Frank Gehrke, chief of snow surveys at the California Department of Water Resources, measures snow depth in the Sierra Nevada on January 29, 2015.

Photo © California Department of Water Resources.
1. **UNIFIED AGENDA:** This unified agenda provides a brief description of each item to be considered by the Board and its Administrative and Finance, Engineering and Operations, Imported Water, Legislation, Conservation and Outreach, and Water Planning Committees. For convenience, the agenda for each of the Committees and for the formal Board meeting are stated separately; however, all agendas shall be considered as a single agenda and any item listed on the agenda of any Committee may be acted upon by the Board. All items on the agenda of any Committee, including information items, may be deliberated and become subject to action by the Board.

2. **DOCUMENTS:** Staff reports and any other public information provided to the Board or Committee before the meeting relating to items on the agenda are available for public review at the San Diego County Water Authority 4677 Overland Avenue San Diego, CA 92123 during normal business hours. Additional documents may be distributed at the meeting. Copies of individual items, including the background information, are available through the Clerk of the Board at (858) 522-6614.

3. **MEETING TIMES:** The morning session of Standing Committees will commence at 9:00 a.m. on February 26, 2015 and the afternoon session of Standing Committees will commence at 1:00 p.m. Please see the meeting schedule. The full Board may begin as early as 3:00 p.m. or as soon thereafter as the last Committee meeting is completed.

4. **ACTION AT COMMITTEE MEETINGS:** Committee meetings are also noticed as meetings of the Board because a quorum of the Board may be present. Members of the Board who are not members of the Committee may participate in the meeting, but only members of the Committee may make, second or vote on any motion or other action of the Committee unless the Board determines to convene for consideration of action on an item or items on the Committee agenda. If a quorum of the Board is present during a Committee meeting, upon approval of a motion by any Board member to convene for consideration of action on an item or items on the Committee agenda, the Board may take action on that item or items. If the Board takes action on an item during a Committee meeting, the matter will not be subject to further action at the Formal Board meeting unless a motion to reconsider is approved according to the provisions of the Water Authority Administrative Code. Persons interested in an item and wishing to hear the staff report, present oral or written comments and hear the deliberations should attend the Committee meeting. Closed Sessions also occur at Committee meetings and may not be repeated at the formal Board meeting.
5. **CONSENT CALENDAR:** The agenda contains items listed on a consent calendar which is for matters considered routine or otherwise not requiring further deliberation. A committee or the Board will take action as recommended by one motion. There will be no individual discussion on such items prior to the vote unless an item is removed for discussion. If a member of the public wishes to talk about a consent calendar item, please notify the Chair before the calendar is called. Persons who wish to be heard on an item are encouraged to speak before the assigned committee.

6. **PUBLIC HEARINGS:** It is not necessary to notify the Chair if a member of the public wishes to speak on items listed on the agenda as public hearings. Public hearings will begin at the time stated in the notice, or as soon thereafter as the matter can be heard. When the Chair opens the hearing, upon invitation of the Chair, step to the podium and begin by giving your name and address for the record. Each speaker has 3 minutes to address the Board.

7. **PUBLIC COMMENT ON MATTERS NOT ON THE AGENDA:** The agenda provides an opportunity for members of the public to address the Committees and Board on matters of interest within the jurisdiction of the Committee or Board that are not listed on the agenda. The Brown Act does not allow any discussion or action by the Board or staff on matters raised during public comment except: 1) to briefly respond to statements made or questions posed; 2) ask a question for clarification; 3) receive and file the matter; 4) if it is within staff's authority, refer it to them for a reply; or, 5) direct that it be placed on a future board agenda for a report or action.

A reasonable amount of time will be allocated by the Chair for public comment. Persons wishing to speak should notify the Chair before the meeting by filling out a "Speaker Request Form" and give it to the secretary. Individual speakers are requested to be as brief as possible and are encouraged to address the appropriate committee who is best able to respond. When the Chair calls, please immediately step to the podium and begin by giving your name and address for the record. Each speaker has 3 minutes to address the Board.

8. **PUBLIC COMMENT ON AGENDA ITEMS:** Persons wishing to speak to an item that is listed on the agenda should notify the Chair before the meeting by filling out a speaker request form and giving it to the secretary. Step to the lectern when asked to do so by the Chair and begin by giving your name and address for the record. Remarks should be limited to three minutes.

9. **INFORMATION ITEMS:** Items are listed on the agenda as information based on staff's judgment. Circumstances or the committee's or Board's judgments may require deliberation or, if necessary, action on these items. Any member of the public with an interest in one of these items should review the background material and request information on the possible action that could be taken.

10. **ASSISTANCE FOR THE DISABLED:** If you are disabled in any way and need accommodation to participate in the Board meeting, please call the Clerk of the Board at (858) 522-6614 for assistance at least three (3) working days prior to the meeting so the necessary arrangements can be made.

11. **RULES GOVERNING MEETINGS:** The Water Authority’s Administrative Code Chapter 2.00 governs conduct of meetings of the Board and the Committees. The Administrative Code is available on line at [www.sdcwa.org](http://www.sdcwa.org) or at the Water Authority Headquarters.
# MEETING SCHEDULE

## FEBRUARY 26, 2015

<table>
<thead>
<tr>
<th>SESSION</th>
<th>TIME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MORNING SESSION</strong></td>
<td>9:00 a.m. to 12:00 p.m.</td>
</tr>
<tr>
<td>Administrative &amp; Finance Committee</td>
<td>Estimated time: 55 minutes</td>
</tr>
<tr>
<td>Legislation, Conservation &amp; Outreach</td>
<td>Estimated time: 55 minutes</td>
</tr>
<tr>
<td>Engineering &amp; Operations Committee</td>
<td>Estimated time: 1 hour</td>
</tr>
<tr>
<td><strong>LUNCHEON FOR DIRECTORS</strong></td>
<td>12:00 p.m. to 1:00 p.m.</td>
</tr>
<tr>
<td><strong>AFTERNOON SESSION</strong></td>
<td>1:00 p.m. to 3:00 p.m.</td>
</tr>
<tr>
<td>Imported Water Committee</td>
<td>Estimated time: 1 hour 25 minutes</td>
</tr>
<tr>
<td>Water Planning Committee</td>
<td>Estimated time: 30 minutes</td>
</tr>
<tr>
<td><strong>FORMAL BOARD MEETING</strong></td>
<td>3:00 p.m.</td>
</tr>
</tbody>
</table>

*Time estimates are for convenience only and do not constitute part of the schedule. The first morning session will commence at 9:00 a.m., and the following morning sessions may start at any time after 9:00 a.m. The first afternoon session will commence at 1:00 p.m., and the following afternoon sessions may start at any time after 1:00 p.m. The Board meeting will start no earlier than 3:00 p.m., or following the conclusion of the last committee meeting.*
ADMINISTRATIVE AND FINANCE COMMITTEE

AGENDA FOR

FEBRUARY 26, 2015

Gary Arant – Chair
Doug Wilson – Vice Chair
Halla Razak – Vice Chair
Ed Gallo
Frank Hilliker
Keith Lewinger
Mark Muir
Tom Kennedy

DeAna Verbeke
Ron Watkins
Mark Watton
Mark Weston
Ken Williams
Tom Wornham

1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).

3. Public comment – opportunities for members of the public to address the
   Committee on matters within the Committee’s jurisdiction.

   4-A Directors’ comments.
   4-B Administrative and Finance Committee Draft Work Plan for calendar
       years 2015 and 2016.

I. CONSENT CALENDAR

1. Treasurer’s Report.
   Staff recommendation: Note and file the monthly Treasurer’s report.
   (Action)  Lisa Marie Harris

II. ACTION/DISCUSSION

1. Progress Report on Fiscal Sustainability Process. (Discussion)
   Ken Weinberg
   Lisa Marie Harris

2. Presentation on Market Update and Review of the Water Authority’s
   Refunding Guidelines. (Discussion)  Lisa Marie Harris
III. INFORMATION


2. Board Calendar.

IV. CLOSED SESSION

1. CLOSED SESSION: Dan Hentschke
   Conference with Labor Negotiator
   Government Code §54957.6
   Agency Designated Representatives: Frank Belock, Sandra Kerl,
   Gretchen Spaniol, Lisa Celaya, Rick Bolanos
   Employee Negotiator: Teamsters Local 911

V. ADJOURNMENT

Linda A. Troyan, MMC
Clerk of the Board

NOTE: This meeting is called as an Administrative and Finance Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
February 18, 2015

Attention: Administrative and Finance Committee


Purpose
This report provides the Administrative and Finance Committee Draft Work Plan for calendar years 2015 and 2016.

Background
The Administrative and Finance Committee is responsible for administrative and finance matters including rates, fees, charges, and other sources of revenue; budget; audit; investments; human resources; employer-employee relations; information technology; insurance; risk management; and other matters of general business operations. During the next two years, the committee expects to review, discuss, and make decisions pertaining to these matters.

Discussion
Attached for your review is the Administrative and Finance Committee Draft Work Plan for calendar years 2015 and 2016. The work plan was prepared by staff under the direction of the Administrative and Finance Committee Chair and Vice Chairs. Comments from committee members are welcome and appreciated. The finalized work plan will be adopted at the March 26, 2015 Board meeting.

Prepared by: Lisa Marie Harris, Director of Finance/Treasurer
Matthew S. Brown, Director of Administrative Services
Reviewed by: Gary Arant, Chair, Administrative and Finance Committee

Attachment: Draft Administrative and Finance Committee Work Plan for calendar years 2015 and 2016
Administrative and Finance Committee Work Plan
for calendar years 2015 and 2016

Business Plan Items

Financial Planning

1. **Fiscal Sustainability Discussions** – Complete the fiscal sustainability discussions which include evaluating options to enhance fixed charges, the allocation of non-commodity revenue to the Melded Treatment Rate, the consideration of a new Supply Reliability Charge, and the future of the Special Agricultural Water Rate Program. (December 2016 – Goal #11)

2. **Budget** – Adopt the multi-year budget for fiscal years 2016 and 2017. (June 2015 – Goal #6)

3. **Liquidity Facility** – Address expiring liquidity facilities for the Water Authority’s Commercial Paper Programs. (July 2015 – Goal #5)

4. **Long Range Financing Plan** – Approve the updated Long Range Financing Plan (LRFP). (December 2015 – Goal #9)

5. **Comprehensive Annual Financial Report** – Accept Audit Committee’s approved report. (November 2015 & 2016 – Goal #11)

6. **Rate Model Upgrade Assessment** – Complete the assessment and implement recommended changes to enhance scenario analysis capabilities. (December 2016 – Goal #13)

Information Technology

1. **PeopleSoft Upgrade** – Complete an upgrade of the PeopleSoft system. (December 2017 – Goal #6)

2. **Cyber Security Assessment** – Complete assessment to identify security vulnerabilities and develop a corrective action plan. (August 2016 – Goal #8)

Workforce Management

1. **Memoranda of Understanding** – Ratify and approve Memoranda of Understanding with represented employee bargaining groups. (June 2015 – Goal #1)

Other Items

1. **Business Insurance** – Approve business insurance renewals for the workers compensation, general liability and property programs (June 2015).

