Cost of Service Study

Administrative and Finance Committee
November 29, 2012
Agenda

- Selection Process Overview
- Request for Proposal Responses
- Staff Recommendation
- Summary of Scope of Services
Selection Process Overview

- **Oct**
  - 10/5 – RFP posted on BidNet and sent directly to 8 firms

- **Nov**
  - 10/3 – Ad published in Business Review
  - 10/11 – Addendum issued to address questions received on 10/10
  - 11/1 – Beginning of contract negotiations
  - 10/19 – Two Proposals received
  - 10/30 – Oral Interviews

- **Dec**
  - 11/29 – Staff recommendation submitted for Board approval

- **10/10** – Staff recommendation received on 10/10

- **11/1** – Beginning of contract negotiations

- **10/30** – Oral Interviews

- **10/5** – RFP posted on BidNet and sent directly to 8 firms
RFP Responses

- RFP required firms to not have a conflict of interest with the Water Authority’s ongoing litigations
- Three firms cited the reason they declined to submit
  - Conflict of interest
    - Black and Veatch
    - A&N Technical Services
  - Staffing limitations
    - HDR Engineering Inc.
- Two qualified responses received
  - Carollo Engineers Inc.
  - Willdan Financial Services
Interview Selection Panel

- 6 Person Interview Panel
  - Finance
  - Water Resources
  - General Manager’s Office
- Panel recommended Carollo Engineers Inc. based upon:
  - Firm’s long history of providing utility financial services – 79 years
  - Core project team’s extensive experience
    - Collectively over 200 relevant engagements
    - Retail and wholesale agency experience
  - Strong endorsements from references
Scope of Services Overview

Phase I – CY 2014 Rate and Charge Determination
- Focused on determining CY 2014 Rates and Charges
- Review of cost allocation methodology, rate and charge definitions and Board policies
- Update System and Treatment Capacity Charges
  *Completed by May, 2013*

Phase II – If approved, integration of desalination project into rates and charges
- Cost of service analysis including any and all rate structure alternatives forwarded by the Board
- Determination of the Supply Capacity Charge
- Due to anticipated member agency participation this phase is expected to be completed before CY 2015 rates and charges are set
Today’s Action

- Authorize the General Manager to award a professional services contract to Carollo Engineers Inc. for a not to exceed amount of $106,000 for a cost of service study. (Action)
Lake Hodges Project—Engineering and Operations Committee

November 29, 2012
Project Purpose

- Priority is Water Operations
  - Supports Emergency Storage Project (ESP)
  - Normal water operations

- Added Benefit of Power Generation
  - Two – 28,000 horsepower pumps that could fill a backyard swimming pool in about 5 seconds
  - Pumped Storage provides 40 megawatts of peak hydroelectric power - enough for 26,000 homes
  - Since August – 94% availability
Pump House Detail

TO OLIVENHAIN RESERVOIR

115 FEET

TO LAKE HODGES
Prerequisites for Notices of Completion

- Andritz needs to set up process for addressing warranty items
- Andritz needs to finish testing requirements
- Andritz needs to submit final paperwork
- Archer Western NOC is ready for filing
Recommendation

- Authorize the General Manager to accept the Lake Hodges Project as complete and record the Notices of Completion for the Archer Western and Andritz contracts.
San Vicente Dam Raise Construction Update

Engineering & Operations Committee Meeting
November 29, 2012
Work on Top of Dam
Work on Top of Dam
Upcoming Activities

- Installation of Mechanical/Electrical Systems
- Site Acceptance Test
- Commissioning of New Facilities
- Decommissioning of Existing Facilities
- Begin Filling to Height of Existing Dam
- DSOD Raised Dam Certification
- Marina Construction
Marina Area Grading
Marina Facilities
Sponsored Bill Proposals

Legislation, Conservation & Outreach Committee

November 29, 2012
Advanced Treated Purified Water

- Redefines “raw water augmentation”
- Redefines advanced treated purified water as a resource, rather than a “discharge of waste”
- Establishes a pilot permit program in San Diego County
- Would allow the introduction of advanced treated purified water into the raw water pipeline, upstream of a treatment plant
Advanced Treated Purified Water

