2009 Delta Reform Act

- Created Delta Stewardship Council
- Required DSC to write Delta Plan, coordinating all other plans in the Delta
- Achieve co-equal goals
  - Water Supply Reliability
  - Ecosystem Restoration
- Due January 1, 2012
Delta Stewardship Council

- Prepared five drafts of Delta Plan in 2011
- Water Authority commented on various drafts
- Staff participated in ACWA Ag-Urban Caucus, which submitted an Alternate Plan
- Staff testified at the DSC’s EIR public hearing on January 11 in San Diego
Draft EIR

- Draft EIR is based on Fifth Draft of the Delta Plan
- Fifth Draft is the Proposed Project, i.e., the preferred alternative
- Five alternatives were rejected in the Draft EIR, including ACWA Alternate Plan
- Comment period has been extended to February 2, 2012
Deficiencies in the Draft EIR

- The Proposed Project does not provide a plan to build a Delta fix in terms of infrastructure.
- The Proposed Project concentrates on regulating water suppliers’ efforts to reduce demand for water from the Delta.
- The Proposed Project also relies on flow criteria, which will restrict exports.
Deficiencies in the Draft EIR

- Under the Delta Reform Act, the DSC must include the BDCP in the Delta Plan, if it qualifies as an NCCP.
- The Proposed Project does not address a means of incorporating the BDCP into the Delta Plan.
- The Delta Plan does not address a contingency plan for the BDCP, should the BDCP fail to be approved.
Policies

The Proposed Project includes a set of regulatory policies:

- Water Suppliers must include Water Reliability Element in their Urban Water Management Plans
- Update Delta flow requirements
- New water use or transfers must be transparent
Policies

- Habitat restoration activities must be consistent with an adopted Conservation Strategy.
- All other actions must avoid or mitigate lost opportunities for habitat restoration.
- Agencies working on levees must increase the extent of floodplains and levee setbacks.
Policies

- Agencies must prevent or mitigate for invasive species in the Delta
- Encroachments on floodplains or bypasses must be mitigated
Comments

- The Proposed Project:
  - Does not say how it will achieve coequal goals
  - Does not provide for construction of infrastructure, other than calling for completion of BDCP
  - Does not analyze how increasing freshwater flows in the Delta will affect ecosystem restoration
Comments

- The Proposed Project:
  - Dismisses the ACWA Alternate Plan without analysis
  - Assumes regulatory powers that were not intended by the Legislature
Next Step

- Water Authority staff will provide written comments to the Delta Stewardship Council on the Draft EIR by February 2, 2012
Water Authority’s Link to Delta Supplies

1991
- 552 TAF (95%)
- 26 TAF (5%)

Total = 578 TAF

2011 (estimated)
- 51 TAF (8%)
- 285 TAF (47%)
- 72 TAF (12%)
- 20 TAF (3%)

Total = 611 TAF

2020
- 44 TAF (6%)
- 48 TAF (6%)
- 27 TAF (4%)
- 56 TAF (7%)
- 231 TAF (30%)
- 103 TAF (13%)
- 80 TAF (10%)

Total = 779 TAF

Legend:
- Yellow: Metropolitan Water District
- Gray: Imperial Irrigation District Transfer
- Light Gray: All American & Coachella Canal Lining
- Dark Gray: Conservation (existing and additional)
- Very Light Gray: Recycled Water
- Lighter Gray: Seawater Desalination
- Very Lighter Gray: Groundwater
- Lightest Gray: Local Surface Water
Delta Positions To-Date

- Strong proponent and leading voice advocating for a Delta fix
- Key player in passage of 2009 Comprehensive Delta policy legislation
  - Co-equal goals of water reliability and environmental restoration
- Successful implementation rests on viable financing plan and firm financial commitment to pay
- 2012 Legislative Policy Guidelines
As the largest and steadiest purchaser of water from MWD, Water Authority has the greatest stake in the success of a Delta fix.

A Delta fix must be financeable, affordable and supported by a wide-range of stakeholders to ensure the success of its implementation.

Contractors’ willingness to pay – as demonstrated through firm financial commitments – critical in determining the sizing of conveyance facilities.
Five Policy Principle Focus Areas

- Water Supply Reliability
- Ecosystem Restoration
- Finance and Funding
- Facilities
- Governance
Water Supply Reliability

- Continue to support co-equal goals embodied in 2009 Delta Legislation
- Address conflicts between water management and Delta environment
- Provide regulatory certainty and predictable supplies
- Improve ability of water users to divert water from Delta during wet periods
- Support the development of local water resources
- Encourage the development of a statewide water transfer market
- Provide better coordination between SWP and CVP
- Encourage cost-effective water use efficiency measures
Ecosystem Reliability

- Restore the Bay–Delta ecosystem to a point where species listed under Federal or State Endangered Species Act are no longer threatened or endangered
- Work with all stakeholders to ensure a meaningful dialogue and transparent process to support implementation of a Delta Fix
Finance and Funding

- Encourage projects and actions that are cost-effective
- Support construction of projects only upon securing take-or-pay contracts or similar fixed, long-term financial commitments to pay by water contractors and their member agencies to pay the fixed costs of the improvements
- Condition financial support on contracted access to facilities
- Allocate costs proportionally to all beneficiaries
- Use public funds to support actions that provide broad-based public benefits
- Seek and support independent financial analyses of project costs and contractors’ ability to pay
- Advocate for open, transparent process to examine financing issues including BDCP Finance Committee
Facilities

- Technical analysis of key elements of all alternatives taking into account
  - Demand forecast
  - Size and cost of conveyance facility
  - Ensuring proposed projects match statewide needs

- Support “right-sizing” of facilities by requiring agencies to back up forecasted demands on Delta with firm financial commitment to pay

- Total cost including all environmental requirements must be analyzed as part of cost of facilities

- Improve access to SWP for water transfers
Governance

- Oppose transfer of operational control of the State Water Project or any of its facilities to MWD, the State Water Project Contractors, Central Valley Project Contractors, the State and Federal Contractors Water Agency, any entity comprised of MWD or other water project contractors, or any other special interest group
Next Steps

- Board approval of Policy Principles sought in February
  - Principles will guide staff in evaluation of projects and actions that make the Bay-Delta co-equal goals of ecosystem restoration and water supply reliability a reality
IMPORTED WATER COMMITTEE
Review of MWD’s RUWMP and MWD Member Agencies’ UWMPs

January 26, 2012
Overview

- FY 2012 MWD water sales projections
- Comparison of 2000, 2005 and 2010 MWD Regional Urban Water Management Plan demand forecasts
- Comparison of MWD forecasts and its member agencies’ forecasts
- Impact of additional local projects on MWD demand
- Dry-year peaking on MWD
- Key findings
- Summary
FY 11/12 Sales Mix
As of January 9, 2012
(AF in thousands)

2.0 MAF Budget: 1,823.7
1.8 MAF Projection: 1,620.5
Estimate: 1,297.6

- Replenishment
- Exchange
- Water Sales
Comparison of Current and Past RUWMP's
MWD Average Firm Demands 2000 and 2005 vs. 2010 Forecasts

Comparison of Current and Past RUWMP's
MWD Single Dry Year Firm Demands 2000 and 2005 vs. 2010 Forecasts

### Examples of Member Agency Planned Supplies Not Included in MWD’s 2010 RUWMP

<table>
<thead>
<tr>
<th>Local Supply</th>
<th>Included in Member Agency UWMP Future Supply</th>
<th>Included in MWD’s RUWMP</th>
<th>Annual Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Beach – Seawater Desalination</td>
<td>Yes</td>
<td>No</td>
<td>5,000 AF beginning in 2025</td>
</tr>
<tr>
<td>SDCWA – Seawater Desalination</td>
<td>Yes</td>
<td>No</td>
<td>56,000 AF beginning in 2020</td>
</tr>
<tr>
<td>West Basin – Seawater Desalination</td>
<td>Yes</td>
<td>No</td>
<td>21,500 AF beginning in 2020</td>
</tr>
<tr>
<td>Los Angeles Aqueduct – Difference in Supply Assumptions</td>
<td>Yes</td>
<td>No</td>
<td>28,000 AF in 2015 decreasing to 14,000 AF in 2035</td>
</tr>
<tr>
<td>LADWP Water Transfers</td>
<td>Yes</td>
<td>No</td>
<td>40,000 AF beginning in 2015</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Yes</strong></td>
<td><strong>No</strong></td>
<td><strong>136,500 to 150,500 AF/YR</strong></td>
</tr>
</tbody>
</table>
MWD RUWMP Demands on MWD Ignores Member Agency Planned Supplies and Potential Projects

Average Year

MWD’s estimated FY 12 firm water sales
MWD RUWMP Demands on MWD Ignores Member Agency Planned Supplies and Potential Projects

Dry Year
MWD’s Peaking Problem
Average Year vs. Dry Year, in AF (2020)
Findings

- MWD demand projections have been declining in each revision of its RUWMP and Integrated Resources Plan
- Member agency average year cumulative UWMP demands on MWD are less than MWD RUWMP projections
- Factors:
  - Local supply projects
    - Planned local projects not included in MWD’s RUWMP
  - Conservation
    - SBX7–7 requirements
  - Water rate increases
Findings (Cont.)