2. **Billing System Upgrade** – Complete the upgrade of the water billing system. (February 2017)

3. **Conservation Database development** – Complete the development of a centralized database to support the conservation program. (July 2016)
February 18, 2015

Attention: Administrative and Finance Committee

Treasurer’s Report

Attached for review by the Administrative and Finance Committee and the Board of Directors is the Treasurer’s Report as of January 31, 2015. The reports are formatted to provide information as required by the California Government Code and the San Diego County Water Authority’s Annual Statement of Investment Policy, which was last adopted by the Board on January 22, 2015. A brief description of each report follows:

Portfolio Master Summary: This one page report summarizes all cash and investments held by the Water Authority.

Portfolio Characteristics: This one page snapshot shows the Water Authority’s portfolio holdings by type and percentage; the maturity distribution of the portfolio; the portfolio yield for the past twelve months, with and without bond-related funds, compared to a rolling average yield of the Board adopted benchmark; the credit quality of the portfolio’s holdings; the cash flow projections for the next six months; and relevant market information.

Portfolio Details - Investments: This report takes the summary information listed in the Portfolio Master Summary and provides details of active investments.

Activity Summary: This one page report produces a thirteen-month rolling summary of portfolio investment activity.

The Water Authority’s portfolio is diversified among investment types, with a current concentration toward short-term maturities. This concentration is the result of cash flow needs, as well as the current historic low interest rate environment. The portfolio is comprised of high quality investments, with 79 percent currently invested in AAA rated or AAA/AA+ split-rated securities. The Water Authority’s overall portfolio yield decreased slightly to 0.56 percent in January 2015 and continues to exceed the investment benchmark of 0.39 percent in January 2015. Bond Fund proceeds are expected to fund Capital Improvement Program expenditures for the next several years.

All investments have been made in accordance with the San Diego County Water Authority Statement of Investment Policy. This report provides documentation that the Water Authority has sufficient funds to meet the financial obligations for the next six months. The market value information is provided by Bloomberg L.P. and is as of the report date.

Lisa Marie Harris, Director of Finance/Treasurer
**PORTFOLIO MASTER SUMMARY**

as of January 31, 2015

**PORTFOLIO PERCENTAGES**

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Permitted By Board Policy</th>
<th>Actual Percentage</th>
<th>Actual Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$50 Million</td>
<td>11.46%</td>
<td>$49,645,770</td>
</tr>
<tr>
<td>Banker's Acceptances</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Treasury Securities</td>
<td>15% - Minimum</td>
<td>15.44%</td>
<td>66,890,550</td>
</tr>
<tr>
<td>Agency Securities</td>
<td>85%</td>
<td>53.61%</td>
<td>232,174,480</td>
</tr>
<tr>
<td>Supranationals</td>
<td>10%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Reverse Repurchase Agreements</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Placement Service Certificates of Deposit</td>
<td>15%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>15%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>25%</td>
<td>9.82%</td>
<td>42,537,516</td>
</tr>
<tr>
<td>Medium Term Notes/Corporates</td>
<td>30%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Municipal Securities</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>JPA Pools (CAMP)</td>
<td>25%</td>
<td>9.55%</td>
<td>41,372,187</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>15%</td>
<td>0.12%</td>
<td>503,294</td>
</tr>
<tr>
<td><strong>Subtotal for Pooled Funds:</strong></td>
<td></td>
<td><strong>100.00%</strong></td>
<td><strong>$433,123,797</strong></td>
</tr>
<tr>
<td><strong>Accrued Interest (unavailable for investing)</strong></td>
<td></td>
<td></td>
<td>19,650</td>
</tr>
<tr>
<td><strong>Checking/Petty Cash/Available Funds (unavailable for investing)</strong></td>
<td></td>
<td></td>
<td>87,972</td>
</tr>
<tr>
<td><strong>Total for Pooled Funds:</strong></td>
<td></td>
<td><strong>$433,231,420</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Bond/CP Fund Excluded from Portfolio Percentages:**

<table>
<thead>
<tr>
<th>Investment Type</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agency Securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Placement Service Certificates of Deposit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Paper</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td></td>
<td>114,059,900</td>
<td></td>
</tr>
<tr>
<td>JPA Pools (CAMP)</td>
<td></td>
<td>1,150,205</td>
<td></td>
</tr>
<tr>
<td>Money Market Funds and Cash</td>
<td></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td><strong>Total for Bond/CP Fund (available for CIP expenditures):</strong></td>
<td></td>
<td></td>
<td><strong>$115,210,109</strong></td>
</tr>
</tbody>
</table>

**Debt Service Reserve (DSR) Funds Excluded from Portfolio Percentages:**

<table>
<thead>
<tr>
<th>Investment Type</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency Securities and Money Market Fund - Series 2004A COPs</td>
<td></td>
<td>4,052,363</td>
<td></td>
</tr>
<tr>
<td>Trinity Plus - Reserve (GIC) - Series 1998A COPs</td>
<td></td>
<td>12,240,775</td>
<td></td>
</tr>
<tr>
<td><strong>Total for Debt Service Reserve Funds (unavailable for CIP expenditures):</strong></td>
<td></td>
<td></td>
<td><strong>$16,293,138</strong></td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td></td>
<td></td>
<td><strong>$564,734,667</strong></td>
</tr>
</tbody>
</table>

**PORTFOLIO INFORMATION**

<table>
<thead>
<tr>
<th></th>
<th>Pooled Funds **</th>
<th>Bond/CP Fund</th>
<th>Debt Service Reserve</th>
<th>Total *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Yield to Maturity - 365 Days</td>
<td>0.50%</td>
<td>0.26%</td>
<td>4.17%</td>
<td>0.56%</td>
</tr>
<tr>
<td>Average Term</td>
<td>765</td>
<td>1</td>
<td>1</td>
<td>587</td>
</tr>
<tr>
<td>Average Days to Maturity (730 Days Maximum)</td>
<td>337</td>
<td>1</td>
<td>1</td>
<td>258</td>
</tr>
</tbody>
</table>

* "The weighted average days to maturity of the total portfolio shall not exceed 730 days (two years) to maturity" per SDCWA Investment Policy.

** Pooled Funds include Operating, Pay Go, RSF, Equipment and Stored Water funds.
On January 28th, the FOMC maintained the target for the federal funds rate at a range of 0-25 basis points. The next meeting is March 18th.
### SDCWA - Fiscal Year 2015

**Portfolio Management**

**Portfolio Details - Investments**

**January 31, 2015**

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Purchase Date</th>
<th>Average Balance</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 Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Managed Pool Accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>402</td>
<td>LAIF - 2010B BONDS-BABS</td>
<td>07/01/2014</td>
<td>114,059,900.00</td>
<td>114,059,900.00</td>
<td>114,059,900.00</td>
<td>0.260</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4001</td>
<td>GOLDMAN - OPERATING/POOLED</td>
<td></td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>0.010</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>0.060</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4011</td>
<td>CAMP - OPERATING/POOLED</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.010</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0002</td>
<td>LAIF - OPERATING</td>
<td></td>
<td>49,645,770.25</td>
<td>49,645,770.25</td>
<td>49,645,770.25</td>
<td>0.260</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4002</td>
<td>CAMP - OPERATING/POOLED</td>
<td></td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>0.060</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>0.010</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0002</td>
<td>CAMP - OPERATING/POOLED</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.010</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0002</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>114,059,900.00</td>
<td>114,059,900.00</td>
<td>114,059,900.00</td>
<td>0.260</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0002</td>
<td>CAMP - OPERATING/POOLED</td>
<td></td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>0.010</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0002</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>0.060</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0002</td>
<td>CAMP - OPERATING/POOLED</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.010</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0002</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>114,059,900.00</td>
<td>114,059,900.00</td>
<td>114,059,900.00</td>
<td>0.260</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Commercial Paper - Discount

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Purchase Date</th>
<th>Average Balance</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 Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>0002</td>
<td>4012</td>
<td>LAIF - OPERATING</td>
<td></td>
<td>49,645,770.25</td>
<td>49,645,770.25</td>
<td>49,645,770.25</td>
<td>0.260</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4011</td>
<td>LAIF - OPERATING</td>
<td></td>
<td>114,059,900.00</td>
<td>114,059,900.00</td>
<td>114,059,900.00</td>
<td>0.260</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>0.010</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>0.060</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>0.010</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>0.060</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>0.010</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>0.060</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Federal Agency - Coupon

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Purchase Date</th>
<th>Average Balance</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 Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>0002</td>
<td>4012</td>
<td>LAIF - OPERATING</td>
<td></td>
<td>49,645,770.25</td>
<td>49,645,770.25</td>
<td>49,645,770.25</td>
<td>0.260</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4011</td>
<td>LAIF - OPERATING</td>
<td></td>
<td>114,059,900.00</td>
<td>114,059,900.00</td>
<td>114,059,900.00</td>
<td>0.260</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>0.010</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>0.060</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>0.010</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>0.060</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>0.010</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>0.060</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>503,294.16</td>
<td>0.010</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>1,150,205.28</td>
<td>0.060</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Subtotal and Average**

<table>
<thead>
<tr>
<th>Managed Pool Accounts</th>
<th>Commercial Paper - Discount</th>
<th>Federal Agency - Coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>210,890,406.32</td>
<td>223,024,494.44</td>
<td>55,532,922.83</td>
</tr>
</tbody>
</table>

**Report Ver. 7.3.3b**
SDCWA - Fiscal Year 2015
Portfolio Management

Page 2

Portfolio Details - Investments
January 31, 2015
CUSIP

Investment #

Issuer

Average
Balance

Purchase
Date

Par Value

Market Value

Book Value

12/18/2014
07/19/2012
07/25/2012
08/16/2012
09/18/2012
10/17/2012
01/17/2013
02/20/2013
04/23/2013
08/09/2013
08/23/2013
08/23/2013
09/17/2013
12/19/2013
06/25/2012
06/25/2012
08/09/2012
05/15/2013
06/21/2013
07/16/2013
07/23/2013
09/17/2013
11/20/2013
12/19/2013
03/13/2014
03/13/2014
03/20/2014
04/15/2014
04/15/2014
04/15/2014
09/19/2014
12/18/2014

1,500,000.00
5,000,000.00
5,000,000.00
5,000,000.00
10,000,000.00
5,000,000.00
7,000,000.00
11,000,000.00
6,000,000.00
5,000,000.00
4,000,000.00
6,000,000.00
2,700,000.00
4,000,000.00
5,000,000.00
5,000,000.00
8,000,000.00
8,000,000.00
10,000,000.00
5,000,000.00
4,000,000.00
8,000,000.00
4,000,000.00
4,000,000.00
3,500,000.00
4,000,000.00
7,000,000.00
3,000,000.00
5,000,000.00
6,000,000.00
5,263,000.00
3,500,000.00