- Would save the City of San Diego $200 million
- Would benefit other member agencies
- Board approved similar bill last year
  - Part of AB 2398 (Hueso) effort with WateReuse
- Stand-alone bill emphasizes urgency
Advanced Treated Purified Water

- Recommendation:
  - Sponsor stand-alone bill for advanced treated purified water
  - Co-sponsor comprehensive WateReuse bill in 2013
Cap and Trade Revenues

- Under the AB 32 cap and trade program, MWD has to buy credits for electricity it buys from out of state to move water from the Colorado River.

- Negotiations with the California Air Resource Board have led to a concept in which air credit revenues would be rebated to MWD for projects that reduce the emission of greenhouse gases.
Cap and Trade Revenues

- This bill would require CARB to rebate revenues to MWD member agencies, rather than MWD itself
  - MWD member agencies will pay the cost of purchasing credits through water rates
  - Member agencies should have discretion over how the revenues are spent, rather than the MWD board
- Recommendation: Sponsor bill
Proposed 2013 Legislative Policy Guidelines

Legislation, Conservation and Outreach Committee

November 29, 2012
Bay Delta

- Added under Bay Delta (pp. 6-8)
  - Bay Delta principles that the Board adopted in February 2012
Local Water Resources

- Added under Local Water Resources, (p. 9)

- Water Authority supports legislation that:
  - Provides funding for direct potable reuse and raw water augmentation
  - Ensures that regulations of seawater desalination intake and brine discharge are based on science and are site-specific
Water Use Efficiency

- Deleted from Water Use Efficiency (pp. 15-17):
  - References to 20 X 2020 legislation
- Added to Water Use Efficiency:
  - Support of legislation that provides funding and incentives for market transformation and wider implementation of indoor and outdoor water use efficiency
Biological and Habitat Preservation

- Added to Biological and Habitat Preservation (pp. 18-19):
  - Rewritten summary of section
  - Support for federal and state funding that addresses ecological and water management issues in the Bay Delta
Fiscal Policy and Water Rates

- Added under Fiscal Policy and Water Rates (p. 20):
  - Support for a federal Water Infrastructure Finance and Innovation Act (WIFIA)
Power Supply

- Added under Power Supply (pp. 24-25):
  - Oppose legislation that imposes greenhouse gas reduction obligations on a water agency for electricity purchased or produced solely for the purpose of importing, transporting, or distributing to its service area.
Land Use and Water Management Planning

- Added to Land Use and Water Management Planning (pp. 27-28):
  - Support for protected status for lands tributary to drinking water reservoirs, unless the protected status impedes current or reasonable future use of water resources
  - Support for funding of groundwater management plans
Land Use and Water Management Planning

- Oppose the imposition of land use regulations that preclude the use of land for public water infrastructure
Climate Change

- Added to Climate Change (pp. 37-38):
  - Support for funding, incentives, or assistance to water agencies to comply with AB 32 requirements
Water Bond

- Added to Water Bond (pp. 39-40):
  - Oppose legislation that commits a significant portion of water bond funding to projects that do not result in real water supply or water supply reliability.
Staff Recommendation

- Adopt proposed 2013 Legislative Policy Guidelines
Average Water Year Statewide Runoff

- 2006: 173%
- 2007: 53%
- 2008: 60%
- 2009: 65%
- 2010: 91%
- 2011: 146%
- 2012: 62%
Combined Reservoir Storage in Oroville and San Luis

November 27, 2011

- San Luis: 1.77 MAF (75% Average, 46% Full)
- Oroville: 2.81 MAF (134% Average, 82% Full)

November 27, 2012

- San Luis: 1.78 MAF (75% Average, 46% Full)
- Oroville: 0.77 MAF (134% Average, 82% Full)
Unregulated Inflow to Lake Powell