- Additional member agency plans will reduce demands further
- If MWD’s average sales are lower than forecast, water rates may increase more than projected, potentially driving demand for imported water even lower
- Dry year peaking accounts for a significant demand on MWD
  - MWD rate structure does not adequately assess the cost of peaking to those that peak
According to MWD’s 2010 RUWMP, it has sufficient supplies to meet all demands with current programs under all years and supply demand scenarios

- Plan shows surpluses under all conditions, including:
  - Average year
  - Single driest year (1977 hydrology)
  - Three driest years (1990–1992 hydrology)

- Many agency UWMPs state they will have a surplus of MWD supplies in the future
Summary

- MWD’s 2010 RUWMP shows sufficient existing supplies to meet projected demands
  - Has MWD identified any risks associated with continued availability of these supplies?
  - If not, what analysis performed to support continued investment in additional supplies?
- MWD has sufficient storage to meet demands under dry scenarios
  - Fill strategy appears to be ad hoc
  - Need for replenishment (storage at local level as defined by MWD) is not demonstrated
Bay Delta

- MWD’s RUWMP projects interim Bay–Delta actions (2015) to increase MWD supplies in the short term and a permanent Bay–Delta fix (2025) to increase future supplies even more

- Understanding the real demand for water from the Bay Delta by MWD and all water contractors (and their sub–agencies) is critical factor in determining project’s “right size” to meet future supply needs

- Demands for Bay Delta water should be matched to firm commitments to pay for the Delta fix
IMPORTED WATER COMMITTEE
MWD Fiscal Years 2012/13 &
2013/14 Budget and Rates
### Historical and Projected Rates & Other Indicators

#### Fiscal Year Ending

<table>
<thead>
<tr>
<th>Year</th>
<th>Reserves</th>
<th>Maximum Reserve</th>
<th>Minimum Reserve</th>
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<tbody>
<tr>
<td>2006</td>
<td>220.0</td>
<td>300.0</td>
<td>100.0</td>
</tr>
<tr>
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<td>230.0</td>
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<td>2008</td>
<td>240.0</td>
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<td>2009</td>
<td>250.0</td>
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<td>2010</td>
<td>260.0</td>
<td>500.0</td>
<td>300.0</td>
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<td>2011</td>
<td>270.0</td>
<td>550.0</td>
<td>350.0</td>
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<td>2012</td>
<td>280.0</td>
<td>600.0</td>
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<td>2013</td>
<td>290.0</td>
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<td>2014</td>
<td>300.0</td>
<td>700.0</td>
<td>500.0</td>
</tr>
<tr>
<td>2015</td>
<td>310.0</td>
<td>750.0</td>
<td>550.0</td>
</tr>
<tr>
<td>2016</td>
<td>320.0</td>
<td>800.0</td>
<td>600.0</td>
</tr>
<tr>
<td>2017</td>
<td>330.0</td>
<td>850.0</td>
<td>650.0</td>
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#### Key Indicators

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<th></th>
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<tbody>
<tr>
<td>Ave Rate Increase</td>
<td>1.6%</td>
<td>3.4%</td>
<td>5.8%</td>
<td>14.3%</td>
<td>19.7%</td>
<td>7.5%</td>
<td>7.5%</td>
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<td>5.0%</td>
<td>3.0%</td>
<td>3.0%</td>
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<td>Sales and Exchange, MAF</td>
<td>2.12</td>
<td>2.26</td>
<td>2.26</td>
<td>2.16</td>
<td>1.77</td>
<td>1.72</td>
<td>1.68</td>
<td>1.70</td>
<td>1.70</td>
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<td>1.75</td>
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<tr>
<td>Revenue Bond Coverage</td>
<td>1.8</td>
<td>2.2</td>
<td>1.8</td>
<td>1.6</td>
<td>1.5</td>
<td>1.5</td>
<td>1.6</td>
<td>1.9</td>
<td>2.0</td>
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<td>Fixed Charge Coverage</td>
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<td>1.7</td>
<td>1.3</td>
<td>1.3</td>
<td>1.1</td>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
<td>1.3</td>
</tr>
<tr>
<td>PAYGO, $M</td>
<td>88</td>
<td>95</td>
<td>43</td>
<td>30</td>
<td>37</td>
<td>45</td>
<td>45</td>
<td>55</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>125</td>
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<tr>
<td>Conservation, $M</td>
<td>15.0</td>
<td>11.0</td>
<td>16.0</td>
<td>36.2</td>
<td>22.3</td>
<td>12.9</td>
<td>15.8</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
<td>20.7</td>
<td>21.4</td>
</tr>
<tr>
<td>LRP, $M</td>
<td>24.4</td>
<td>26.8</td>
<td>32.5</td>
<td>39.4</td>
<td>40.1</td>
<td>35.2</td>
<td>39.4</td>
<td>33.2</td>
<td>33.6</td>
<td>41.2</td>
<td>46.2</td>
<td>52.2</td>
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<tr>
<td>Supply Program, $M</td>
<td>79.8</td>
<td>32.9</td>
<td>52.1</td>
<td>76.3</td>
<td>109.8</td>
<td>99.7</td>
<td>64.0</td>
<td>45.1</td>
<td>44.9</td>
<td>48.5</td>
<td>47.9</td>
<td>42.8</td>
</tr>
<tr>
<td>Retiree Health Care, $M</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>5.0</td>
<td>10.0</td>
<td>15.0</td>
<td>20.0</td>
<td>25.0</td>
</tr>
</tbody>
</table>
Budget Overview

- Biennial budget and rates approval
  - Biennial budget: 2012/13 & 2013/14
  - Rates & Charges: CY 2013 & 2014
- Changed to modified accrual (no longer cash basis)
  - One time gain of ~$17M
- Lower total water sales and exchanges assumption
- Initiate limited OPEB funding
# Key Assumptions

<table>
<thead>
<tr>
<th>Fiscal year Ending</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate increase in January</td>
<td>7.5%</td>
<td>5.0%</td>
</tr>
<tr>
<td>MWD supply assumptions</td>
<td>1.87 MAF</td>
<td>1.92 MAF</td>
</tr>
<tr>
<td>State Water Project allocation</td>
<td>65%/60%</td>
<td>60%/50%</td>
</tr>
<tr>
<td>Colorado River Aqueduct deliveries</td>
<td>0.73 MAF</td>
<td>0.89 MAF</td>
</tr>
<tr>
<td>Interest income rate</td>
<td>1.49%</td>
<td>1.53%</td>
</tr>
<tr>
<td>New debt interest rate – Fixed</td>
<td>4.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Variable</td>
<td>0.5%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Total water sales &amp; exchanges</td>
<td>1.7 MAF</td>
<td>1.7 MAF</td>
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<tr>
<td>Full service</td>
<td>1.52 MAF</td>
<td>1.50 MAF</td>
</tr>
<tr>
<td>SDCWA exchange</td>
<td>185 TAF</td>
<td>198 TAF</td>
</tr>
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</table>
## Proposed Budget Expenditures

<table>
<thead>
<tr>
<th>$Millions</th>
<th>2011/12 “Managed” 1.8 MAF budget</th>
<th>2011/12 Projected</th>
<th>2012/13 Proposed</th>
<th>2013/14 Proposed</th>
<th>2013/14 Proposed Comp to 2012/13 Proposed</th>
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<tbody>
<tr>
<td>SWP</td>
<td>$557.5</td>
<td>$508.3</td>
<td>$593.4</td>
<td>$563.8</td>
<td>($29.7)</td>
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<tr>
<td>CRA Power</td>
<td>47.5</td>
<td>64.0</td>
<td>45.1</td>
<td>44.9</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Supply Program</td>
<td>45.4</td>
<td>33.0</td>
<td>36.2</td>
<td>24.9</td>
<td>(11.3)</td>
</tr>
<tr>
<td>Debt service</td>
<td>332.8</td>
<td>333.3</td>
<td>343.3</td>
<td>352.3</td>
<td>9.0</td>
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<tr>
<td>Demand management</td>
<td>59.1</td>
<td>55.1</td>
<td>53.2</td>
<td>53.6</td>
<td>0.4</td>
</tr>
<tr>
<td>O&amp;M</td>
<td>356.2</td>
<td>372.8</td>
<td>371.3</td>
<td>393.8</td>
<td>22.5</td>
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<tr>
<td>CIP</td>
<td>281.9</td>
<td>192.5</td>
<td>257.3</td>
<td>294.6</td>
<td>37.3</td>
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<tr>
<td>Total</td>
<td>$1,680.5</td>
<td>$1,558.9</td>
<td>$1,699.9</td>
<td>$1,729.9</td>
<td>$28.1</td>
</tr>
</tbody>
</table>