1,514,966.67
4,999,200.00
4,999,200.00
4,999,200.00
10,599,900.00
5,299,950.00
6,998,880.00
10,998,240.00
6,359,940.00
5,401,050.00
4,239,960.00
6,031,380.00
2,861,973.00
4,239,960.00
5,051,750.00
5,120,400.00
8,082,800.00
8,235,040.00
10,240,800.00
5,051,750.00
4,041,480.00
8,082,960.00
4,041,480.00
4,041,480.00
3,507,070.00
4,002,720.00
7,004,760.00
3,072,240.00
5,010,100.00
6,004,080.00
5,317,577.31
3,511,299.17

1,515,119.67
5,015,150.00
5,017,600.00
5,006,610.00
11,671,200.00
5,820,230.00
7,028,221.90
11,041,140.00
6,860,802.00
5,689,550.00
4,468,764.00
5,974,860.00
3,015,009.00
4,448,560.00
5,167,000.00
5,312,250.00
8,288,384.00
8,772,720.00
10,464,400.00
5,127,800.00
4,012,492.00
7,978,000.00
4,037,980.00
4,038,960.00
3,486,630.00
3,966,732.00
6,941,340.00
3,116,700.00
4,980,850.00
5,947,182.00
5,281,736.28
3,498,475.17

223,638,000.00

227,794,113.04

232,184,130.16

Stated
Rate

S&P

YTM Days to
365 Maturity

Maturity
Date

Federal Agency - Coupon
3130A0QT0
3137EADD8
3137EADD8
3137EADD8
3137EAAD1
3137EAAD1
3137EADD8
3137EADD8
3137EAAD1
3137EAAJ8
3137EAAD1
3137EADS5
3137EAAD1
3137EAAD1
31398A4M1
3135G0BA0
31398A4M1
31359MZC0
3135G0BA0
31398A4M1
3135G0JA2
3135G0JA2
3135G0JA2
3135G0JA2
3135G0ZB2
3135G0PQ0
3135G0PQ0
3135G0BA0
3135G0ZB2
3135G0PQ0
3135G0JA2
3135G0ZB2

10145
10057
10058
10062
10066
10069
10078
10079
10083
10098
10099
10100
10104
10110
10053
10054
10060
10090
10092
10094
10096
10105
10109
10111
10119
10120
10121
10122
10123
10124
10136
10144

FEDERAL HOME LOAN BANK
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
Subtotal and Average

232,184,130.16

1.480
0.500
0.500
0.500
5.250
5.250
0.500
0.500
5.250
5.125
5.250
0.875
5.250
5.250
1.625
2.375
1.625
4.375
2.375
1.625
1.125
1.125
1.125
1.125
0.750
0.875
0.875
2.375
0.750
0.875
1.125
0.750

AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+

1.247
0.389
0.370
0.450
0.535
0.518
0.320
0.326
0.411
0.744
0.778
1.011
0.690
0.410
0.612
0.704
0.493
0.357
0.700
0.495
1.040
1.203
0.844
0.830
0.875
1.110
1.113
0.409
0.879
1.130
0.986
0.821

1,171
75
75
75
442
442
75
75
442
625
442
621
442
442
267
435
267
256
435
267
816
816
816
816
809
998
998
435
809
998
816
809

0.658

486

04/17/2018
04/17/2015
04/17/2015
04/17/2015
04/18/2016
04/18/2016
04/17/2015
04/17/2015
04/18/2016
10/18/2016
04/18/2016
10/14/2016
04/18/2016
04/18/2016
10/26/2015
04/11/2016
10/26/2015
10/15/2015
04/11/2016
10/26/2015
04/27/2017
04/27/2017
04/27/2017
04/27/2017
04/20/2017
10/26/2017
10/26/2017
04/11/2016
04/20/2017
10/26/2017
04/27/2017
04/20/2017

Portfolio CWA2
CC
Run Date: 02/02/2015 - 11:30

Page 13 of 258

PM (PRF_PM2) 7.3.0


### Portfolio Details - Investments
#### January 31, 2015

<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 Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>912828RM4</td>
<td>10047</td>
<td>UNITED STATES TREASURY</td>
<td>04/19/2012</td>
<td>10,000,000.00</td>
<td>10,096,480.00</td>
<td>10,110,937.50</td>
<td>1.000</td>
<td>AA+</td>
<td>0.750</td>
<td>638</td>
<td>10/31/2016</td>
<td></td>
</tr>
<tr>
<td>912828MZ0</td>
<td>10052</td>
<td>UNITED STATES TREASURY</td>
<td>06/25/2012</td>
<td>8,000,000.00</td>
<td>8,046,560.00</td>
<td>8,471,944.00</td>
<td>2.500</td>
<td>AA+</td>
<td>0.414</td>
<td>88</td>
<td>04/30/2015</td>
<td></td>
</tr>
<tr>
<td>912828TT7</td>
<td>10068</td>
<td>UNITED STATES TREASURY</td>
<td>10/17/2012</td>
<td>5,000,000.00</td>
<td>5,003,905.00</td>
<td>4,984,075.00</td>
<td>0.250</td>
<td>AA+</td>
<td>0.357</td>
<td>256</td>
<td>10/15/2015</td>
<td></td>
</tr>
<tr>
<td>912828RM4</td>
<td>10071</td>
<td>UNITED STATES TREASURY</td>
<td>10/25/2012</td>
<td>5,000,000.00</td>
<td>5,048,240.00</td>
<td>5,082,226.56</td>
<td>1.000</td>
<td>AA+</td>
<td>0.585</td>
<td>638</td>
<td>10/31/2016</td>
<td></td>
</tr>
<tr>
<td>912828MZ0</td>
<td>10082</td>
<td>UNITED STATES TREASURY</td>
<td>03/19/2013</td>
<td>7,000,000.00</td>
<td>7,040,740.00</td>
<td>7,330,039.06</td>
<td>2.500</td>
<td>AA+</td>
<td>0.264</td>
<td>88</td>
<td>04/30/2015</td>
<td></td>
</tr>
<tr>
<td>912828UW8</td>
<td>10091</td>
<td>UNITED STATES TREASURY</td>
<td>05/15/2013</td>
<td>5,000,000.00</td>
<td>5,000,390.00</td>
<td>4,981,250.00</td>
<td>0.250</td>
<td>AA+</td>
<td>0.379</td>
<td>439</td>
<td>04/15/2016</td>
<td></td>
</tr>
<tr>
<td>912828UW8</td>
<td>10097</td>
<td>UNITED STATES TREASURY</td>
<td>08/09/2013</td>
<td>5,000,000.00</td>
<td>5,000,390.00</td>
<td>4,967,187.50</td>
<td>0.250</td>
<td>AA+</td>
<td>0.497</td>
<td>439</td>
<td>04/15/2016</td>
<td></td>
</tr>
<tr>
<td>912828UW8</td>
<td>10114</td>
<td>UNITED STATES TREASURY</td>
<td>02/20/2014</td>
<td>6,000,000.00</td>
<td>6,000,468.00</td>
<td>5,985,937.50</td>
<td>0.250</td>
<td>AA+</td>
<td>0.360</td>
<td>439</td>
<td>04/15/2016</td>
<td></td>
</tr>
<tr>
<td>912828TW0</td>
<td>10115</td>
<td>UNITED STATES TREASURY</td>
<td>02/20/2014</td>
<td>5,000,000.00</td>
<td>4,993,750.00</td>
<td>4,956,250.00</td>
<td>0.750</td>
<td>AA+</td>
<td>0.992</td>
<td>1,003</td>
<td>10/31/2017</td>
<td></td>
</tr>
<tr>
<td>912828CT7</td>
<td>10125</td>
<td>UNITED STATES TREASURY</td>
<td>04/24/2014</td>
<td>6,000,000.00</td>
<td>6,035,628.00</td>
<td>5,998,828.13</td>
<td>0.875</td>
<td>AA+</td>
<td>0.862</td>
<td>804</td>
<td>04/15/2017</td>
<td></td>
</tr>
<tr>
<td>912828CT7</td>
<td>10146</td>
<td>UNITED STATES TREASURY</td>
<td>01/27/2015</td>
<td>4,000,000.00</td>
<td>4,033,752.00</td>
<td>4,031,875.00</td>
<td>0.875</td>
<td>AA+</td>
<td>0.626</td>
<td>804</td>
<td>04/15/2017</td>
<td></td>
</tr>
</tbody>
</table>

**Subtotal and Average**

<table>
<thead>
<tr>
<th>Treasury Securities - Coupon</th>
<th>63,518,977.67</th>
<th>66,000,000.00</th>
<th>66,300,303.00</th>
<th>66,900,550.25</th>
<th>0.553</th>
<th>484</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total and Average</td>
<td>566,895,396.56</td>
<td>555,262,494.44</td>
<td>559,656,685.56</td>
<td>564,646,690.33</td>
<td>0.555</td>
<td>258</td>
</tr>
</tbody>
</table>
### Passbook/Checking Accounts

<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 365</th>
<th>Days to Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH01</td>
<td>48</td>
<td>PETTY CASH</td>
<td>0.00</td>
<td>07/01/2014</td>
<td>2,500.00</td>
<td>2,500.00</td>
<td>2,500.00</td>
<td>0.000</td>
<td>1</td>
<td>0.001</td>
<td>1</td>
</tr>
<tr>
<td>CASH02</td>
<td>1000</td>
<td>WELLS FARGO - OPERATING/POOLED</td>
<td>85,545.36</td>
<td>07/01/2014</td>
<td>-73.07</td>
<td>-73.07</td>
<td>-73.07</td>
<td>0.000</td>
<td>1</td>
<td>0.000</td>
<td>1</td>
</tr>
<tr>
<td>CASH03</td>
<td>1001</td>
<td>WELLS FARGO - PAYROLL ZBA</td>
<td>0.00</td>
<td>07/01/2014</td>
<td>3.90</td>
<td>3.90</td>
<td>3.90</td>
<td>0.000</td>
<td>1</td>
<td>0.000</td>
<td>1</td>
</tr>
<tr>
<td>CASH39</td>
<td>4000</td>
<td>WELLS FARGO - 2010B BONDS-BABS</td>
<td>0.00</td>
<td>07/01/2014</td>
<td>3.90</td>
<td>3.90</td>
<td>3.90</td>
<td>0.000</td>
<td>1</td>
<td>0.000</td>
<td>1</td>
</tr>
</tbody>
</table>