Water year 2012: third driest year on record
Colorado River Supply Conditions

- Precipitation for Upper Colorado River Basin
  - 66% of average

- Current Basin Snowpack
  - 62% of normal

- Storage in Lakes Mead and Powell
  - 27 MAF in 2012
  - 31 MAF in 2011
MWD Storage Reserve Levels
2012 Based on 65% SWP Table A Allocation

- Emergency Storage
- Storage Balance

Million Acre-Feet

2006 2.2
2007 1.8
2008 1.1
2009 1.0
2010 1.7
2011 2.4
2012 2.6*

* Projected based on current conditions

Source: October 8, 2012 MWD Water Planning and Stewardship Committee
## Local Supply Conditions

### Precipitation in San Diego

<table>
<thead>
<tr>
<th>Station</th>
<th>Oct. 1 – Nov. 25, 2012</th>
<th>Actual (in.)</th>
<th>% Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lindbergh Field</td>
<td></td>
<td>0.88</td>
<td>64%</td>
</tr>
<tr>
<td>Ramona Airport</td>
<td></td>
<td>1.15</td>
<td>66%</td>
</tr>
</tbody>
</table>

- Local reservoir storage currently 274,000 AF
Member Agency Potable Monthly Water Use

January - October 2011 and 2012

For total Jan-Oct period: 2012 water use is ~ 17,700 AF, or 4% higher than 2011.
Precipitation Outlook for Winter 2012/13

- Neutral El Niño conditions are present and expected to continue through winter 2012/13
- No shortages anticipated from MWD in 2013
- Continue to monitor and report conditions

3-Month Precipitation Outlook
December 1, 2011– February 2, 2012

A= Above Average
B= Below Average
EC= Equal Chance

Source: National Weather Service Nov. 15, 2012
Minute 319
Binational Cooperative Measures for Colorado River Management
Imported Water Committee
November 29, 2012
Minute 319 Elements

- Five-year term
- Extends Minute 318
- High and low reservoir conditions
- Intentionally Created Mexican Allocation
- Salinity
- Water for environment
- ICMA/ICS exchange pilot program
- Binational projects
High Reservoir Conditions

- Lake Mead above 1,145 feet and U.S. entitled to surplus
- At least 80 kaf of ICMA

<table>
<thead>
<tr>
<th>Lake Mead Elevation:</th>
<th>Mexico Annual Order Increase:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,145 feet – 1,170 feet</td>
<td>40,000 acre-feet</td>
</tr>
<tr>
<td>1,170 feet – 1,200 feet</td>
<td>55,000 acre-feet</td>
</tr>
<tr>
<td>1,200 feet – flood control releases</td>
<td>80,000 acre-feet</td>
</tr>
<tr>
<td>Lake Mead Flood Control Release</td>
<td>200,000 acre-feet</td>
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</tbody>
</table>
High Reservoir Conditions (cont.)

- U.S. entities take certain reductions:
  - CAP, SNWA, & MWD each reduce surplus delivery by 1/3 of the additional water requested by Mexico
  - Flood Control Surplus – No reduction
Mexico takes reductions in deliveries according to the following schedule:

<table>
<thead>
<tr>
<th>Lake Mead Elevation:</th>
<th>Mexico Annual Order Reduction:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,075 feet – 1,050 feet</td>
<td>50,000 acre-feet</td>
</tr>
<tr>
<td>1,050 feet – 1,025 feet</td>
<td>70,000 acre-feet</td>
</tr>
<tr>
<td>Below 1,025 feet</td>
<td>125,000 acre-feet</td>
</tr>
</tbody>
</table>
Low Reservoir Conditions (cont.)