Totals may not foot due to rounding.
## MWD proposed 2013 and 2014 rates

<table>
<thead>
<tr>
<th>Rate Category</th>
<th>Existing 2012</th>
<th>Proposed 2013</th>
<th>2013 % Change</th>
<th>Proposed 2014</th>
<th>2014 % Change</th>
<th>% Change 2012 to 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 Supply Rate ($/AF)</td>
<td>164*</td>
<td>149</td>
<td>-9.1%</td>
<td>157</td>
<td>5.4%</td>
<td>-4.3%</td>
</tr>
<tr>
<td>Tier 2 Supply Rate ($/AF)</td>
<td>290</td>
<td>290</td>
<td>0%</td>
<td>290</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>System Access Rate ($/AF)</td>
<td>217</td>
<td>228</td>
<td>5.1%</td>
<td>247</td>
<td>8.3%</td>
<td>13.8%</td>
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<tr>
<td>Water Stewardship Rate ($/AF)</td>
<td>43</td>
<td>41</td>
<td>4%</td>
<td>42</td>
<td>2.4%</td>
<td>-2.3%</td>
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<tr>
<td>System Power Rate ($/AF)</td>
<td>136</td>
<td>190</td>
<td>39.7%</td>
<td>164</td>
<td>-13.7%</td>
<td>20.6%</td>
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<tr>
<td>Treatment Surcharge ($/AF)</td>
<td>234</td>
<td>260</td>
<td>11.1%</td>
<td>302</td>
<td>16.2%</td>
<td>29.1%</td>
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<tr>
<td>Readiness-to-Serve Charge ($M)</td>
<td>146</td>
<td>146</td>
<td>0%</td>
<td>189</td>
<td>29.5%</td>
<td>29.5%</td>
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<tr>
<td>Capacity Charge ($/CFS)</td>
<td>7,400</td>
<td>6,600</td>
<td>-10.8%</td>
<td>8,900</td>
<td>34.9%</td>
<td>20.3%</td>
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</table>

12012 Tier 1 water supply rate included a $58 Delta Supply Surcharge, which MWD proposes to eliminate after 2012.
## MWD Rate Increases 2006–2014

<table>
<thead>
<tr>
<th>Year</th>
<th>MWD “Average” Rate Increase (%)</th>
<th>MWD Tier 1 Treated (% Increase)</th>
<th>2004 MWD LRFP Forecast LOW/HIGH (%)</th>
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<tr>
<td>2006</td>
<td>1.6</td>
<td>2.3</td>
<td>3.7/6.6</td>
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<tr>
<td>2007</td>
<td>3.4</td>
<td>5.5</td>
<td>0/4.5</td>
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<tr>
<td>2008</td>
<td>5.8</td>
<td>6.3</td>
<td>2.6/3.5</td>
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<td>2009</td>
<td>14.3</td>
<td>14.0</td>
<td>4.9/5.2</td>
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<td>2010</td>
<td>19.7</td>
<td>21.1</td>
<td>5.3/4.5</td>
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<tr>
<td>2011</td>
<td>7.5</td>
<td>6.1</td>
<td>4.3/4.5</td>
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<tr>
<td>2012</td>
<td>7.5</td>
<td>6.7</td>
<td>0.6/0.7</td>
</tr>
<tr>
<td>2013</td>
<td>7.5</td>
<td>9.3</td>
<td>1.7/1.5</td>
</tr>
<tr>
<td>2014</td>
<td>5.0</td>
<td>5.1</td>
<td>0.7/0.8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>72.3</td>
<td>76.3</td>
<td>23.8/31.9</td>
</tr>
<tr>
<td>AVERAGE</td>
<td>8.0</td>
<td>8.5</td>
<td>2.6/3.5</td>
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</table>
Next steps

- Two budget workshops
  - January 24, February 28
- Public hearing
  - March 12
- Adoption of biennial budget & associated rates and charges for 2013 & 2014
  - April 10
Water Transfer Environmental Cost Sharing Agreement

Imported Water Committee
January 26, 2012
Background

- QSA Joint Powers Authority
  - Funds mitigation for QSA water transfers
  - Mitigation measures include water deliveries to Salton Sea
- QSA legislation
  - State required to develop Salton Sea restoration and financing plans
- Mitigation and restoration responsibilities
  - QSA JPA transfer mitigation and State Salton Sea restoration are separate activities and responsibilities
Current Status

- QSA JPA has fulfilled all mitigation requirements to date, including deliveries of water to Salton Sea
- Very limited progress on State effort on Salton Sea restoration
  - $8.9 billion preferred alternative submitted to Legislature
  - No financing plan
  - Legislature has not accepted/rejected preferred alternative
QSA Mitigation Measures at Risk

- State’s failure to restore Salton Sea jeopardizes QSA mitigation measures
  - The QSA has responsibility to mitigate its impact on the Salton Sea. The QSA has no Salton Sea restoration responsibility.
  - Only six years remain of QSA JPA’s fifteen year commitment to deliver water to Sea
SWRCB Petition for Revised Mitigation

- If State does not implement a Salton Sea restoration plan by 2014, joint SDCWA/IID petition asks State Water Resources Control Board to:
  - Eliminate the QSA JPA requirement to deliver water to Salton Sea; and
  - Approve accelerated air quality and wildlife habitat measures

- Mitigation water would instead be transferred to urban agencies to fund accelerated mitigation measures
Need For Cost Sharing Agreement

- As part of SWRCB petition process, environmental documents need to be revised to meet CEQA, NEPA requirements.
- Proposed SDCWA/IID cost sharing agreement would share costs and management responsibilities for obtaining all necessary environmental approvals, including:
  - Documents for modified IID water conservation and transfer
  - State and federal costs to participate in assessments and approvals
  - Consultants; and
  - Joint SDCWA/IID petition
Recommendation

- Authorize General Manager to execute an agreement with IID to fund environmental review of revised mitigation measures
  - Estimated cost: $855,000

- Authorize funds for technical and legal consulting services to support environmental document preparation and review
  - Estimated cost: $300,000
Resolution Approving Otay Water District’s Proposed Peaceful Valley Ranch Annexation

Water Planning Committee
January 26, 2012
Background - Otay WD’s Proposed Peaceful Valley Ranch Annexation

- Proposed 52 unit residential subdivision development including equestrian uses
  - Total development is 181 acres, all within Otay’s service area
  - 29 acres already within Water Authority and MWD service area
- Otay is requesting annexation of remaining 152 acres to Water Authority and MWD
- Estimated average demand on Water Authority: 70 afy
Summary of Key Steps in Annexation Process

<table>
<thead>
<tr>
<th>Major Steps for Concurrent Annexation</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Authority received Otay’s request for annexation.</td>
<td>Sep 2003</td>
</tr>
<tr>
<td>Water Authority Board established preliminary informal terms and conditions, and requested MWD grant conditional approval.</td>
<td>July 2010</td>
</tr>
<tr>
<td>MWD Board granted conditional approval and intent to levy standby charges.</td>
<td>July 2011</td>
</tr>
<tr>
<td>Water Authority Board adopted resolution requesting MWD set formal terms and conditions.</td>
<td>Aug. 2011</td>
</tr>
<tr>
<td>MWD Board provided consent for the concurrent annexation, fixed terms and conditions, and levied standby charge.</td>
<td>Dec. 2011</td>
</tr>
<tr>
<td><strong>Water Authority Board adopts resolution approving the annexation and accepting MWD’s terms and conditions.</strong></td>
<td><strong>Recommended Board action</strong></td>
</tr>
<tr>
<td>San Diego LAFCO files notice of completion after all terms and conditions are satisfied (includes payment of fees).</td>
<td><strong>Future proposed action</strong></td>
</tr>
</tbody>
</table>
Water Authority’s Annexation Policies and Procedures have been Satisfied

- Policy #2: Protection of Member Agency Supply Reliability
  - Annexation demands included in Water Authority’s 2010 UWMP
  - Groundwater would be used for irrigation to the extent practicable
  - Otay’s base period allocation demand under WSDRP would not be increased to account for the annexation as long as WSDRP activated (no longer applies)
  - Based on the procedure, staff determined that the proposed annexation would not have an adverse effect on member agency supply reliability
Compliance with Policy #3: Conservation and Local Supply Use Requirements