Total Cash and Investments: 566,895,396.56

Average Balance: 0.00

YTM 365: 0.555

Days to Maturity: 258
<table>
<thead>
<tr>
<th>Month</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>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>2014</td>
<td>81</td>
<td>609,904,867.18</td>
<td>0.500</td>
<td>0.515</td>
<td>2</td>
<td>2</td>
<td>576</td>
<td>312</td>
</tr>
<tr>
<td>February</td>
<td>2014</td>
<td>84</td>
<td>611,141,823.95</td>
<td>0.510</td>
<td>0.519</td>
<td>4</td>
<td>1</td>
<td>593</td>
<td>313</td>
</tr>
<tr>
<td>March</td>
<td>2014</td>
<td>87</td>
<td>611,782,912.26</td>
<td>0.523</td>
<td>0.543</td>
<td>4</td>
<td>1</td>
<td>617</td>
<td>324</td>
</tr>
<tr>
<td>April</td>
<td>2014</td>
<td>82</td>
<td>568,688,007.17</td>
<td>0.553</td>
<td>0.537</td>
<td>7</td>
<td>12</td>
<td>628</td>
<td>371</td>
</tr>
<tr>
<td>May</td>
<td>2014</td>
<td>82</td>
<td>570,593,846.95</td>
<td>0.549</td>
<td>0.560</td>
<td>1</td>
<td>1</td>
<td>625</td>
<td>357</td>
</tr>
<tr>
<td>June</td>
<td>2014</td>
<td>80</td>
<td>555,133,059.61</td>
<td>0.549</td>
<td>0.578</td>
<td>0</td>
<td>2</td>
<td>631</td>
<td>347</td>
</tr>
<tr>
<td>July</td>
<td>2014</td>
<td>79</td>
<td>554,303,238.08</td>
<td>0.547</td>
<td>0.582</td>
<td>1</td>
<td>2</td>
<td>622</td>
<td>328</td>
</tr>
<tr>
<td>August</td>
<td>2014</td>
<td>81</td>
<td>562,817,241.70</td>
<td>0.527</td>
<td>0.557</td>
<td>5</td>
<td>3</td>
<td>598</td>
<td>309</td>
</tr>
<tr>
<td>September</td>
<td>2014</td>
<td>81</td>
<td>574,945,636.97</td>
<td>0.534</td>
<td>0.551</td>
<td>2</td>
<td>2</td>
<td>601</td>
<td>305</td>
</tr>
<tr>
<td>October</td>
<td>2014</td>
<td>76</td>
<td>545,513,498.17</td>
<td>0.556</td>
<td>0.557</td>
<td>4</td>
<td>9</td>
<td>600</td>
<td>311</td>
</tr>
<tr>
<td>November</td>
<td>2014</td>
<td>79</td>
<td>559,903,133.29</td>
<td>0.544</td>
<td>0.551</td>
<td>3</td>
<td>0</td>
<td>586</td>
<td>286</td>
</tr>
<tr>
<td>December</td>
<td>2014</td>
<td>80</td>
<td>547,286,815.40</td>
<td>0.566</td>
<td>0.600</td>
<td>2</td>
<td>1</td>
<td>606</td>
<td>281</td>
</tr>
<tr>
<td>January</td>
<td>2015</td>
<td>77</td>
<td>564,646,690.33</td>
<td>0.547</td>
<td>0.507</td>
<td>1</td>
<td>4</td>
<td>587</td>
<td>258</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>81</td>
<td>572,050,828.54</td>
<td>0.539%</td>
<td>0.546%</td>
<td>0.551</td>
<td>3</td>
<td>605</td>
<td>316</td>
</tr>
</tbody>
</table>
February 18, 2015

Attention:  Administrative and Finance Committee

Progress Report on Fiscal Sustainability Process.  (Discussion)

Purpose
The Water Authority’s Fiscal Sustainability process provides an opportunity to discuss and make recommendations for changes and additions to the Water Authority’s existing rate and charge structure and financial policies to ensure fair and proportionate recovery of long-term water supply investments.  This board memo provides an update on staff’s progress.

Background
The Board, member agencies and Water Authority staff have been involved in a collaborative process over the last 18 months in identifying issues related to the long term fiscal sustainability of the Water authority’s revenue structure and evaluating enhancements that would strengthen the Water Authority’s future fiscal health. The Board’s Fiscal Sustainability Task Force (FSTF) completed its work at the March 2014 Board meeting. At that meeting, the Board deferred action on making any of the recommended changes to the existing rate and charge structure for Calendar Year 2015 and directed staff to continue to work with the Administrative and Finance (A&F) Committee and the member agency General Managers on the issues identified by the FSTF.  Initial discussions have focused on addressing revenue volatility and the development of a supply reliability charge. The results of these discussions have been reported to A&F Committee.

With the Board’s goal of addressing the deferred items prior to setting Calendar Year 2016 rates and charges, the A&F Committee and the member agency General Managers and Finance Officers are working to bring a complete package of recommendations to the Board at the March Board meeting.

Discussion
Member agency General Managers and Finance Officers met on January 29th to conclude their discussions of the four alternatives that were presented to the Board on January 26th and to move forward with a recommendation to the A&F Committee.  After a thorough discussion and analysis of the four alternatives, the group coalesced around the Reliability Charge alternative (the Olivenhain Proposal).  This alternative represents a compromise that balances the impact of fixed costs on member agencies with the equitable allocation of costs associated with long-term investments in supply reliability to member agencies. The preferred charge is tied to the cost differential between the MWD rate and the melded Carlsbad desalination and IID Transfer rates, which was seen as creating a strong nexus between cost and revenue. While the recommended alternative did not receive unanimous support it was supported by an overwhelming majority. Future discussions will focus on formalizing the methodology that will be applied to develop and allocate the charge to member agencies.
At the June 2014 Board meeting, the Board extended the Transitional Special Agricultural Water Rate (TSAWR) to December 31, 2015 when it is scheduled to be replaced by the permanent Special Agricultural Water Rate (SAWR). On February 17th, the member agency General Managers and Finance Officers discussed the status of the TSAWR. The discussion quickly focused on the potential for mandatory restrictions in the near future and the impact adding agricultural customers to firm demand would have on existing M&I customers. Although, there was general support by a majority of participants for extending the TSAWR program a detailed recommendation will not be finalized until the next member agency meeting to be held on March 3, 2015.

As a result of the 2013 Cost of Service Study findings, the Board has also directed the General Managers and Finance Officers to review the allocation of non-commodity revenues to rate categories. Current practice is to allocate all non-commodity revenues to untreated rate service categories. The allocation of non-commodity revenues to partially offset the melded treatment service costs is scheduled for continued discussion by the member agency General Managers and Finance officers on March 3, 2015. While this topic has been discussed at prior meetings, an additional meeting is necessary to finalize the recommendation.

In summary, significant progress has been made to date and these discussions will continue leading up the Special Meeting of the A&F Committee meeting on March 12th (the Workshop). At the Workshop, the General Managers and Finance Officers’ recommendations for the deferred items along with a report from an independent rate consultant evaluating the recommended reliability charge’s compliance with cost of service principles will be presented.
February 18, 2015

Attention: Administrative and Finance Committee

Controller’s Report on Monthly Financial Reports (Information)

Financial Reports:
Attached for review by the Administrative and Finance Committee and the Board of Directors are the following financial reports:

- Attachment A: Water Sales Volumes, in acre-feet
- Attachment B: Water Sales Revenues, in millions
- Attachment C: Water Purchases and Treatment Costs, in millions
- Attachment D: Multi-Year Budget Status Report
- Attachment E: Operating Departments Expenditures, in millions
- Attachment F: Schedule of Cash and Investments

The Multi-Year Budget Status Report (Attachment D) compares actual revenues and expenditures, on a budgetary basis, for the eighteen-month period of July 1, 2013 through December 31, 2014, to the adopted budget, as amended by the Board. Budgeted amounts for the eighteen-month period are presented on a straight-line basis unless noted herein. Water sales and purchases are budgeted based on projected monthly volume in acre-feet. In addition, period-to-date budgeted amounts are presented to reflect the expected timing of certain revenue and expenditure categories. These include infrastructure access charges, property taxes and in-lieu charges, hydroelectric revenue, capacity charges, water standby availability charges, contributions in aid of capital improvement program (CIP), stored water purchases, debt service, QSA mitigation, annual insurance premiums, and contributions to the Six Agency Fund.

Net Water Sales Revenue
Net Water Sales Revenue is the Water Authority’s principal source of operating income. It is the difference between water sales revenue and cost of water sold. Water sales revenue includes variable volumetric charges for supply, treatment and transportation, and fixed charges for customer service and storage. Cost of water sold includes payments to water suppliers such as Metropolitan Water District (MWD) and Imperial Irrigation District (IID).

Net Water Sales Revenue for the eighteen-month period ended December 31, 2014 was $259.9 million, 12% higher than the budgeted amount of $232.2 million (Attachment D). Detailed information on Net Water Sales Revenue, shown on Attachments A, B, and C, is provided below.

---

1 All information regarding water sales volumes, revenues and costs are based on the adopted fiscal years 2014 and 2015 multi-year budget.
Budgeted water sales volume in acre-feet (AF) for the eighteen-month period ended December 31, 2014 was 744,168 AF. The actual water sales volume was 799,918 AF, 7% higher than budgeted (Attachment A). The variance is the cumulative effect of the severe drought condition since the late summer in 2013. Fiscal year 2014 concluded with the actual water sales volume approximately 51,000 AF higher than budgeted. Through the first five months of fiscal year 2015, the actual water sales volume was approximately 11,500 AF higher than budgeted. In December 2014, the actual sales volume decreased significantly to 25,180 AF, 6,706 AF lower than the 31,886 AF budgeted and 20% decrease from the actual sales volume for the same period a year ago.

Cumulatively, total actual Water Sales revenue for the eighteen-month period ended December 31, 2014 was $908.5 million, 7% higher than the budgeted amount of $851.8 million for the same period (Attachment B).

Total Water Purchases and Treatment costs were budgeted at $619.5 million and the actual costs were $648.6 million, 5% over budget for the eighteen-month period ended December 31, 2014. Total Water Purchases and Treatment costs included $86.4 million for the 150,000 AF of water purchased from IID, and $121.9 million for MWD’s conveyance charges to transfer 271,175 AF of the water purchased from IID and conserved through the Coachella Canal and All-American Canal lining projects. Total Water Purchases and Treatment costs also included approximately $22 million in the costs of 36,000 AF in the higher total water inventory level and the cumulative effect of evaporation.

In summary, water sales volumes, Water Sales revenues, and Water Purchases and Treatment costs were 7%, 7%, and 5%, respectively, above the eighteen-month period-to-date budgets. This resulted in Net Water Sales Revenue to exceed the budget by 12%, or $27.7 million.

**Revenues and Other Income**

As shown in Attachment D, Total Revenues and Other Income were budgeted at $137.6 million for the eighteen-month period ended December 31, 2014. Actual revenues were $140.3 million, $2.7 million higher than budgeted. The variance is explained in detail below.

Categories of revenues in which actual revenues exceeded the eighteen-month period-to-date budgeted amounts included Contributions in Aid of CIP, Capacity Charges, Hydroelectric Revenue, and Infrastructure Access Charges. In October 2014, $3.9 million in donated assets were received from Olivenhain Municipal Water District and recognized as Contributions in Aid of CIP. Actual Capacity Charges revenue was $2.5 million higher than budgeted primarily due to the $3.4 million received from Rincon Del Diablo Municipal Water District for a large developer project in September 2014. Actual Hydroelectric Revenue from the Rancho Penasquitos Pressure Control and Hydroelectric Facility (Rancho Hydro) and the Lake Hodges Pumped Storage Facility (Hodges Hydro) exceeded the period-to-date budget by $2.4 million, and actual Infrastructure Access Charge revenue was higher than budget by $0.8 million.