- Mexico can offset shortages with ICMA:
  - 80 kaf of ICMA
  - 1.5maf annual delivery
- If Lake Mead is below 1025 feet, U.S. and Mexico will consult
ICMA

- Create up to 250,000 af/yr, deliver up to 200,000 af/yr with total less than 1.7 maf/yr

- No delivery if Lake Mead is below 1025 ft or would trigger shortages

- Will be assessed 2% upon creation and 3% annually for evaporation
Salinity

- Counted as if delivered at NIB for the Minute 242 salinity differential

- Wellton–Mohawk bypass drain is another way for Mexico to receive water
Environment Water & Exchange Pilot Program

- Pulse flow in 2014: 105,392 af
- Base flow in 2015–2017: 52,696 af
- U.S. will contribute $21 million
  - Fed – $11 million
  - Users – $10 million
- Provides 124,000 af for ICMA to ICS conversion
Pilot Program Supplies

- U.S. agencies receive water from conversion of ICMA to ICS:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Contribution</th>
<th>Supply</th>
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<tbody>
<tr>
<td>CACWD</td>
<td>$2.5 million</td>
<td>23,750 af</td>
</tr>
<tr>
<td>MWD</td>
<td>$5 million</td>
<td>47,500 af</td>
</tr>
<tr>
<td>SNWA</td>
<td>$2.5 million</td>
<td>23,750 af</td>
</tr>
</tbody>
</table>
Binational Projects

- Restoration at Miguel Aleman Site
- Water Conservation– Alamo Canal; Potential Land Fallowing; Irrigation District 14
- Conveyance of Water Through the All-American Canal
Binational Projects (cont.)

New Water Sources Projects

- Rosarito Beach desalination plant
- Beneficial use of the New River
- Desalination plant near the Gulf of California
U.S. Implementing Agreements

- Interim operating agreement
- Forbearance agreement
- Contributed funds for the pilot program
- Water delivery agreements
MWD’s Purchase Order History

Imported Water Committee
November 29, 2012
MWD Purchase Order

- Product of 2002 rate structure
- Stated objective was to secure financial commitment to MWD
- Member agencies with purchase order allowed a greater volume of Tier 1 water
  - 10-Year commitment ending December 31, 2012
  - Established Initial Base Firm Demand
    - Agree to purchase at least 60 percent of Initial Base, multiplied by 10 over 10-Year Term
    - Gain access to up to 90 percent of its Base at Tier 1 rate
MWD Purchase Order (cont.)

Purchase Order has not achieved objective to increase MWD’s firm revenues, nor financial stability
- Agency’s financial commitment stretched over 10 years
- Non-performance” penalty on “supply” rate only
  - Bulk of MWD’s costs loaded onto transportation charges
- Access to cheaper Tier 1 increases as agency’s actual firm purchases increase
- Tier 1 limits also adjusted upward from phasing out of discounted rate programs
- Total quantity of water committed to be purchased by agency remains static
- Board allowed an agency to terminate for an administrative fee of $5,000
  - Said any agency could cancel for a $5,000 fee
Recent MWD Board Action

- Approved “Amended and Restated Purchase Order Extension” in October
  - Extends agreement to December 31, 2014
  - Adjusts agency’s commitment to 12 years (instead of 10)
    - Based on Initial Base Firm demand as calculated in 2002
- Delegates objected due to lack of explanation for contract language changes, rather than simple extension of time period
Amended and Restated Purchase Order

- Similar to previous Purchase Order, extension provides no meaningful financial commitment to MWD
  - 20 of 23 member agencies – including the Water Authority – already met 12-Year Purchase Order requirement

- Water Authority’s projected MWD purchases for 2013 and 2014 are less than Tier 1 limit without Purchase Order

- Purchase Order not based upon nor consistent with cost of service requirements MWD must follow

- Relationship between Purchase Order and MWD rate litigation to be discussed in closed session
Report on Agency Participation in Uniform Contract for Member Agency Purchase of Treated Water from the Water Authority-Carlsbad Desalination Project
Purpose of Purchase Contract

- Provide member agencies opportunity to purchase local supply directly from the Water Authority
  - Local “drought-proof” supply that provides additional reliability
  - Diversify agency’s supply portfolio

- Opportunity for Water Authority to sell local supply to member agency at full cost
  - Provide a fixed revenue stream
  - Reduce amount of project costs that need to be recovered through Water Authority rates and charges
Summary – Uniform Purchase Contract

