbon fiber repair
- Disinfection of pipeline
- Shutdown to remove bulkheads
- Return pipe to normal operation
Construction Contracts

- J.F. Shea Construction, Inc. $950,000
- Fibrwrap Construction Services, Inc. $871,342
Staff recommendations

a. Ratify the emergency contract with J.F. Shea Construction, Inc. in the amount of $950,000 for the repair of Pipeline 4 in Moosa Canyon.

b. Ratify the emergency contract with Fibrwrap Construction Services, Inc. in the amount of $871,342 for the carbon fiber repair of Pipeline 4 in Moosa Canyon.

c. Authorize the continuation of the emergency declaration for the repair of Pipeline 4 in Moosa Canyon.
Fiscal Sustainability Task Force Update

Administrative & Finance Committee
September 26, 2019

Frank Hilliker, FSTF Chair
Lisa Marie Harris, Director of Finance/Treasurer
The Water Authority plays a core role in sustaining the social & economic fabric of the region. Irrespective of local supply development, all member agencies will remain dependent on the Water Authority and have a critical interest in its sustainability.

Recommendations should:
- Maintain short & long term financial viability
- Support the Water Authority’s ability to pay for existing commitments made through large capital investments
- Establish fixed charge levels to cover fixed expenses
  - Assure long term funding to meet operating and fixed expenses
- Support prudent financial management practices
- Support intergenerational equity
- Provide for fair and equitable treatment to all Member Agencies
- Achieve Cost of Service and provide for adequate level of reserves
Fiscal Sustainability Task Force (FSTF) Overview

- FSTF Meeting Schedule - Water Authority Open Fridays
  - Have held three meetings (8/8, 8/30, & 9/13)
- Discussion has Included:
  - Why Are We Here?
  - Study Integration & FSTF Timeline
  - Rate Setting Principles
  - Financial Metrics
  - Drafting Initial Principles & Future Items
  - Long-Range Demand Forecast Development
  - Historical Demand Analysis
  - Shaping of CY 2021 Rates & Charges
  - Cost of Service Report Walk-Through
  - Transitional Special Agriculture Water Rate (TSAWR)
TSAWR Cost of Service Considerations

- Define a reasonable and actionable level of service difference
  - Storage (ESP)
  - Supply Reliability
  - Source of Supply
  - Severity of Delivery Cutbacks

- Revise Existing TSAWR Program Criteria for Expanded Use
  - Provide a defensible permanent solution to replace “Transitional” program
  - Allow for new users to join program
  - Streamline annual validation and process
Design Alternatives for Future Ag Rate

- Maintain existing methodology as long as MWD take covers TSAWR demand
- Consider long-term transition from an “MWD-based” price structure to QSA-based costs
- Consider use of Non-Rate Revenues to provide discount
  - Property Tax Revenues could be utilized
  - Would no longer be available as a “general” revenue requirement offset
- Consider fixed take-or-pay contracts
  - Could serve as to maintain a “baseload” demand level
- Discontinue through a ramp-down
SAWR Next Steps

- Input on rate design parameters
  - Fiscal Sustainability Task Force
  - San Diego County Farm Bureau
  - Member Agency Managers
- Staff development of scenarios and fiscal impact analysis
- Fiscal Sustainability Task Force “preferred alternative” to be presented to Water Authority Board
- Go-no-go decision necessary by Spring 2020 for inclusion in 2021 Water Authority rate setting process
FSTF Next Steps

- Friday, September 27
  - Continuation of Cost of Service Report Walk-Through
  - Analysis to provide Preliminary SAWR Guidance
  - MWD Demand Management Allocation and Rate Overview

- Future Topics
  - Financial Levers
  - Fixed Charge Policy Guidance
  - Explore Fixed Revenue Alternative
  - Consider Rate Mitigation Impacts of Roll-Off & Detachment
    - CY 2020 Test Scenario @ Full Local Supply
UPDATE: POTENTIAL DETACHMENT OF RAINBOW/FALLBROOK

Board of Directors Meeting
September 26, 2019

Acting General Manager Sandy Kerl
General Counsel Mark Hattam
Detachment Update

- Rainbow and Fallbrook have pursued potential detachment from Water Authority and annexation into Riverside County’s Eastern Municipal Water District.

- No Local Agency Formation Commission (“LAFCO”) applications filed yet.

- However, SD LAFCO and Riverside LAFCO have been negotiating a potential MOU for certain process issues.

- Via correspondence, Water Authority has expressed concerns about the potential MOU. There are two main issues: (a) local control; and (b) rate neutrality.
Detachment Update

A. Local Control

1. SD LAFCO initially indicated MOU would first have sphere of influence work done by Riverside County on which San Diego County would rely.

2. Water Authority expressed concern over San Diego County ceding any control to Riverside County because:
Detachment Update

a. Main impacts are in San Diego County. These include:

i. Potential adverse financial effects on remaining member agencies

ii. Trading away established water reliability in the County
B. Rate Neutrality

1. Water Authority has meaningful liabilities for years of water supply development. Those liabilities are recovered by variable and fixed rates and charges to member agencies.

2. If agencies were to exit without payment of their fair share, remaining agencies would necessarily bear the cost burden.
Detachment Update

- SD LAFCO has meeting October 7 to discuss MOU
- Recent update from SD LAFCO says:

  “We received word yesterday that Riverside LAFCO staff is rethinking its position on the MOU topic and will now be presumably recommending to its Commission that it cede approval authority to San Diego LAFCO over the Eastern MWD sphere of influence. Should this rethinking on Riverside LAFCO’s part hold this substantively pivots away from the tentative approach to the Fallbrook/Rainbow proposal I outlined . . . .”

SD LAFCO provided us with draft MOU for review.
Detachment Update

- Riverside LAFCO staff recommended deferring to SD LAFCO. The Riverside LAFCO met today. [UPDATE FROM TODAY’S MEETING]

- SD LAFCO expects to address potential MOU on October 7.

- Acting General Manager has met with Fallbrook and Rainbow GM’s at “no attorney’s meeting,” and will do so again on October 3.