- Otay amended code of ordinances consistent with policy.
- Requirements apply to all new residential and commercial developments.
  - Comply with most efficient specifications under EPA WaterSense or Energy Star programs.
  - Only “smart” controllers and low-water use plants.
  - Landscapes designed and managed consistent with efficient landscape ordinances.
  - Require dedicated irrigation meters in parks and commercial areas (5,000 sq ft or more).
- Applicant committed to comply with ordinance.
Staff Recommendation

Adopt Resolution that:

a) Resolves that the Final EIR certified by the County of San Diego as Lead Agency complies with CEQA and the State CEQA Guidelines, and adequately addresses the potential environmental effects resulting from annexation, issues findings required by CEQA as a Responsible Agency; and

b) Sets final terms and conditions and approves the concurrent annexation of Otay Water District’s proposed Peaceful Valley Ranch annexation to the Water Authority and the Metropolitan Water District conditioned upon the fulfillment of all conditions and final approval by the San Diego Local Agency Formation Commission.
Update on Review of the Water Authority’s Water Shortage and Drought Response Plan Allocation Methodology

Water Planning Committee
January 26, 2012
Background on Allocation Methodology

- Adopted in 2006 as part of the Water Shortage and Drought Response Plan (WSDRP)

- Developed through year-long process
  - Extensive input from Member Agency Technical Advisory Committee and Water Planning Committee

- WSDRP acknowledged that elements may need to be updated due to changed conditions

- Board approved minor revisions in 2008 to align with MWD’s 2008 Water Supply Allocation Plan (WSAP)
Allocation Methodology Developed Based on 2006 WSDRP Principles

- Agencies should not be penalized for having developed local supplies or instituted conservation measures
- Provide an incentive to agencies for developing local projects
- Avoid large uneven retail impacts across the region
  - Protect economic health of entire region
  - Include minimum level of retail reliability ("safety net")
- Use historic demands as basis for allocation
  - Establish base period demand for each agency
    - Adjustments made to base period to ensure equitable allocation (growth, local supplies, conservation)
Basic Concept of Allocation Methodology

- Base Period
  - (Agency Historic Demands on Water Authority)

- Adjustments

- Agency Adjusted Base Period

- Available Supplies

- Agency Percent of Total Adjusted Base Period

- Agency Allocation

- Regional Reliability Adjustment (if required)
Lessons Learned During Implementation

- Allocation Methodology worked as envisioned
  - Effective means to allocate supplies in shortage

- Observations during implementation
  - Loss of local supplies were greater than anticipated
  - Using new meters as indicator of growth may not be effective due to meter moratoriums
  - Base Period definition should be clarified to include consecutive non-shortage years
  - Continue to align Water Authority and MWD allocation methodologies to ensure equitable agency allocations
Initiated Allocation Methodology Review Process

- Review specific elements of allocation methodology
  - Wholesale changes not needed
  - Maintain basic policies and principles
- Identified seven issues to be addressed - based on:
  - Lessons learned during implementation
  - Changed conditions since 2006 adoption
- Presented issues and potential modifications to member agencies for initial input
# Summary of Issues
## Current Allocation Methodology

<table>
<thead>
<tr>
<th>Element</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Period</strong></td>
<td>Clarify what type of years should be used to derive the historic base period demands.</td>
</tr>
<tr>
<td><strong>Growth Adjustment</strong></td>
<td>Re-examine the factors used to calculate the adjustment to ensure it’s adequately capturing growth.</td>
</tr>
<tr>
<td><strong>Loss of Local Supply Adjustment</strong></td>
<td>Re-evaluate the effectiveness of the adjustment in addressing diminished local supplies during droughts.</td>
</tr>
<tr>
<td><strong>Conservation Adjustment</strong></td>
<td>Relook at the conservation adjustment in light of SBX7-7 compliance requirements.</td>
</tr>
</tbody>
</table>
## Summary of Issues

### Current Allocation Methodology (continued)

<table>
<thead>
<tr>
<th>Element</th>
<th>Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regional Reliability Adjustment</strong></td>
<td>Is a regional reliability adjustment effective at a 30% cutback level?</td>
</tr>
<tr>
<td><strong>MWD WSAP Alignment</strong></td>
<td>Continue to align the Water Authority methodology with MWD WSAP, where appropriate.</td>
</tr>
<tr>
<td><strong>Carryover Storage Program (CSP) Allocation</strong></td>
<td>A method to allocate CSP deliveries to M&amp;I customers is required in order to support the Special Agricultural Water Rate.</td>
</tr>
</tbody>
</table>
## Review Schedule – Next Steps

<table>
<thead>
<tr>
<th>Date</th>
<th>Proposed Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 9, 2012</td>
<td>Water Planning Committee Workshop to review proposed modifications developed to address the issues and get policy input</td>
</tr>
<tr>
<td>Mid-Feb</td>
<td>Distribute draft report on proposed modifications to member agencies for comment</td>
</tr>
<tr>
<td>End-Feb</td>
<td>Hold member agency meeting to get final input</td>
</tr>
<tr>
<td>March 22</td>
<td>Seek Board approval of modifications for incorporation into WSDRP</td>
</tr>
</tbody>
</table>
Today's Status Report on Carlsbad Desalination Project

1. Status of WPA Negotiations
2. Status of Due Diligence Activities
3. Status of Water Authority Distribution Improvements
4. Update Schedule Leading to Consideration of WPA
Status of Negotiations for a Water Purchase Agreement

- Water Authority is the drafter of the WPA
  - First negotiating session Nov 2011
  - Discussed issues with Board Advisory Group on Jan 11, 2012

- Provided second draft WPA to Poseidon on January 17th
  - Addressed issues from first negotiating session
  - Began aligning WPA with project construction and operating agreements where appropriate

- Second negotiating session scheduled for Feb 13th & 14th
  - Continue work on technical appendices
  - More specifics on project financing
  - Anticipate third draft to be comprehensive WPA
Carlsbad Desalination Project Delivery Method

- Competitive process to select design and construction contractors
  - Joint Venture of Kiewit Infrastructure and Shea Construction
  - Israel Desalination Engineers (IDE) Process Integrator
- IDE also selected as plant operator through separate process
- Three main contracts
  - Engineering Procurement and Construction (EPC) of Desalination Plant
    - IDE is sub-contractor to Kiewit-Shea Joint Venture
  - Engineering Procurement and Construction (EPC) of Pipeline
  - O&M agreement for plant operation (IDE)
- Water Authority approval of all 3 agreements required
  - Ensure quality, reliability and appropriateness of price
  - Align with draft WPA provisions
Status of Conditions Precedent for Board Consideration of WPA

• Technical
  • Completed review of Plant design and construction agreement
    • Provided Poseidon issues list on Dec 16, 2011
    • Poseidon response currently being reviewed
    • Finalize technical opinion on the adequacy of the construction agreement, proposed processes and cost early February
  • Focus next on Desal Conveyance Pipeline and O&M agreement
    • Technical workshop scheduled with IDE-Poseidon on O&M agreement

• Completed Review of Poseidon ownership and corporate structure
  • Presented results to Board Advisory Group
  • Report to full Board at upcoming meeting
Desal Conveyance and Water Authority Distribution System Improvements

- Pipeline 3 Assessment
  - Assessment of P3 for use as dedicated conveyance for desalinated water north to TOVWTP
  - In-pipe Magnetic Flux Leakage Inspection Completed
    - New technology to determine wall thickness for existing steel pipeline
    - Preliminary results indicate pipeline in overall good condition
    - A few areas where minor repair necessary
  - Rehabilitation alternatives and cost estimates being developed
Pipeline 3 Assessment
Pipeline 3 Assessment
Pipe MK 16
Pipe MK 108
Pipe MK 108
Desal Conveyance and Water Authority Distribution System Improvements

- Initiated design review of Poseidon conveyance pipeline plans and specifications
  - Consistency with Water Authority standards
  - Expert review of high-pressure sections (~500 psi)

- Water Quality Blending Study
  - Initial consultant work commenced on blending study
  - Determine the need for additional treatment or polishing
  - Consultant retained to determine CEQA compliance for P3 rehabilitation and improvements to Twin Oaks WTP
Schedule of Activities Leading to Consideration of a Draft Water Purchase Agreement