Categories of revenues in which actual revenues were lower than the eighteen-month period-to-date budgeted amounts included Grant Reimbursements, Investment Income, Build America
Bonds Subsidy, Water Standby Availability Charges, and Property Taxes and In-Lieu Charges. Grant Reimbursements revenue for Integrated Regional Water Management (IRWM) Grants was $5.0 million below budget, the result of both lower-than-projected activity levels by grant recipients and the timing delay in reimbursement receipt and revenue recognition. Investment Income was $3.1 million lower than budgeted. The variance was attributed to lower-than-budgeted rates of return on investments. The actual Build America Bonds Subsidy was $15.5 million, $1.4 million lower than budgeted. Semi-annual subsidy payments from the United States Treasury were reduced following the Congressionally-mandated sequestration in 2013. Water Standby Availability Charges and Property Taxes and In-Lieu Charges were lower than budget by $0.3 million and $0.2 million, respectively.

**Expenditures**

As shown in Attachment D, Total Expenditures were budgeted at $302.3 million for the eighteen-month period ended December 31, 2014. Actual expenditures were $276.6 million, $25.7 million lower than budgeted. The variance is explained in detail below.

Overall Operating Department expenditures were trending less than budgeted. This resulted mainly from personnel cost savings from unfilled vacancies throughout the period and the timing delay between cost incurrence and expense recognition.

Debt Service expenditures totaled $185.8 million for the eighteen-month period ended December 31, 2014, $7.4 million lower than budgeted. The variance was attributed to both the cash flow savings from FY 2013 refunding transaction and lower interest rates from the FY 2014 commercial paper program restructuring. Total actual Grant Expenditures were $8.0 million, or $7.7 million below the period-to-date budget. The variance resulted from the lower-than-projected activity levels and the timing delay in expenditure recognition of pass-through IRWM grants. Actual Hodges Pumped Storage expenditures were $0.6 million lower than budgeted.

Actual Other Expenditures totaled $1.8 million in various other miscellaneous and conservation reimbursable expenditures.

**CIP Expenditures**

Attachment D shows that CIP Expenditures were budgeted at $154.5 million for the eighteen-month period ended December 31, 2014. Actual expenditures were $141.4 million, $13.1 million, or 8%, lower than the period-to-date budgeted amount.

Actual CIP expenditures funded by Pay As You Go Fund and CIP/Bond Construction Funds for the eighteen-month period ended December 31, 2014 were $65.9 million and $75.5 million, respectively.

**Cash and Investments**

As of December 31, 2014 and November 30, 2014, the overall balance in the Water Authority’s cash and investments was $544.4 million and $555.6 million, respectively (Attachment F). The unusual decrease resulted primarily from the payment on the significantly higher October 2014 MWD invoice, the $5.3 million payment on Water Authority share of 1998 QSA agreement cost,
and the $1.5 million contribution to the CERBT fund. Of the December 31, 2014 overall cash and investments balance, approximately 42% of funds were unrestricted with the remaining 58% of funds restricted for specific purposes. To maximize investment returns, the Water Authority pools the cash of the Pay As You Go Fund with unrestricted funds. As of December 31, 2014, the Rate Stabilization Fund was funded at $86.6 million, approximately 79% of the maximum approved level of $109.0 million.

________________________________________

Rod Greek, Controller
**WATER SALES VOLUMES**

**Budget Versus Actual (in Acre-Feet)**
for the 18 Months Ended December 31, 2014

*Budgeted amounts are based on the adopted two year budget, and do not reflect any projected revisions that may have previously been communicated to the Board.*

---

**Fiscal Year 2014 Cumulative Water Sales (AF)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>55,314</td>
<td>110,634</td>
<td>160,795</td>
<td>204,198</td>
<td>238,398</td>
<td>269,960</td>
<td>298,321</td>
<td>322,118</td>
<td>349,402</td>
<td>384,217</td>
<td>423,881</td>
<td>471,509</td>
</tr>
<tr>
<td>Actual</td>
<td>49,314</td>
<td>100,674</td>
<td>158,363</td>
<td>206,462</td>
<td>241,948</td>
<td>273,250</td>
<td>311,940</td>
<td>341,823</td>
<td>373,484</td>
<td>416,706</td>
<td>470,879</td>
<td>522,453</td>
</tr>
<tr>
<td>AF Difference (b)</td>
<td>(6,000)</td>
<td>(9,960)</td>
<td>(2,432)</td>
<td>2,264</td>
<td>3,559</td>
<td>3,290</td>
<td>13,619</td>
<td>19,705</td>
<td>24,082</td>
<td>32,489</td>
<td>46,998</td>
<td>50,944</td>
</tr>
<tr>
<td>Cum. Actual AF</td>
<td>-11%</td>
<td>-9%</td>
<td>-2%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>5%</td>
<td>6%</td>
<td>7%</td>
<td>8%</td>
<td>11%</td>
<td>11%</td>
</tr>
</tbody>
</table>

**Fiscal Year 2015 Cumulative Water Sales (AF)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>55,867</td>
<td>111,740</td>
<td>162,403</td>
<td>206,240</td>
<td>240,773</td>
<td>272,659</td>
<td>301,303</td>
<td>325,338</td>
<td>352,895</td>
<td>388,059</td>
<td>428,120</td>
<td>476,225</td>
</tr>
<tr>
<td>Actual</td>
<td>56,177</td>
<td>109,718</td>
<td>161,732</td>
<td>209,002</td>
<td>252,285</td>
<td>277,465</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AF Difference (b)</td>
<td>310</td>
<td>(2,022)</td>
<td>(671)</td>
<td>2,762</td>
<td>11,512</td>
<td>5,806</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cum. Actual AF</td>
<td>1%</td>
<td>-2%</td>
<td>0%</td>
<td>1%</td>
<td>5%</td>
<td>2%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

---

**Difference**

<table>
<thead>
<tr>
<th>Budget</th>
<th>FY14</th>
<th>741,509</th>
<th>774,168</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>522,453</td>
<td>277,465</td>
<td>799,918</td>
</tr>
<tr>
<td>Difference</td>
<td>50,944</td>
<td>4,806</td>
<td>55,750</td>
</tr>
<tr>
<td>% Difference</td>
<td>11%</td>
<td>2%</td>
<td>7%</td>
</tr>
</tbody>
</table>
*Budgeted amounts are based on the adopted two year budget, and do not reflect any projected revisions that may have previously been communicated to the Board.

**Fiscal Year 2014 Cumulative Water Sales (in Millions $)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>59.0</td>
<td>118.0</td>
<td>172.3</td>
<td>220.2</td>
<td>259.9</td>
<td>296.6</td>
<td>332.2</td>
<td>363.6</td>
<td>398.8</td>
<td>441.1</td>
<td>488.4</td>
<td>542.8</td>
</tr>
<tr>
<td>Actual</td>
<td>54.7</td>
<td>110.6</td>
<td>171.6</td>
<td>223.3</td>
<td>264.8</td>
<td>302.6</td>
<td>348.9</td>
<td>386.9</td>
<td>425.6</td>
<td>475.6</td>
<td>535.9</td>
<td>593.7</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>(4.3)</td>
<td>(7.4)</td>
<td>(0.7)</td>
<td>3.1</td>
<td>3.9</td>
<td>6.0</td>
<td>16.7</td>
<td>23.3</td>
<td>26.8</td>
<td>34.5</td>
<td>47.5</td>
<td>50.9</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td>-7%</td>
<td>-6%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>5%</td>
<td>6%</td>
<td>7%</td>
<td>8%</td>
<td>10%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-7%</td>
<td>-6%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>5%</td>
<td>6%</td>
<td>7%</td>
<td>8%</td>
<td>10%</td>
<td>9%</td>
<td></td>
</tr>
</tbody>
</table>

**Fiscal Year 2015 Cumulative Water Sales (in Millions $)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>61.5</td>
<td>122.9</td>
<td>179.5</td>
<td>229.5</td>
<td>270.8</td>
<td>309.0</td>
<td>345.8</td>
<td>378.3</td>
<td>414.7</td>
<td>458.5</td>
<td>507.4</td>
<td>563.8</td>
</tr>
<tr>
<td>Actual</td>
<td>61.6</td>
<td>121.2</td>
<td>179.0</td>
<td>232.9</td>
<td>281.7</td>
<td>314.8</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>0.1</td>
<td>(1.7)</td>
<td>(0.5)</td>
<td>3.4</td>
<td>10.9</td>
<td>5.8</td>
<td>0%</td>
<td>-1%</td>
<td>0%</td>
<td>1%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td>0%</td>
<td>-1%</td>
<td>0%</td>
<td>1%</td>
<td>4%</td>
<td>2%</td>
<td>0%</td>
<td>-1%</td>
<td>0%</td>
<td>1%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>0%</td>
<td>-1%</td>
<td>0%</td>
<td>1%</td>
<td>4%</td>
<td>2%</td>
<td>0%</td>
<td>-1%</td>
<td>0%</td>
<td>1%</td>
<td>4%</td>
<td>2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15 through Dec-14</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>542.8</td>
<td>309.0</td>
<td>851.8</td>
</tr>
<tr>
<td>Actual</td>
<td>593.7</td>
<td>314.8</td>
<td>908.5</td>
</tr>
<tr>
<td>Difference</td>
<td>50.9</td>
<td>5.8</td>
<td>56.7</td>
</tr>
<tr>
<td>% Difference</td>
<td>9%</td>
<td>2%</td>
<td>7%</td>
</tr>
</tbody>
</table>
*Budgeted amounts are based on the adopted two year budget, as amended by the Board.