- Approved by Board at October 25, 2012 meeting
- Developed based on Board adopted guiding principles and member agency input
- Basic contract terms
  - Commit to purchase fixed amount
  - Full cost recovery
  - Assumption of same risk profile as Water Authority
  - Classified as treated local water supply
- Member agencies had 60 days from public release of WPA to provide notice of intent to enter into uniform contract and purchase specific quantity of supply
### Member Agency Commitment to Purchase Carlsbad Desalination Project Supplies from the Water Authority

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Annual Purchase Amount (AF)</th>
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</thead>
<tbody>
<tr>
<td>Carlsbad Municipal Water District</td>
<td>2,500AF</td>
</tr>
<tr>
<td>Vallecitos Water District</td>
<td>3,500AF</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>6,000AF</strong></td>
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</table>
Next Steps

- Staff develop individual contracts for each agency
  - Based on the Board approved uniform contract
  - Meet with the two agencies to determine any unique conditions or requested modifications

- Board consider approval of individual contracts
  - Anticipated early 2013

- Reduce project costs that need to be recovered through Water Authority rates and charges
  - Include in current cost of service study
Rate Structure Alternatives for the Carlsbad Seawater Desalination Project

Special Board of Directors Meeting
November 29, 2012
July – August 2012
Rate Structure Alternatives

• July 23, 2012: Administration & Finance Committee
  ▪ Presented 4 alternatives consistent with cost of service principles
  ▪ Alternatives refined based on previous Board discussions
  ▪ Reviewed existing Board policy for non-commodity charges
  ▪ Reviewed existing practices for allocating costs to service categories

• August 30, 2012: Financial Analysis sent to Board and Member Agencies (MAs)
  ▪ Most conservative cost estimate $2,350/AF
  ▪ Minimum purchase 48,000 AF
  ▪ 2013 rates & charges
  ▪ Variance as a % of baseline across the 4 alternatives ranged from less than 1% to 3% with the average across all MAs at 1.2%
  ▪ MAs also analyzed rate structure scenarios as provided
October – November 2, 2012
Rate Structure Alternatives

• October 11, 2012: Special Board Meeting
  ▪ Additional Rate Structure Feedback:
    • Charge all TOVWTP costs to treatment
    • Charge all TOVWTP costs to supply
    • Cost of supply based on existing source (IID)

• October 25, 2012: Water Planning Committee
  ▪ Additional Rate Structure Feedback:
    • Increase Infrastructure Access Charge (IAC)
    • Reduce IAC, set supply at melded rate, all else to treatment
    • Conveyance to transportation, all else to supply

• November 2, 2012: Financial analysis sent to Board and MAs
  ▪ Consistent with most conservative assumptions as submitted on August 30, 2012
  ▪ Variance as a % of baseline across the 5 November alternatives ranged from greater than 1% to 15% with the average across all MAs at 8.9%
Rate Structure Alternatives

A total of 9 alternatives have been proposed:

1. Scenario 1a - Twin Oaks inefficiencies to treatment
2. Scenario 1b - Water quality benefit to treatment
3. Scenario 2a - Twin Oaks inefficiencies to treatment and Standby Reliability Charge
4. Scenario 2b - Water quality benefit to treatment and Standby Reliability Charge
5. Existing Structure - Existing rates and charges
6. Scenario 4 - Advanced treatment recovery, supply set to current IID transfers and Standby Reliability Charge
7. Requested Alternative #1 - Enhanced IAC
8. Requested Alternative #2 - Amended City of San Diego’s preferred option
9. Requested Alternative #3 - Supply and transportation only
Where are we in the Process

- Request for Alternate Structures
- Desal Project Cost Analysis
- Rate Structure Alternatives Developed
- Board Feedback on Alternatives
- Board Direction on Rate Structure
- Cost of Service Study
- Cost of Service Study
- Rate & Charge Determination
- WE ARE HERE

Required Changes

Contract 11/29/2012
Cost of Service Collaborative Process

- A&F Committee initiates Cost of Service process

**Phase 1: Determination of CY 2014 Rates and Charges**

- *Member Agency 2014 Rates Workgroup* tasks (Facilitated discussions)
  - Review of Water Authority expenditures
  - Development of revenue requirement
  - Engagement process among workgroup and consultant
  - Consultant’s recommendation for CY 2014 rates and charges submitted to A&F Committee in May 2013