- Schedule developed jointly with Poseidon
- Reflects responsibilities for tasks by Water Authority and Poseidon
- Includes member agency commitment period to purchase desalinated water as local supply
- Schedule heavily dependent on completing critical milestones
  - Successful negotiation of a water purchase agreement
  - Completion of engineering studies for Water Authority facility improvements
  - Completion of CEQA documentation for P3 rehabilitation and Twin Oaks WTP improvements
  - Completion of financing documents and supporting agreements
Schedule of Activities leading to Consideration of a Draft Water Purchase Agreement

<table>
<thead>
<tr>
<th>Task Name</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Oct</th>
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<tr>
<td>Assessment/Basis of Design for Rehabilitation/Relining</td>
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<td>Water Quality Analysis</td>
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<td>Implementation Packages for Conveyance and Connection Facilities</td>
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<tr>
<td>Environmental/CEQA Review for Twin Oaks Improvements</td>
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<tr>
<td>Align Plant / Pipeline EPC Contracts with WPA</td>
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<td>Align Plant Operations / O&amp;M Agreement with WPA</td>
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<td>Negotiate / Release Draft WPA</td>
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<td>Member Agency review period</td>
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<td>Due Diligence Activities</td>
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<td>Develop Energy Charge Component</td>
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<td>Develop Alternatives to Integrate into Rates and Charges</td>
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<td>Board Workshops</td>
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<tr>
<td>Board Consideration of WPA</td>
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<td>Bond Issuance / Financial Closing</td>
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</table>

Carlsbad Desal Project
WPA Approval/Financial Close Activity Schedule

May (TBD)
## Why a Water Purchase Agreement?

### Transfer Major Risks To Private Developer

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Poseidon &amp; Investors</th>
<th>Water Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction Risk</strong> - that facility is not completed on time, on cost and according to design standards</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Permitting Risk</strong> - that current permit and environmental mitigation requirements increase</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Change in Law Risk</strong> - that future unanticipated laws or regulations increase operating costs</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>Technology Risk</strong> - that the plant technology does not perform as expected</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Output Risk</strong> - that the plant produces less than the projected volume of water</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Margin Risk</strong> - that the price of water is not adequate to generate enough revenue to pay expenditures (includes energy risk)</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>MWD Subsidy Risk</strong> - that action by Water Authority or failure to meet performance requirements results in termination of MWD SDP Agreement</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
Carlsbad Desalination Project
Cost Responsibilities
(through financial closing)

**Water Authority**
- Water Purchase Agreement development and negotiations
- Due diligence activities

**Poseidon**
- Project development and definition
- Water Authority development cost risk transfer
  (where appropriate)
Carlsbad Desalination Project
Current Water Authority Work Efforts

1. WPA negotiations support / technical and corporate due diligence
   • Legal and technical consultant support
   • Water Authority labor
   • Water Authority cost responsibility
2. Capital facility due diligence (Project connection to Water Authority aqueduct system)
   - Legal and technical consultant support
     - P3 Assessment / Basis of design for Rehabilitation/Relining
     - Improvements at Twin Oaks Valley WTP
     - Conveyance Pipeline (desalination plant to 2nd Aqueduct)
     - Water Quality / Blending
   - Poseidon cost responsibility for 3rd party costs and extraordinary staff/material costs
     - Funds are deposited prior to beginning work, based on progress
Carlsbad Desalination Project
Contract and Budget Revisions Needed

1. Consultant contract amendments to support WPA development, negotiations and due diligence
   - Water Authority cost responsibility
   - Contract amendments required for:
     - **SAI C Energy Environment and Infrastructure** (technical advisor)
     - **Clean Energy Capital Advisors** (financial and energy advisor)
     - **Contract increase for Hawkins Delafield Wood** (special counsel)
Carlsbad Desalination Project
Contract and Budget Revisions Needed

2. Consultant contract amendments to support capital facility planning for conveyance and connection to existing W. A. facilities

- Fully reimbursable by Poseidon
- Contract amendments required for:
  - **AECOM** (*P3 assessment*)
  - **Jacobs Engineering** (*aqueduct connections*)
  - **CH2MHiLL** (*water quality, TOWTP improvements*)
  - **Carollo Engineers** (*Pipeline design review, technical support Twin Oaks WTP*)
  - **SAIC Energy Environment and Infrastructure** (*construction requirements*)
  - **Franklin G. DeFazio** (*aqueduct hydraulics-WP Committee item II. 3-C*)
Carlsbad Desalination Project
Contract and Budget Revisions Needed

3. Increase CIP 2-year appropriation and Project life budget
   - Budget increase encompasses:
     - All new pre-WPA consultant costs (including reimbursable costs)
     - Water Authority staff non-operating budget labor
       - Extraordinary labor (i.e., overtime) reimbursable by Poseidon
     - Unbudgeted project costs to be funded from PayGo
<table>
<thead>
<tr>
<th>Consultant</th>
<th>Task Description</th>
<th>Total amount expended as of 12/31/11</th>
<th>Projected expenditures to complete WPA/Financial Close</th>
<th>Total amount - all tasks</th>
<th>January Board Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hawkins Delafield Wood LLP</td>
<td>WPA legal services</td>
<td>$1,087,400</td>
<td>$700,000</td>
<td>$1,787,400</td>
<td>No amendment; Report to Board</td>
</tr>
<tr>
<td>Hawkins Delafield Wood LLP</td>
<td>Incorporate Conveyance Pipeline into WPA</td>
<td></td>
<td>$250,000</td>
<td>$250,000</td>
<td>No amendment; Report to Board</td>
</tr>
<tr>
<td>Clean Energy Capital Advisors LLC</td>
<td>Negotiations Support</td>
<td>$766,634</td>
<td>$635,000</td>
<td>$1,401,634</td>
<td>Amend existing contract with Clean Energy Capital for $652,000</td>
</tr>
<tr>
<td>SAIC Energy Environment and Infrastructure</td>
<td>Negotiations support / technical due diligence</td>
<td>$191,282</td>
<td>$498,778</td>
<td>$690,060</td>
<td>Amend existing contract with SAIC for $440,990</td>
</tr>
<tr>
<td><strong>Totals:</strong></td>
<td><strong>$2,045,316</strong></td>
<td><strong>$2,083,778</strong></td>
<td><strong>$4,129,094</strong></td>
<td><strong>Total amendments: $1,092,990</strong></td>
<td></td>
</tr>
<tr>
<td>Consultant</td>
<td>Task Description</td>
<td>Total Contract Amount</td>
<td>Staff Recommendation</td>
<td></td>
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</tr>
<tr>
<td>AECOM</td>
<td>P3 Investigation</td>
<td>$188,059</td>
<td>Approve Amendment 2 with AECOM for $188,059 to restore funds to as-needed contract</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franklin G. DeFazio, Inc.</td>
<td>Hydraulic transient analysis</td>
<td>$40,000</td>
<td>Note: Contract amendment amount for this work is included in separate WP Committee action this month to amend this contract</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jacobs Engineering</td>
<td>Facility Planning Support</td>
<td>$50,000</td>
<td>Amend existing contract with Jacobs Engineering for $50,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CH2M Hill</td>
<td>Water quality blending study</td>
<td>$130,451</td>
<td>Amend existing contract with CH2M Hill for $130,451 to restore funds to Master Plan contract</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CH2M Hill</td>
<td>TOVWTP Improvements - Initial Concept</td>
<td>$300,000</td>
<td>Amend existing TOVWTP service contract with CH2MHill Constructors, Inc. for $300,000 to cover initial DB design effort</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carollo Engineers</td>
<td>Conveyance pipeline design review</td>
<td>$54,128</td>
<td>Approve Amendment 2 with Carollo Engineers for $54,128 to restore funds to as-needed contract</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carollo Engineers</td>
<td>Design review/Owner's Rep services</td>
<td>$127,157</td>
<td>Approve Amendment 3 with Carollo Engineers for $127,157 to restore funds to as-needed contract</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAIC Energy Environment and Infrastructure</td>
<td>Incorporate Conveyance Pipeline into WPA</td>
<td>$100,991</td>
<td>Amend existing contract with SAIC for $100,991</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Totals:                          |                                       | $990,786              | Total amendments: $950,786 (1)                                                       |

(1) This total for contract amendments does not include the contract amendment for Franklin G. DeFazio ($40,000 for the Carlsbad project) that is part of a separate Water Planning Committee action.
## Table 3
Carlsbad Desalination Project - CIP Budget Increase (K0300) Through WPA Approval

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Reimbursable by Poseidon (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIP Costs (June 2009 through July 2010) (1)</td>
<td>$180,033</td>
<td>$137,000</td>
</tr>
<tr>
<td>CIP Costs (August 2010 through December 2011)</td>
<td>$558,307</td>
<td>$208,600</td>
</tr>
<tr>
<td>Estimate of Future Expenses to Support WPA Approval (Capital Facility Due Diligence)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Authority Labor Expenses</td>
<td>$700,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Consultant Contracts (See Tables 1 and 2)</td>
<td>$3,074,564</td>
<td>$990,786</td>
</tr>
<tr>
<td>Pipeline 3 aerial and utility mapping (3)</td>
<td>$81,000</td>
<td>$81,000</td>
</tr>
<tr>
<td>CIP Overhead Costs</td>
<td>$270,000</td>
<td>$76,000</td>
</tr>
<tr>
<td>Subtotal - Future Expenses</td>
<td>$4,125,564</td>
<td></td>
</tr>
<tr>
<td>Total Budget Requirement</td>
<td>$4,863,904</td>
<td>$1,503,386 (Total)</td>
</tr>
<tr>
<td>Less Current Budget Amount</td>
<td>$2,080,000</td>
<td></td>
</tr>
<tr>
<td><strong>Budget Adjustment Required</strong></td>
<td><strong>$2,783,904</strong></td>
<td></td>
</tr>
</tbody>
</table>

(1) Includes labor expenses and consultant costs for initial planning and design reviews of a proposed new flow control facility and aqueduct connection as previously envisioned when the Project was member agency local project, prior to Board approval of the July 2010 Term Sheet between the Water Authority and Poseidon.