### Fiscal Year 2014 Cumulative Cost of Water Purchases and Treatment (in Millions $)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>42.8</td>
<td>85.5</td>
<td>124.6</td>
<td>159.0</td>
<td>187.1</td>
<td>212.8</td>
<td>237.4</td>
<td>258.8</td>
<td>283.0</td>
<td>312.6</td>
<td>345.9</td>
<td>399.1</td>
</tr>
<tr>
<td>Actual</td>
<td>34.4</td>
<td>78.9</td>
<td>122.7</td>
<td>159.7</td>
<td>187.5</td>
<td>214.3</td>
<td>247.3</td>
<td>274.0</td>
<td>305.2</td>
<td>338.7</td>
<td>382.1</td>
<td>422.7</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>(8.4)</td>
<td>(6.6)</td>
<td>(1.9)</td>
<td>0.7</td>
<td>0.4</td>
<td>1.5</td>
<td>9.9</td>
<td>15.2</td>
<td>22.2</td>
<td>26.1</td>
<td>36.2</td>
<td>23.6</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-20%</td>
<td>-8%</td>
<td>-2%</td>
<td>0%</td>
<td>1%</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
<td>8%</td>
<td>10%</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

### Fiscal Year 2015 Cumulative Cost of Water Purchases and Treatment (in Millions $)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>44.3</td>
<td>88.4</td>
<td>128.9</td>
<td>164.5</td>
<td>193.8</td>
<td>220.4</td>
<td>246.6</td>
<td>269.2</td>
<td>294.9</td>
<td>326.1</td>
<td>361.3</td>
<td>401.9</td>
</tr>
<tr>
<td>Actual</td>
<td>45.3</td>
<td>89.1</td>
<td>130.4</td>
<td>166.1</td>
<td>196.9</td>
<td>225.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>1.0</td>
<td>0.7</td>
<td>1.5</td>
<td>1.6</td>
<td>3.1</td>
<td>5.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### FY14 vs. FY15 Comparison

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15 through Dec-14</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>399.1</td>
<td>220.4</td>
<td>619.5</td>
</tr>
<tr>
<td>Actual</td>
<td>422.7</td>
<td>225.9</td>
<td>648.6</td>
</tr>
<tr>
<td>Difference</td>
<td>23.6</td>
<td>5.5</td>
<td>29.1</td>
</tr>
<tr>
<td>% Difference</td>
<td>6%</td>
<td>2%</td>
<td>5%</td>
</tr>
</tbody>
</table>
### San Diego County Water Authority

**Fiscal Years 2014 and 2015 Budget Status Report**

**For the 18 Months Ended December 31, 2014**

<table>
<thead>
<tr>
<th>[A]</th>
<th>1,106,663,719</th>
<th>851,759,805 (b)</th>
<th>908,478,380</th>
<th>56,718,575</th>
<th>82%</th>
</tr>
</thead>
<tbody>
<tr>
<td>[B] = [A * 75%]</td>
<td>800,494,019 (r)</td>
<td>619,522,896 (b)</td>
<td>648,584,014</td>
<td>(29,061,118)</td>
<td>81%</td>
</tr>
<tr>
<td>[C]</td>
<td>3,353,000</td>
<td>15,400,000</td>
<td>7,357,937</td>
<td>5,518,453</td>
<td>64%</td>
</tr>
<tr>
<td>Revenues = [B - C] Expenditures = [B - C]</td>
<td>1,619,264</td>
<td>583,886</td>
<td>21,074,924</td>
<td>2,471,805</td>
<td>71%</td>
</tr>
<tr>
<td>[C / A]</td>
<td>15,951,173</td>
<td>2,514,750</td>
<td>12,826</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>Net Water Sales Revenue</td>
<td>15,800,935</td>
<td>15,860,000</td>
<td>15,854,000</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>Water Purchases &amp; Treatment</td>
<td>9,711,973</td>
<td>1,509,500</td>
<td>9,711,973</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>Total Net Water Sales Revenue</td>
<td>648,584,014</td>
<td>15,860,000</td>
<td>570,000</td>
<td>4,241,536</td>
<td>3,671,536</td>
</tr>
<tr>
<td>Actual</td>
<td>Positive (Negative)</td>
<td>Budget</td>
<td>619,522,896</td>
<td>583,886</td>
<td>21,074,924</td>
</tr>
<tr>
<td>[C / A]</td>
<td>648,584,014</td>
<td>15,860,000</td>
<td>570,000</td>
<td>4,241,536</td>
<td>3,671,536</td>
</tr>
</tbody>
</table>

### Revenues and Other Income

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 14 &amp; 15 Amended Budget</th>
<th>FY 14 &amp; 15 Period-to-Date Amended Budget</th>
<th>Variance with FY 14 &amp; 15 Actual Period-to-Date Amended Budget</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Sales</td>
<td>$ 1,106,663,719</td>
<td>$ 851,759,805 (b)</td>
<td>$ 908,478,380</td>
<td>56,718,575</td>
</tr>
<tr>
<td>Water Purchases &amp; Treatment</td>
<td>800,494,019 (r)</td>
<td>619,522,896 (b)</td>
<td>648,584,014</td>
<td>(29,061,118)</td>
</tr>
<tr>
<td>Total Net Water Sales Revenue</td>
<td>3,353,000</td>
<td>15,400,000</td>
<td>7,357,937</td>
<td>5,518,453</td>
</tr>
<tr>
<td>Infrastructure Access Charges</td>
<td>59,054,000</td>
<td>43,095,477 (m)</td>
<td>43,905,462</td>
<td>809,985</td>
</tr>
<tr>
<td>Property Taxes and In-Lieu Charges</td>
<td>22,320,000 (c)</td>
<td>15,951,173 (m)</td>
<td>15,800,935</td>
<td>(150,238)</td>
</tr>
<tr>
<td>Investment Income</td>
<td>12,715,000</td>
<td>9,536,250</td>
<td>6,430,609</td>
<td>(3,105,641)</td>
</tr>
<tr>
<td>Hydroelectric Revenue</td>
<td>5,440,000</td>
<td>3,616,095 (m)</td>
<td>5,971,344</td>
<td>2,355,249</td>
</tr>
<tr>
<td>Grant Reimbursements</td>
<td>20,900,406</td>
<td>15,675,305</td>
<td>10,692,483</td>
<td>(4,982,822)</td>
</tr>
<tr>
<td>Total Net Water Sales Revenue</td>
<td>211,228,322</td>
<td>137,645,269</td>
<td>140,303,120</td>
<td>2,657,851</td>
</tr>
<tr>
<td>Net Water Sales Revenue and Revenues and Other Income, net</td>
<td>$ 516,943,022</td>
<td>$ 369,882,178</td>
<td>$ 400,197,486</td>
<td>$ 30,315,308</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$ 456,988,375</td>
<td>$ 302,346,961</td>
<td>$ 276,568,086</td>
<td>$ 25,778,875</td>
</tr>
<tr>
<td>Debt Service</td>
<td>281,531,000 (l)</td>
<td>193,172,000 (m)</td>
<td>185,786,878</td>
<td>7,385,122</td>
</tr>
<tr>
<td>QSA Mitigation</td>
<td>18,417,000 (l),(r)</td>
<td>13,477,000 (m)</td>
<td>11,747,190</td>
<td>(190)</td>
</tr>
<tr>
<td>Hodges Pumped Storage</td>
<td>4,133,000</td>
<td>3,099,750</td>
<td>2,493,066</td>
<td>606,684</td>
</tr>
<tr>
<td>Equipment Replacement</td>
<td>2,822,421</td>
<td>1,768,294</td>
<td>1,645,724</td>
<td>212,470</td>
</tr>
<tr>
<td>Grant Expenditures</td>
<td>20,900,406</td>
<td>15,675,305</td>
<td>10,692,483</td>
<td>(4,982,822)</td>
</tr>
<tr>
<td>Other Expenditures</td>
<td>15,854,000 (h)</td>
<td>570,000 (m)</td>
<td>4,241,536</td>
<td>3,671,536</td>
</tr>
<tr>
<td>Operating Departments (see detail below)</td>
<td>98,563,969 (p),(r)</td>
<td>74,408,156</td>
<td>62,561,517</td>
<td>11,846,639</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>456,988,375</td>
<td>302,346,961</td>
<td>276,568,086</td>
<td>25,778,875</td>
</tr>
<tr>
<td>Net Revenues Before CIP</td>
<td>$ 59,954,647</td>
<td>$ 67,535,217</td>
<td>$ 123,629,400</td>
<td>$ 56,094,183</td>
</tr>
</tbody>
</table>

### Operating Departments Detail (see Attachment E)

- **Administrative Services**
  - Actual: $14,430,172
  - Variance: $11,221,473 (m) | $9,711,973 | $1,509,500 | 67%
- **Colorado River Program**
  - Actual: $2,822,421
  - Variance: $2,203,150 (m) | $1,509,500 | 57%
- **Engineering**
  - Actual: $7,488,364
  - Variance: $5,616,273 | $4,881,630 | $734,643 | 65%
- **Finance**
  - Actual: $4,802,577
  - Variance: $3,601,933 | $3,258,893 | $343,040 | 66%
- **General Counsel**
  - Actual: $14,927,219
  - Variance: $11,195,414 | $8,015,710 | $3,179,704 | 54%
- **General Manager & Board of Directors**
  - Actual: $5,350,948
  - Variance: $4,013,211 | $3,366,806 | $640,405 | 63%
- **MWD Program**
  - Actual: $3,588,954
  - Variance: $2,676,716 | $2,166,013 | $510,703 | 61%
- **Operations & Maintenance**
  - Actual: $30,458,234
  - Variance: $22,843,676 | $15,050,776 | (7,284,599) | 69%
- **Public Outreach and Conservation**
  - Actual: $7,357,143
  - Variance: $5,518,453 | $4,720,487 | (797,370) | 64%
- **Water Resources**
  - Actual: $7,357,937
  - Variance: $5,518,453 | $4,599,071 | (919,382) | 63%
- **Total Operating Departments**
  - Actual: $98,563,969 (k) | $74,408,156 | $62,561,517 | $11,846,639 | 63%
Notes to the Budget Status Report:

a) Period-to-date budgeted amounts are 18/24ths (75%) of fiscal years 2014 and 2015 amended budget unless noted.
b) Water sales and water purchases period-to-date budgeted amounts are based on projected acre-feet calculated per month.
c) Property taxes are primarily received in December and April. In-lieu charges in the amount of $438,701 for fiscal year 2014 and $474,475 for fiscal year 2015 are received quarterly from the City of San Diego.
d) Investment income excludes unrealized gains or losses, which are non-cash transactions.
e) Hydroelectric revenue budget amount includes Rancho Penasquitos Pressure Control and Hydroelectric Facility (Rancho Hydro) and Lake Hodges Pumped Storage Facility (Hodges Hydro). Power generating from both locations are sold to San Diego Gas and Electric.
f) Capacity charges are primarily received in July, October, January and April, after the quarterly period ends, and accrued revenue are recorded for the quarter ending June.
g) Water standby availability charges are primarily received in January and May.
h) Contributions in aid of capital improvement program include planned reimbursements for the Second Aqueduct Pipeline - Caltrans Highway 76 Realignment CIP Project and other miscellaneous projects.
i) Bonds and Certificates of Participation debt service payments due semi-annually on November 1 and May 1. Subordinate Lien Water Revenue Refunding Bonds, Series 2011S-1 debt service payments due semi-annually on July 1 and January 1. Debt Service includes principal, interest expense, and debt service fees. Amortization expense relating to long-term debt, such as discounts, premiums, and deferred loss on refunding are excluded because they are non-cash transactions.
k) Amounts include capital equipment purchases.
l) Stored water purchases budgeted to purchase 50,000 acre-feet to begin the filling of San Vicente Dam upon significant completion of the Dam Raise project.
m) Period-to-date budgeted amounts adjusted based on items occurring on a periodic basis.
n) Fiscal Year 2014 actual amounts for Public Outreach and Conservation excludes expenses of $71,548 funded by the approved prior year carryover of funds.
o) The Board amended the current Capital Improvement Program two-year appropriation and lifetime budget for the Carlsbad Desalination Project by $124,300 in September 2013 and by $220,000 in April 2014, for a total of $344,300.
p) In March 2014, the Board amended the two-year operating department budget by $6,090,000 for services related to rate litigation.
q) In April 2014, Other Income increased $1 million due to the Lake Hodges Settlement Agreement.
r) In June 2014, the Board approved the mid-term budget adjustments.
s) The semi-annual subsidy payments from the United States Treasury equal to 35 percent of the interest payable on the Series 2010B Bonds were reduced under Congressionally-mandated sequestration; $898,585 for Fiscal Year 2014 and $412,558 for Fiscal Year 2015.
San Diego County Water Authority
Comparison of Amended Budget and Period-to-Date Amended Budget (75% Overall) to Actual Operating Expenditures by Departments
For the 18 Months Ended December 31, 2014