**Phase 2: Integration of desal project costs into rates and charges for 2015-16**

- *Member Agency Desal Rates Workgroup* tasks (Facilitated discussions)
- Consultants’ extensive engagement with workgroup and A&F committee
- Consultants will:
  - Review existing rate categories and rate and charge policies/objectives
  - Review desal rate structure alternatives forwarded by the Board
  - Consider any other proposals, ideas, options presented during process
  - Submit their recommendation and report to the A&F Committee for consideration

- Periodic updates to A&F Committee
  - Committee direction as needed
Staff Recommendation

• Direct the General Manager to refer the 9 rate structure alternatives to COS consultant
Today’s Proposed Action

- Adopt resolution approving:
  1. The Water Purchase Agreement with Poseidon Resources
  2. The Design Build Agreement for Pipeline Improvements with Poseidon Resources
  3. Agreements to accomplish tax exempt project financing
  4. Adjustments to the CIP Budget
  5. Supporting contracts and contract amendments
  6. Second Addendum to the City of Carlsbad Desalination Project EIR and mitigation monitoring and reporting program (MMRP)
  7. Other actions necessary for implementation
Public Deliberation Process

- Board approved Term Sheet with Poseidon July 2010
  - Set parameters for major terms and conditions
  - WPA is consistent with the July 2010 Term Sheet
- 29 Months since approval of Term Sheet
- Over 31 public meetings regarding the Water Purchase Agreement and the Project
  - Public input provided throughout the process
- Multiple Board Meetings and Workshops dedicated to Board discussion of WPA terms and conditions prior to and subsequent to release
Fourteen member agencies requested and received presentations on the WPA and the Carlsbad Desalination Project

- Helix Water District
- Vallecitos Water District
- Vista Irrigation District
- South Bay Irrigation District
- Valley Center MWD
- Rincon Del Diablo MWD
- Ramona MWD
- San Dieguito Water District
- Padre Dam
- Carlsbad MWD
- City of Del Mar
- Lakeside Water District
- Otay Water District
- Santa Fe Irrigation District
#1 – The Water Purchase Agreement

- 12 Board meetings beginning June 2012
- Focus areas presented at each meeting:
  - Annual demand commitment and Project costs & water pricing
  - Electricity use and pricing
  - Key terms, conditions, and Poseidon ownership
  - Long term water supply reliability and impact of proposed desalination project
  - Assignment of risk
Focus areas presented (cont.)

- Overview of the 18 technical appendices
- Australia’s desalination experience
- Responses to public, stakeholder and board member questions
- SWRCB proposed Ocean Plan amendment for Desalination Plants
- Additional electricity pricing sensitivity analysis
- Comparative analysis of proposed debt shaping and level debt
- Response to questions on unit pricing and consequences of project delay
- Additional Details regarding fixed operating costs
#2 – Design Build Agreement

- Presented at November 15, 2012 Special Board Meeting

- Design Build Agreement:
  - Covers the conveyance pipeline that will deliver desalinated product water from the plant to the Second Aqueduct
  - Requirements for design, permitting, construction, startup, testing and commissioning
  - Defines Water Authority role for design reviews and construction oversight
#3 – Tax-Exempt Financing Documents

- Preliminary Limited Offering Memorandum (PLOM)
  - Primary disclosure document used by investors to make informed investment decisions regarding the bonds

- Tax Certificate – Pipeline Only
  - Used by bond counsel to render their opinion regarding the tax-exempt status of the bonds

- Bond Purchase Agreements(s)
  - Sets the terms of the bond sale such as; interest rates, sales prices, indemnity covenants and representations of all parties
Installment Sale and Assignment Agreement

- Between CWA and SDCWWAFA and identifies CWA as the agent responsible for the construction of the pipeline via DBA;
- CWA agrees to pay for the pipeline with installment sale payments and assigning contracted shortfall payments to the SDCWWAFA