(2) The Total Budget Requirement includes a reimbursable component paid by Poseidon. Poseidon provides reimbursement of all infrastructure-related consultant contracts supporting pre-WPA Approval activities ($990,786 estimated) plus Pipeline 3 aerial and utility mapping, as well as extraordinary expenses incurred by the Water Authority related to the planning and assessment of facilities required to accept and convey deliveries of desalinated product water. These extraordinary expenses include overtime labor expenses ($39,000 estimated), aqueduct shutdown material costs ($18,000 actual), expenses related to initial FCF planning and design reviews ($288,600 actual), and a proportionate share of CIP overhead expenses ($76,000 estimated).

(3) Required to support basis of design for rehabilitation/relining of Pipeline 3.
1) Approve the consultant contract amendments listed on Tables 1 and 2

2) Increase the current Capital Improvement Program (CIP) 2 Year appropriation and life budget for the Carlsbad Desalination Project by $2,783,904 and amend the project name and description to reflect the current WPA negotiation
Summary

• Scope of Work
  • Perform transient analysis for WA projects

• Projects Utilizing Service
  • Rancho Penasquitos PCHF, San Vicente projects, Lake Hodges projects, Relining projects and Carlsbad Desal

• Proposed Future Projects
  • Carlsbad Desal
  • Twin Oaks Regulatory Storage
  • Pipeline 2A Pump Station
Budget

- Original Contract: $686,800
- Authorized to Date: $549,342
- Remaining Amount: $137,458
- Proposed Amendment: $220,000
- Revised Contract Amount: $906,800

As-needed contract – actual work is funded by individual project budgets
Recommendation

- Approve Amendment 4 for $220,000 to provide additional hydraulic analysis as-needed support services, increasing the contract amount from $686,800 to $906,800.
Water Supply Conditions

Water Planning Committee
January 26, 2012
State Water Project Supply Conditions

- Initial SWP Table A Allocation at 60%
- Statewide reservoir storage levels above average

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Initial Allocation</th>
<th>Final Allocation</th>
<th>Water Year Classification*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>60%</td>
<td>TBD</td>
<td>Below Normal (forecast 1/1/12)</td>
</tr>
<tr>
<td>2011</td>
<td>25%</td>
<td>80%</td>
<td>Wet</td>
</tr>
<tr>
<td>2010</td>
<td>5%</td>
<td>50%</td>
<td>Above Normal</td>
</tr>
<tr>
<td>2009</td>
<td>15%</td>
<td>40%</td>
<td>Below Normal</td>
</tr>
<tr>
<td>2008</td>
<td>25%</td>
<td>35%</td>
<td>Critical</td>
</tr>
<tr>
<td>2007</td>
<td>60%</td>
<td>60%</td>
<td>Critical</td>
</tr>
<tr>
<td>2006</td>
<td>55%</td>
<td>100%</td>
<td>Wet</td>
</tr>
</tbody>
</table>

*Sacramento Valley Water year type index classification based on measured unimpaired runoff.
Northern Sierra Precipitation: 8-Station Index, January 24, 2012

Percent of Average for this Date: 58%
Statewide Snow conditions

  - Statewide – 19% average
  - Snowpack among driest on record for date

- Electronic readings – January 24, 2012
  - Northern Sierra – 42% average
  - Statewide – 40% average
Combined Storage in Oroville and San Luis Reservoirs

January 24, 2011

- Oroville: 1.87 MAF (76% Full)
- San Luis: 2.39 MAF (80% Full)

January 24, 2012

- Oroville: 1.94 MAF (76% Full)
- San Luis: 2.52 MAF (80% Full)

Capacities:
- Oroville: 4.26 MAF (109% average)
- San Luis: 4.47 MAF (114% average)
Colorado River Supply Conditions

- Current conditions for Upper Colorado River Basin (January 23, 2012)
  - Precipitation – 84% average
  - Snowpack – 72% average
  - Total system contents: 64% capacity (38.5 maf)

- Colorado River Basin reservoir storage increased by nearly 10 maf since the beginning of water year 2005
MWD End-of-Year Storage Reserve

*According to MWD’s January WSDM Report, storage put capacity for CY 2012 is 540 TAF

**2012 end-of-year storage is projected based on conditions as of January 9, 2012
Local Supply Conditions

- November precipitation was above average, but December and January below average

<table>
<thead>
<tr>
<th>Precipitation in San Diego</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Lindbergh Field</td>
</tr>
<tr>
<td>Ramona Airport</td>
</tr>
</tbody>
</table>

- Local reservoir storage currently 118% of average
Summary

- Dry conditions are prevailing
  - Still relatively early in water year
  - La Niña conditions expected through spring 2012
  - Drought development likely

- Carryover storage remains above average
SBX 7 7: Part of Comprehensive Legislation on Water Supply in California
CII Task Force

- DWR in conjunction with the CUWCC must:
  - Create a Commercial, Industrial, and Institutional (CII) Task Force.
  - Scope: Develop alternative best management practices (BMPs) for the CII water sector.
Schedule

- First Meeting: March 2011
- Monthly Meetings (alternating north and south)
- Preliminary draft: December 2011
- Public Workshop: January 12, 2012
- Final draft to DWR: March, 2012
- Final report to the Legislature: April 1, 2012
CII TF Membership

- 28 Members
- Representing water suppliers, environmental groups and CII customers
- Local representation from Water Authority, Industrial Environmental Association and Department of Defense
CII TF Purpose

- Develop a report which DWR will present to the legislature containing the following:
  - Metrics
  - CII water demands
  - Public infrastructure to deliver recycled water
  - Institutional and economic barriers to increased recycled water use
  - Technical feasibility and cost of the user BMPs for efficient water use statewide in the CII Sector
CA CII Water Use by Application

- Landscape Irrigation 33%
- Industry & Other 31%
- Cooling Towers 15%
- Restrooms 15%
- Commercial Kitchens 6%

Source: Natural Resources Defense Council
Process Water Use by Industry - California

Subcommittees & Work Groups

- Food and Beverage
- Commercial Landscape
- Petroleum Refining and Chemical Industry
- Water Recycling
- Metrics
- Pharmaceutical
- High Tech
Challenges

- Complexity of Topic
  - Large number of BMPs
  - Technical in nature
  - Each site is unique

- Metrics
  - Lack of common metrics
  - Lack of centralized water use data

- What do we do with the information?
Potential Recommendations to Legislature

- Overcoming barriers to recycled water use and water use efficiency
- Approaches and metrics for statewide collection and assessment of water use information
- Steps to encourage businesses to implement cost effective water use efficiency measures
Water Authority / Member Agency Efficiency Measures

Administrative & Finance Committee
January 26, 2012
Public Agency Clause

- Allows other public agencies to “piggy-back” on a Water Authority contract provided:
  - Solicitation contains a public agency clause
  - Contract is competitively bid
  - Goods or services are the same as in the original solicitation
  - Agencies’ procurement policies allow use of cooperative procurements
Public Agency Clause (continued)

- Conditions
  - Participating agency works directly with contractor
  - Contractor agrees work is within scope of contract
  - Original agency has no liability or obligation for participating agency’s work
  - Option is valid for the term and conditions of the contract.