Actual Operating Expenditures to Amended Budget in Percentages (%)

Two-Year Amended Budget $98.6 Million
Period-To-Date Amended Budget $74.4 Million
Period-to-Date Actual Operating Expenditures $62.6 Million
## Attachment F

### San Diego County Water Authority

**Schedule of Cash and Investments**

**As of December 31, and November 30, 2014**

<table>
<thead>
<tr>
<th>Fund</th>
<th>December</th>
<th>November</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Fund</td>
<td>$ 52,723,010</td>
<td>$ 53,318,314</td>
<td>$ 68,900,000</td>
</tr>
<tr>
<td>Stored Water Fund</td>
<td>86,316,566</td>
<td>86,308,839</td>
<td></td>
</tr>
<tr>
<td>Equipment Replacement Fund</td>
<td>5,405,494</td>
<td>5,516,756</td>
<td></td>
</tr>
<tr>
<td>Rate Stabilization Fund</td>
<td>86,560,183</td>
<td>86,552,434</td>
<td>66,200,000</td>
</tr>
</tbody>
</table>

**Total Unrestricted Funds**

<table>
<thead>
<tr>
<th></th>
<th>(1) 42%</th>
<th>231,005,253</th>
<th>231,696,343</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Fund</th>
<th>December</th>
<th>November</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay As You Go Fund</td>
<td>181,348,583</td>
<td>186,646,887</td>
<td></td>
</tr>
<tr>
<td>CIP/Bond Construction Funds</td>
<td>115,293,142</td>
<td>120,543,852</td>
<td></td>
</tr>
<tr>
<td>Debt Service Reserve Funds</td>
<td>16,733,039</td>
<td>16,732,950</td>
<td></td>
</tr>
</tbody>
</table>

**Total Restricted Funds**

<table>
<thead>
<tr>
<th></th>
<th>58%</th>
<th>313,374,764</th>
<th>323,923,689</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Fund</th>
<th>December</th>
<th>November</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cash and Investments</td>
<td>$ 544,380,017</td>
<td>$ 555,620,032</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**

1. Total Unrestricted Funds and the Pay As You Go Fund represent the Pooled Funds in the Treasurer’s Report.

2. The Operating Fund target/maximum balance is set to equal 45-days of operating expenditures.

3. In 2006, the Board adopted a policy governing the Rate Stabilization Fund (RSF). The policy created a target and a maximum RSF balance. The target balance is set equal to the negative financial impact of 2.5 years of extremely wet weather and the RSF maximum balance is set equal to the negative financial impact of 3.5 years of extremely wet weather. Wet weather adversely impacts the Water Authority by reducing water sales and net water sales revenue. The balance in this fund represents approximately 131% of the targeted value of $66,200,000 and 79% of the maximum balance of $109,000,000.
MARCH 2015

• 04    MWD Delegates –11:00 a.m.
• 12    Special A&F Committee Meeting on Fiscal Sustainability - 1:30 p.m.
• 26    Committees begin at 9:00 a.m.  
         Formal Board meeting begins at 3:00 p.m.

APRIL 2015

• 08    MWD Delegates –11:00 a.m.
• 09    Tentative Special Board Meeting-1:30 p.m.
• 23    Committees begin at 9:00 a.m.  
         Formal Board meeting begins at 3:00 p.m.

MAY 2015

• 04    MWD Delegates –3:30 p.m.
• 14    Tentative Special Board Meeting-1:30 p.m.
• 28    Committees begin at 9:00 a.m.  
         Formal Board meeting begins at 3:00 p.m.
February 18, 2015

Attention:   Administrative and Finance Committee

CLOSED SESSION:
Conference with Labor Negotiator
Government Code §54957.6

Agency Designated Representatives:  Frank Belock, Sandra Kerl, Gretchen Spaniol, Lisa Celaya, Rick Bolanos

Employee Negotiator:  Teamsters Local 911

Purpose
The General Manager has asked that the above-referenced closed session be scheduled for the Administrative and Finance Committee at the February 26, 2015 meeting.

A closed session has also been included on the agenda of the formal Board of Directors’ meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for a closed session with the full Board at that time, but staff may request action to confirm directions given or action recommended by the committee.

Prepared by:  Daniel S. Hentschke, General Counsel
LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE

AGENDA FOR

FEBRUARY 26, 2015

Gary Croucher – Chair    Jim Madaffer
Christy Guerin – Vice Chair    Ron Morrison
Fern Steiner – Vice Chair    Mark Muir
David Barnum    Jose Preciado
Ed Gallo    Dave Roberts
Matt Hall    Elsa Saxod
Frank Hilliker    Yen Tu

1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).

3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4. Chair’s report.
   4-A Directors’ comments.
   4-B Legislation, Conservation and Outreach Committee Draft Work Plan for calendar years 2015 and 2016.

I. CONSENT CALENDAR

   Staff recommendation: Adopt Resolution 2015-___ authorizing and directing the General Manager to apply to the Bureau of Reclamation for water and energy efficiency grant funding and to commit the Water Authority to the financial and legal obligations associated with the receipt of grant funds. (Action)

2. Adopt positions of various state bills. Glenn Farrel
   Staff recommendation:
   1. Adopt a position of Support if Amended on AB 88 (Gomez). (Action)
   2. Adopt a position of Oppose on SB 143 (Stone). (Action)
II. ACTION/DISCUSSION

1. **Legislative Issues.**
   1-A Washington Report by Ken Carpi. (supplemental materials)
   1-B Sacramento Report by Steve Cruz – Gonzalez, Quintana & Hunter.
   1-C **Adopt Federal Legislative Priorities for 2015.** (Action) Glenn Farrel

2. **2015 Public Opinion Poll Content.** (Discussion) Mike Lee

III. INFORMATION

1. **Presentation on Drought Response Communications and Outreach Update.** Jason Foster

2. **Government Relations Update.** Glenn Farrel

3. **Newly Introduced Bills.** Glenn Farrel

IV. CLOSED SESSION

V. ADJOURNMENT

Linda A. Troyan, MMC
Clerk of the Board

**NOTE:** This meeting is called as a Legislation, Conservation, and Outreach Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
February 18, 2015

Attention: Legislation, Conservation and Outreach Committee


Purpose
This report provides the Legislation, Conservation and Outreach Committee Draft Work Plan for calendar years 2015 and 2016.

Background
The Legislation, Conservation and Outreach Committee is responsible for matters relating to legislation, lobbying and intergovernmental relations; community relations; media relations; public outreach; water conservation programs; and the Small Contractor Outreach and Opportunities Program (SCOOP). During the next two years, the committee expects to review, discuss, and make decisions pertaining to these matters.

Discussion
Attached for your review is the Legislation, Conservation and Outreach Committee Draft Work Plan for calendar years 2015 and 2016. The work plan was prepared by staff under the direction of the Legislation, Conservation and Outreach Committee Chair and Vice Chairs. Comments from committee members are welcome and appreciated. The finalized work plan will be adopted at the March 26, 2015 Board meeting.

Prepared by: Jason Foster, Director of Public Outreach and Conservation
Reviewed by: Gary Croucher, Chair, Legislation, Conservation and Outreach Committee

Attachment: Draft Legislation, Conservation and Outreach Committee Work Plan for calendar years 2015 and 2016
Business Plan Items

Water Use Efficiency

1. **Per Capita Water Consumption** – Encourage efforts by the Water Authority and member agencies to maintain or improve the region’s overall per capita water use goal of 174 gallons per person per day through December 2015 and at or below 167 gallons per person per day through 2020. (December 2016 – Goals #2, 5)

2. **External Funding** – Provide input on external funding program goals, appropriate resources to support these activities, and reporting frequency to the Board. Encourage funding agreements (grants, utility funding, other) to minimize operational funds needed for current and future water use efficiency programs. (December 2016 – Goals #1, 4, 8)

3. **Partnerships** – Review and encourage partnerships with private or nonprofit organizations that generate value-added to regional conservation initiatives. (December 2016 – Goal #3)

4. **MWD Conservation Funding** – Review and support outreach and other efforts to increase the number of rebates issued to Water Authority service area customers. (June 2016 – Goal #6)

Water Shortage and Drought Response Management

1. **Drought Response Outreach** – Review, evaluate and provide direction with regard to preferred outreach strategies, programs and partnerships that raise regional awareness and compliance with any mandatory water use restrictions in effect and that keep water use at a level that meets or is below shortage allocations or other agency-set targets and avoids financial penalties. (December 2016 – Goals #3, 4)

Government Relations Outreach

1. **Legislative Policy Guidelines** – Review, provide input and consider approval of Legislative Policy Guidelines for the following calendar year. (December 2015 and December 2016 – Goal #3)

2. **Bay-Delta** – Continue to evaluate, advocate and encourage Bay-Delta solutions that are consistent with the Board’s Bay Delta Policy Principles. (December 2015 – Goal #2)

3. **Water Bond** – Evaluate proposals to implement Proposition 1, including funding appropriations to ensure that funding for local supply development, conservation, storage and other investments is equitable to the San Diego region. (December 2016 – Goal #2)

4. **State Appropriations** – Review and support efforts to pursue and secure state funding, including water bond funding, to support regional and local projects and programs including water recycling, potable reuse, conservation, and seawater and brackish groundwater desalination. (December 2016 – Goal #2)

5. **Federal Funding Authorizations** – Review and encourage efforts for the region to work together to pursue and secure federal funding authorizations through the Water Resources Development Act or through other federal financing programs, such as the National Infrastructure Bank or the Water Infrastructure Finance and Innovation
Authority (WIFIA) for Water Authority and member agency projects. (October 2016 – Goal #4)

6. **Relationship Building** – Encourage staff efforts to host at least two Legislative Roundtable events in San Diego during the 2015 calendar year and conduct at least one legislative advocacy trip to Sacramento during 2015. Participate in Legislative Roundtables if available. (July 2016 – Goals #6, 7)