Collateral Agent’s Remedies Agreement

- Pledges, assigns, and grants a security interest in all right, title and interests of Poseidon in, to and under the Project Agreements (DBA, WPA)
Tax-Exempt Financing Documents to be considered

- Pipeline Trust Indenture – authorizes the issuance of the bonds
- Collateral Trust Agreement – administers and protects all bond proceeds and other financial interests in the project
- Pipeline Loan Agreement – between SDCWAFA and CPCFA (Issuer) specifies the terms, payments, representations for the pipeline bonds
- Tax Certificate – summary description of the project and financing. Also used to clarify tax exempt status
# Impact of Proposal on Capital Charge

<table>
<thead>
<tr>
<th>Reserves</th>
<th>Cap Interest Rate</th>
<th>Expected Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current structure (no changes)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 6 months DSRF</td>
<td>6.10%</td>
<td>5.60%</td>
</tr>
<tr>
<td>• 4 months CapI</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Proposed structure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 12 months DSRF</td>
<td>5.90%</td>
<td>5.20%</td>
</tr>
<tr>
<td>• 6 months CapI</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>First Year Savings ($/AF)</strong></td>
<td>$1.5/AF</td>
<td>$33.7/AF</td>
</tr>
<tr>
<td><strong>First Year Savings ($)</strong></td>
<td>$70,000</td>
<td>$1,600,000</td>
</tr>
<tr>
<td><strong>PV Savings ($)</strong></td>
<td>$975,000</td>
<td>$21,500,000</td>
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</table>
#4 – CIP Program Budget Adjustment

- Presented November 15, 2012 Special Board Meeting
- Increase the CIP lifetime budget approx. $80 million
  - Water Authority Oversight of Project Design/Construction $12.5M
  - Water Authority Improvements $67.5M
    - Pipeline 3 Reline/San Marcos Vent Replacement
    - TOVWTP Improvements
- Funding Sources for the $80 million
  - FYs 2012 and 2013 CIP reallocation of funds $ 4 million
  - FYs 2014 and 2015 CIP budget proposal $76 million
#5 – Supporting Contracts and Contract Amendments

Presented November 15, 2012 Special Board Meeting

Supporting Contracts and Contract Amendments:
- TOVWTP Service Contract Amendment (CH2M希尔工程师)
- Owner Rep. Services for TOVWTP (Carollo Engineers)
- Pipeline Engineering Support Services (Carollo Engineers)
- Fabrication Oversight Services (On-Site Technical Services)
- WPA/DB Agreement Implementation Tech. Support (SAIC)
#6 – Second Addendum to the Carlsbad Desalination Project EIR and MMRP

- Presented at the November 15, 2012 Special Board Meeting

- CEQA Compliance:
  - SDCWA is Responsible Agency and will use FEIR/Addendum prepared by Carlsbad
  - Evaluation of proposed distribution system changes do not reach the threshold for preparation of a SEIR, therefore an Addendum to Carlsbad FEIR is appropriate document
  - A Second Addendum to Carlsbad FEIR has been prepared
Carlsbad Desalination Project + Proposed Changes

- Carlsbad Desalination Plant
- TOWWTP Modifications
- Pipeline 3 Relining
- Pipeline 4 Vent Replacement and Pipeline Interconnect
- Macario Canyon Pipeline Alignment Modification and Pumping Well
- Aqueduct Connection Point Modifications
- Proposed Pipeline Alignment
Staff Recommendation

- Adopt the resolution approving
  1. The Water Purchase Agreement with Poseidon Resources
  2. The Design Build Agreement for Pipeline Improvements with Poseidon Resources
  3. Agreements to accomplish tax exempt project financing
  4. Adjustments to the CIP Budget
  5. Supporting Contracts and contract amendments
  6. Second Addendum to the City of Carlsbad Desalination Project EIR and mitigation monitoring and reporting program (MMRP)
  7. Delegating implementation authority to the General Manager, with concurrence of the General Counsel