- Benefits
  - Saves staff time and expense
  - Aggressive pricing
Services for which we have used Public Agency Clause

- Uniforms – LADWP
- Office supplies – county of San Diego
- Copiers – Fresno Unified School District county of Los Angeles
- Servers – LADWP
- Tires and vehicles – Department of General Services
List of Water Authority contracts with Public Agency Clause

- Water conservation program evaluation services
- Diesel particulate filter systems
- Janitorial services
- Traffic control services
- Records storage and retrieval services
- Video production services
- Temporary staffing services
- Acquisition and survey services
- Quagga Mussel Veliger laboratory testing
- Water quality testing and analysis
How to use Public Agency Clause

1. Visit http://www.sdcwa.org/public-agency-clause-procurements for a list of Water Authority contracts with Public Agency Clause

2. Contact Water Authority’s Purchasing Agent (858) 522-6653

3. Contact contractor directly and develop an agreement based on the terms of the original contract
Member Agency Services
Providing Services

Water Authority has services that we need to provide internally. We may have the capacity to provide some of them to Member Agencies.
Member Agency manager’s survey results

Areas of interest:
- Water operator training recertification
- Environmental compliance
- Regulatory agency permitting
- Safety training
- Large valve maintenance
- Employee development
- Supervisor training
- Right-of-Way services
Other Opportunities

Water Authority potential efficiency gains relative to:

- Mowing and grading of easements
- Short-term storage of vehicles and equipment
Next steps

- Outreach to Member Agencies
- Develop internal procedures
Treasurer’s Report

Administrative & Finance Committee
January 26, 2012
Report Format

Provides monthly information on the Water Authority’s Investment Portfolio and Projected Cash Flows

**What’s Included & Where (pgs 496-504)**

1. **Overview** – report summary
2. **Portfolio Master Summary** – summarizes all cash & investments
3. **Portfolio Characteristics** – a snapshot of the portfolio
4. **Investment Details** – details of all active investments
5. **Activity Summary** – 13-month rolling summary of portfolio investment activity
Portfolio Master Summary

3 Sections:
- Pooled Fund
- Board Policy
- Actual %/Amounts
- Other Portfolios
  - Bond/CP Fund
  - Debt Service Reserve Funds
- Portfolio Information
  - Yield to Maturity – what the funds are earning
  - Average Term – how long the investments are
  - Average Days to Maturity – when investments are maturing

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Permitted By Board Policy</th>
<th>Actual Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$50 Million</td>
<td>15.54%</td>
</tr>
<tr>
<td>Banker's Acceptances</td>
<td></td>
<td>0.00%</td>
</tr>
<tr>
<td>Treasury Securities</td>
<td>15% - Minimum</td>
<td>18.49%</td>
</tr>
<tr>
<td>Agency Securities</td>
<td>85%</td>
<td>55.23%</td>
</tr>
<tr>
<td>Reverse Repurchase Agreements</td>
<td>20%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Certificates of Deposit (CDARS)</td>
<td>15%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>15%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>25%</td>
<td>6.13%</td>
</tr>
<tr>
<td>Medium Term Notes/Corporates</td>
<td>30%</td>
<td>0.00%</td>
</tr>
<tr>
<td>JPA Pools (CAMP)</td>
<td>25%</td>
<td>4.45%</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>15%</td>
<td>0.16%</td>
</tr>
</tbody>
</table>

= 100.00%

Bond/CP Fund Excluded from Portfolio Percentages:
- Treasury Securities
- Agency Securities
- Certificates of Deposit (CDARS)
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- JPA Pools (CAMP)
- Money Market Funds and Cash

Accrued Interest (unavailable for investing)

Subtotal for Bond/CP Fund (available for CIP expenditures):

| $380,869,018 |

<table>
<thead>
<tr>
<th>Portfolio Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pooled Funds **</td>
</tr>
<tr>
<td>Bond/CP Fund</td>
</tr>
<tr>
<td>Debt Service Reserve</td>
</tr>
<tr>
<td>Total *</td>
</tr>
<tr>
<td>0.51%</td>
</tr>
<tr>
<td>0.56%</td>
</tr>
<tr>
<td>2.63%</td>
</tr>
<tr>
<td>0.73%</td>
</tr>
<tr>
<td>479</td>
</tr>
<tr>
<td>372</td>
</tr>
<tr>
<td>206</td>
</tr>
<tr>
<td>401</td>
</tr>
<tr>
<td>228</td>
</tr>
<tr>
<td>219</td>
</tr>
<tr>
<td>119</td>
</tr>
<tr>
<td>214</td>
</tr>
</tbody>
</table>

* "The weighted average days to maturity of the total portfolio shall not exceed 730 days (two years) to maturity" per SDCA Investment Policy.
** Pooled Funds include Operating, Pay Go, ESF and Equipment.
Portfolio Characteristics

Summarizes the investment portfolio in an easy to read format

- Asset Allocation
  - Break-out of Investment Holdings by Security Type *(Pooled Fund only)*
  - Illustrates Diversification
Maturity Distribution

- Illustrates the Maturity Structure of the Portfolio

*(Pooled Fund only)*

![Maturity Distribution Chart](image-url)
Portfolio Characteristics

- Portfolio Yield
  - Provides a Comparison of Water Authority’s Overall Yield and Pooled Fund Yield to the Benchmark

![Portfolio Yield Chart]

Legend:
- CWA Yield
- CWA Yield (excluding Bond/CP & DSR Funds)
- 1 Year U.S. Treasury Constant Maturity (Rolling 12-month Average)
## Credit Quality
- Shows Distribution of Investments by Credit Rating
- Portfolio Consists of Highly-Rated Securities

<table>
<thead>
<tr>
<th>Credit Rating</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Treasury (AAA/AA+)</td>
<td>18.5%</td>
</tr>
<tr>
<td>Agency (AAA/AA+)</td>
<td>55.2%</td>
</tr>
<tr>
<td>Other (AAA)*</td>
<td>4.7%</td>
</tr>
<tr>
<td>AA **</td>
<td>6.1%</td>
</tr>
<tr>
<td>not rated ***</td>
<td>15.5%</td>
</tr>
</tbody>
</table>

* Includes money market funds & JPA pools (CAMP)
** Includes commercial paper; the Water Authority’s Investment Policy does not permit investments with a rating below A-
*** Includes LAIF, which is part of the state investment pool, and is not rated
### Portfolio Characteristics

- **Projected Cash Flows**
  - 6-Month Snapshot of Projected Inflows & Outflows
  - Illustrates Ability to Meet Anticipated Expenditures

#### Projected Cash Flows (in Millions) *

<table>
<thead>
<tr>
<th>Month End</th>
<th>Investment Maturities</th>
<th>Projected Receipts</th>
<th>Projected Disbursements</th>
<th>Reinvestment/ (Use) of Liquid Funds</th>
<th>Projected Cash &amp; Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 11</td>
<td></td>
<td></td>
<td></td>
<td>$316.62</td>
<td></td>
</tr>
<tr>
<td>Jan 12</td>
<td>-</td>
<td>39.95</td>
<td>27.10</td>
<td>12.85</td>
<td>329.47</td>
</tr>
<tr>
<td>Feb 12</td>
<td>2.00</td>
<td>30.21</td>
<td>23.40</td>
<td>8.81</td>
<td>336.28</td>
</tr>
<tr>
<td>Mar 12</td>
<td>20.50</td>
<td>34.24</td>
<td>25.85</td>
<td>28.89</td>
<td>344.67</td>
</tr>
<tr>
<td>Apr 12</td>
<td>61.22</td>
<td>52.44</td>
<td>104.68</td>
<td>8.98</td>
<td>292.43</td>
</tr>
<tr>
<td>May 12</td>
<td>7.00</td>
<td>39.66</td>
<td>27.50</td>
<td>19.16</td>
<td>304.59</td>
</tr>
<tr>
<td>Jun 12</td>
<td>16.50</td>
<td>40.62</td>
<td>37.39</td>
<td>19.73</td>
<td>307.82</td>
</tr>
</tbody>
</table>

**Bond/CP Fund**

<table>
<thead>
<tr>
<th>Month End</th>
<th>Investment Maturities</th>
<th>Projected Receipts</th>
<th>Projected Disbursements</th>
<th>Reinvestment/ (Use) of Liquid Funds</th>
<th>Projected Cash &amp; Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 11</td>
<td></td>
<td></td>
<td></td>
<td>$380.92</td>
<td></td>
</tr>
<tr>
<td>Jan 12</td>
<td>13.30</td>
<td>0.18</td>
<td>14.09</td>
<td>(0.61)</td>
<td>367.01</td>
</tr>
<tr>
<td>Feb 12</td>
<td>9.50</td>
<td>0.17</td>
<td>14.14</td>
<td>(4.47)</td>
<td>353.05</td>
</tr>
<tr>
<td>Mar 12</td>
<td>5.60</td>
<td>0.16</td>
<td>14.94</td>
<td>(9.17)</td>
<td>338.28</td>
</tr>
<tr>
<td>Apr 12</td>
<td>13.56</td>
<td>0.16</td>
<td>29.73</td>
<td>(16.02)</td>
<td>308.70</td>
</tr>
<tr>
<td>May 12</td>
<td>10.50</td>
<td>0.14</td>
<td>13.65</td>
<td>(3.01)</td>
<td>295.19</td>
</tr>
<tr>
<td>Jun 12</td>
<td>1.60</td>
<td>0.14</td>
<td>14.79</td>
<td>(13.06)</td>
<td>280.53</td>
</tr>
</tbody>
</table>

*Numbers may not foot due to rounding
Portfolio Characteristics

- U.S. Treasury Yield Curve & Market Notes
  - Monthly Change in Interest Rate Environment
  - Fed’s Market Condition & Outlook

Market Notes

On December 13th, the FOMC maintained the target for the federal funds rate at a range of 0-25 basis points. The next meeting is January 25th.
## Portfolio Details - Investments

**SDCWA - Fiscal Year 2012**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**December 31, 2011**

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
<th>YTM</th>
<th>Days to 365 Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>36959HBG1</td>
<td>10030</td>
<td>GENERAL ELECTRIC CAPITAL CORP.</td>
<td>05/25/2011</td>
<td>2,000,000.00</td>
<td>1,996,143.33</td>
<td>1,996,143.33</td>
<td>0.260</td>
<td>AA+</td>
<td>0.269</td>
<td>46</td>
<td>02/16/2012</td>
<td></td>
</tr>
<tr>
<td>36959HFK8</td>
<td>10033</td>
<td>GENERAL ELECTRIC CAPITAL CORP.</td>
<td>09/23/2011</td>
<td>2,500,000.00</td>
<td>2,493,437.50</td>
<td>2,493,437.50</td>
<td>0.350</td>
<td>AA+</td>
<td>0.361</td>
<td>170</td>
<td>06/19/2012</td>
<td></td>
</tr>
<tr>
<td>36959HQG27</td>
<td>4081</td>
<td>GENERAL ELECTRIC CAPITAL CORP.</td>
<td>12/15/2011</td>
<td>3,000,000.00</td>
<td>2,993,666.67</td>
<td>2,993,666.67</td>
<td>0.380</td>
<td>AA+</td>
<td>0.392</td>
<td>183</td>
<td>07/02/2012</td>
<td></td>
</tr>
<tr>
<td>36959HA31</td>
<td>6187</td>
<td>GENERAL ELECTRIC CAPITAL CORP.</td>
<td>04/08/2011</td>
<td>4,200,000.00</td>
<td>4,190,550.00</td>
<td>4,190,550.00</td>
<td>0.300</td>
<td>AA+</td>
<td>0.310</td>
<td>2</td>
<td>01/03/2012</td>
<td></td>
</tr>
<tr>
<td>36959HB14</td>
<td>6188</td>
<td>GENERAL ELECTRIC CAPITAL CORP.</td>
<td>09/23/2011</td>
<td>1,400,000.00</td>
<td>1,398,879.22</td>
<td>1,398,879.22</td>
<td>0.220</td>
<td>AA+</td>
<td>0.223</td>
<td>31</td>
<td>02/01/2012</td>
<td></td>
</tr>
<tr>
<td>36959HC13</td>
<td>6189</td>
<td>GENERAL ELECTRIC CAPITAL CORP.</td>
<td>06/23/2011</td>
<td>1,500,000.00</td>
<td>1,498,000.00</td>
<td>1,498,000.00</td>
<td>0.300</td>
<td>AA+</td>
<td>0.305</td>
<td>60</td>
<td>03/01/2012</td>
<td></td>
</tr>
<tr>
<td>36959HD20</td>
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**Subtotal and Average**  
59,057,545.62  
57,600,000.00  
57,423,412.88  
57,422,095.55  
0.497  
150
### Portfolio Management – Activity Summary

**SDCWA - Fiscal Year 2012**  
**Portfolio Management Activity Summary**  
**December 2010 through December 2011**

<table>
<thead>
<tr>
<th>Month End</th>
<th>Year</th>
<th>Number of Securities</th>
<th>Total Invested</th>
<th>Yield to Maturity</th>
<th>Managed Pool Rate</th>
<th>Number of Investments Purchased</th>
<th>Number of Investments Redeemed</th>
<th>Average Term</th>
<th>Average Days to Maturity</th>
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<td>December</td>
<td>2010</td>
<td>80</td>
<td>835,265,201.64</td>
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<td>0.783</td>
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Average   95

805,953,527.94  

0.753%  

0.763%  

1.008  

6  

4  

402  

208

- **Summarizes all investments held at the end of each month**
San Vicente Dam Raise
Construction Update
Engineering & Operations Committee Meeting
January 26, 2012
San Vicente Site

Marina

Saddle Dam

Main Dam
Outlet Tower
Outlet Tunnel

Outlet Tower

Raised Dam
Downstream Control Facility
Marina Quarry
RCC Batch Plant
Dam Raise RCC Placement
October 2011
Dam Raise RCC Placement
December 2011
Dam Raise RCC Placement
Current
Contractor’s Schedule Status

Project Completion Schedule

- Per Contract March 2013
- At recent pace End of 2013

Problems have been:

- Contractor’s forecasted production rate was unrealistic
  - Late start on RCC placement
  - Lack of resources

- Numerous breakdowns and work stoppages
  - Drop chute repeated problems
  - Sand drum and cooling system at batch plant issues
  - Conveyor failure
  - Super cold joint preparation
Contractor’s Recovery Plan

- We required a detailed recovery plan from Contractor

- Submitted on January 18, 2012
  - Uses a more realistic RCC production rate
  - Shortens time on upstream liner installation
  - Resequences and adds resources for work that follows RCC (more concurrent work)
  - Extends work week to 6–days for post RCC activities

- Staff is currently evaluating
Other Programs/Projects

- **Soft Costs – Labor and Consultants**
  - Extend consultant contracts
  - Contractual Liquidated Damages: $50,000 per day

- **Regional Water Storage**
  - Possible delays obtaining ESP and Carryover capacity in reservoirs

- **City/Water Authority Agreement for Water Storage**
  - Working with City to extend agreements

- **Resource Agency Permits**
  - Extend permits (permits provide for extensions)

- **Marina Opening**
  - Delays construction of Marina
  - Filling reservoir more dependent on available water
Next Steps

- Contractor begins placing RCC per the recovery plan
  - Average of 3200 yd/day
  - Minimal work stoppages
  - Understanding on cold joints and super-cold joints
- Work continues on tower and downstream control facility
- Continuous involvement of Water Authority staff and our consultants
- Keep City apprised of fill timing
- Regardless of pace of work, RCC must continue to be of high quality
Proposed PUC Modifications Affecting Existing Solar Projects

E&O Committee Meeting
January 26, 2012
Gary Eaton, Director of Operations & Maintenance
Background

- Executed June 2010 Power Purchase Agreement (PPA) w/ Borego Solar Systems
- Solar power projects constructed at Kearny Mesa, Escondido, and Twin Oaks Valley Water Treatment Plant
- Projects dedicated August 2011
- Combined $1.7M savings over 20 year contract
- Rate structure included Net Energy Metering
SDG&E’s General Rate Case

• Application 11-10-002 filed October 3, 2011
  • Included Network Use Charge (NUC), monthly basic service fee, Prepay Program, amend Tariff Rule 20 (undergrounding)
  
• NUC = fundamental change
  • Paying for transportation charges for electricity we take from the grid and electricity we return to the grid

• Substantial cost increase for all facilities (CCSE calculation approx. $ 500,000 increase per year)
Solar Coalition

- Solar coalition comprised of:
  - Carlsbad  Fallbrook
  - Helix  Padre Dam
  - Valley Center  Vallecitos
  - Water Authority

- North County Transit District, San Diego County Office of Education and 3 school districts joined coalition

- Retained BB&K legal counsel, cost shared equally by coalition members.
Status of GRC Application

- 10/27/11 – UCAN motion for preliminary ruling on compliance with Public Utilities Code
- 11/02/11- Protest filed by Coalition members
- 01/18/12– PUC requires SDG&E to resubmit GRCII Application without NUC by February 17, 2012.
- Issues to be resolved include:
  - New rate design
  - Replacing basic service fee
  - Rule 20 amendment for undergrounding
  - Prepay program
Future Activities

- SDG&E Revised Rate Design to PUC  Feb. 2012
- Testimony  May 2012
- Rebuttal Testimony & Settlement Conference  June 2012
- Draft Decision  Nov. 2012
- Final Decision  Dec. 2012

- Staff will continue to participate in the proceedings