**Public Affairs Outreach**

1. **Public Support for Supply Reliability Efforts** – Encourage the development and implementation of regional outreach and communications initiatives designed to increase awareness and support for the Water Authority’s diversification strategy and related issues, including:
   a. Communications and outreach activities that raise the percentage of the public who view water service as a utility with “good” value to 67 percent by April 2017;
   b. Communications and outreach activities that achieve or sustain at least 80 percent support for the Water Authority’s long-term overall water supply diversification strategy through June 2017;
   c. Programs and outreach activities that help sustain 90 percent or greater public agreement that water use efficiency is an important civic duty by June 2017;
   d. Communications and outreach activities that sustain a 67 percent or greater awareness among residents that indirect potable reuse is a safe and acceptable part of the region’s drinking water supply by June 2017.
   (December 2016 – Goals #3-12, 14)

2. **Small-Business Outreach** – Review and encourage efforts that enable Water Authority to achieve or exceed the Board’s established target for small-business participation percentage of total procurement dollars. (The current Board target is 30 percent.) (June 2016 – Goal #3)

3. **School Education** – Review and encourage school education programs and initiatives designed to help reach more than 1,200 teachers and 40,000 students in the San Diego region annually. (June 2016 – Goal #13)

**Metropolitan Water District**

1. **MWD Issues Outreach** – Review and encourage outreach efforts locally and statewide to inform public officials, the media and other stakeholders on the issues at stake in the Water Authority’s rate litigation against MWD, and achieve 50 percent or greater public awareness of the litigation by December 2017. (December 2016 – Goal #9)

**Other Items**

1. **Legislation** – Consider and adopt positions on legislation and/or sponsor legislation that affects the Water Authority’s interests and the attainment of the Water Authority’s Business Plan goals. (Annually)

2. **Polling Review** – Review findings of public opinion polls and provide direction on future polling to help achieve the Water Authority’s Business Plan goals and any other goals the Board may set. (December 2016)
3. **SCOOP Metrics** – In collaboration with SCOOP Committee, evaluate small-business participation target to ensure it is still appropriate; consider setting new SCOOP participation target as applicable. (June 2016)
February 18, 2015

Attention: Legislation, Conservation and Outreach Committee

Authorize submittal of application for Bureau of Reclamation WaterSMART: Water and Energy Efficiency Grants for FY 2015 (Action)

**Staff recommendation**
Adopt Resolution 2015-____ authorizing and directing the General Manager to apply to the Bureau of Reclamation for water and energy efficiency grant funding and to commit the Water Authority to the financial and legal obligations associated with the receipt of grant funds.

**Alternatives**
Do not adopt the resolution and do not apply for grant funding.

**Fiscal Impact**
If awarded, the grant would provide $300,000 of funding for the Turf Replacement Rebate Program. The grant’s requirement for a local cost share was previously met through a Department of Water Resources Integrated Regional Water Management Program Proposition 50 grant, therefore, no additional local cost share is required.

**Background**
The Water Authority implemented a regional turf replacement rebate program in December 2012 that funded customer rebates through grant funding. Due to high demand for the rebates, grant funding was exhausted in January 2015.

In October 2014, the Bureau of Reclamation advertised the availability of WaterSMART program water and energy efficiency grants. The Board-adopted Water Use Efficiency Policy Principles direct staff to seek grants to support programs in order to leverage or offset ratepayer investments in programs when possible. The policy principles also direct staff to encourage market transformation that leads to sustainable, long-term improvements in regional water use efficiency, and an increase in awareness and demand for WaterSmart landscapes. In addition, the Water Authority’s 2014-2019 Business Plan includes a goal to maintain the region’s per capita potable water use at or below 174 gallons per capita per day by offering regional programs and assistance to member agencies. The acquisition of grant funding for the turf replacement rebate program supports that goal.

**Discussion**
Staff is seeking additional grant funding for turf replacement because of lingering drought conditions and ongoing efforts to spark outdoor landscape market transformation to help achieve longer-term water efficiency goals. The Bureau of Reclamation’s grant application requires the
Water Authority Board of Directors to adopt a resolution that commits it to the financial and legal obligations associated with receipt of the grant. If adopted, the resolution (attached) will:

- Authorize the General Manager to submit a grant application for Bureau of Reclamation WaterSMART Program: Water and Energy Efficiency Grants for FY 2015.
- Authorize the General Manager to execute all documents necessary to accept the grant.
- Resolve that the Water Authority has the capability to provide the amount of funding and/or in-kind contributions specified in the funding plan.
- Resolve that the Water Authority will work with Reclamation to meet established deadlines for entering into a cooperative agreement.

Board adoption of the resolution does not guarantee a grant award - it is a requirement that allows the Water Authority to apply for the grant funding. Grant award notifications are expected by summer 2015. Reclamation expects funds will be awarded by September 2015.

Prepared by: Michele Shumate, Water Resources Specialist
Reviewed by: Jeff Stephenson, Principal Water Resources Specialist
                Jason Foster, Director of Public Outreach and Conservation
Approved by: Dennis Cushman, Assistant General Manager

Attachment: Resolution No. 2015-____
RESOLUTION NO. 2015-___

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AUTHORIZING AND DIRECTING THE GENERAL MANAGER TO APPLY FOR THE BUREAU OF RECLAMATION WATERSMART PROGRAM: WATER AND ENERGY EFFICIENCY GRANTS FOR FY 2015 AND TO COMMIT THE WATER AUTHORITY TO THE FINANCIAL AND LEGAL OBLIGATIONS ASSOCIATED WITH THE RECEIPT OF GRANT FUNDS.

WHEREAS, the San Diego County Water Authority has identified funding opportunities through the Department of the Interior, Bureau of Reclamation WaterSMART (Sustain and Manage America’s Resources for Tomorrow) Program: Water and Energy Efficiency Grants for FY 2015, including projects that conserve and use water more efficiently (Proposed Project); and

WHEREAS, the San Diego County Water Authority is lawfully empowered to carry out the Proposed Project; and

WHEREAS, the Board of Directors of the San Diego County Water Authority desires to authorize and direct the General Manager to apply for grant funding for the Proposed Project, to commit the Water Authority to the financial and legal obligations associated with receipt of grant funds for the Proposed Project, and to execute any and all applications, agreements, or other documents necessary or convenient to application for and acceptance of grant funds for the Proposed Project.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority resolves as follows:

1. The General Manager is authorized and directed to submit a grant application under the Department of Interior, Bureau of Reclamation WaterSMART Program: Water and Energy Efficiency Grants for FY 2015 for the Proposed Project, including submission of any and all supporting, supplementary or additional information required in connection with such applications.

2. The General Manager is authorized and directed to execute any and all applications, agreements or other documents necessary or convenient to the acceptance of a grant for the Proposed Project.

3. The Water Authority has the capability to provide the amount of funding and/or in-kind contributions specified in the funding plan.

4. The General Manager is authorized and directed to work with the Department of Interior, Bureau of Reclamation, and any other applicable federal agency to meet established deadlines for entering into a cooperative agreement.
PASSED, APPROVED AND ADOPTED, on this 26th day of February, 2015.

AYES:

NOES:

ABSTAIN:

ABSENT:

___________________________________
Mark Weston, Chair

ATTEST:

__________________________________
Jim Madaffer, Secretary

I, Linda A. Troyan, Clerk of the Board of Directors of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2015-____ was duly adopted at the meeting of the Board of Directors on the date stated above.

____________________________________
Linda A. Troyan
Clerk of the Board
February 18, 2015

Attention: Legislation, Conservation and Outreach Committee

Adopt positions on various state bills. (Action)

Staff recommendation
1. Adopt a position of Support if Amended on AB 88 (Gomez)
2. Adopt a position of Oppose on SB 143 (Stone)

Alternatives
1. Do not adopt one or more of the recommended positions.
2. Modify one or more of the positions.

Fiscal Impact
There is no direct fiscal impact associated with the consideration of adopting policy positions on the legislation, but the Water Authority could secure direct and indirect fiscal benefits from passage of a water bond measure.

AB 88 (Gomez) – Sales and Use Taxes: Exemption: Energy or Water Efficient Home Appliances
Existing law imposes a tax on retailers measured by the gross receipt from their sales of tangible personal property sold at retail in the state. Existing law also provides an exclusion from gross income for any amount received as a rebate from a local water agency or supplier for the purchase of a water conservation water closet, energy efficient clothes washers, and plumbing devices. In addition, as a result of legislation enacted in 2014, existing law, for taxable years beginning on or after January 1, 2014, and before January 1, 2019, provides an exclusion from gross income for any amount received as a rebate, voucher, or other financial incentive issued by a local water agency or supplier for participation in a turf removal water conservation program.

AB 88 would exempt from sales taxes the sale of an energy or water efficient home appliance purchased by a public utility that is provided at no cost to a low-income participant in a federal, state, or ratepayer-funded energy efficient program for use by that low-income participant in the energy efficiency program.

Water conservation is a core element of the Water Authority’s long-term strategy to improve the reliability of the region’s water supply by diversifying water sources. Since 1991, the Water Authority’s water use efficiency programs and initiatives cumulatively have conserved nearly 800,000 acre-feet of water. These savings have been achieved through measures ranging from incentives on water-efficient devices, to legislative efforts, to outreach campaigns and programs. The region is on track to meet the state’s mandate to reduce per capita water use 20 percent by 2020.

The Water Authority and its member agencies offer numerous programs to help achieve water savings – both indoors and outdoors. The following represent several of the rebate programs available today through SoCal Water $mart, a region-wide program that offers rebates for devices that improve water use efficiency at residential properties:
• High-efficiency clothes washer rebates
• High-efficiency toilet rebates
• Rotating irrigation nozzle rebates
• Residential smart controller rebates
• Residential rain barrel rebates
• Soil moisture sensor system rebates
• Turf replacement incentives

The sales tax exemption for these rebate programs have largely been addressed through prior legislation. However, water saving devices that are purchased by the public agency for direct-install programs within the community are not currently provided a sales tax exemption, nor are those devices proposed to be addressed in AB 88 as it is currently drafted. While there is value to providing a sales tax exemption for energy or water efficient home appliances that could be part of a direct-install program, the measure should be expanded to also provide coverage for water-saving devices that could be encompassed within a direct-install program.

AB 88 would help to broaden the range of water efficiency or energy incentives that would be excluded from gross income, and would remove tax liabilities that could dilute the efficacy of these programs.

The Water Authority’s legislative policy guidelines state that the Water Authority shall support legislation that:

• Provides incentives, funding, and other assistance where needed to facilitate market transformation and gain wider implementation of water-efficient indoor and outdoor technologies and practices.

• Provides incentives, funding, and other assistance to facilitate water use efficiency partnerships with the energy efficiency sector.

(2015 Legislative Policy Guidelines, Water Use Efficiency, Support, Page 17, item 16 and 19).

Staff recommends a position of Support if Amended on AB 88.

Suggested Amendments Include:
AB 88 should be amended to also provide sales tax exemption for water-saving devices that are purchased by a public utility for use by a low-income participant is a water efficiency program.

SB 143 (Stone) – Sales and Use Taxes: Exemption: Energy or Water Efficient Home Appliances
Existing law, with some exceptions, prohibits body contact recreational use in a reservoir in which the water is stored for domestic use, and existing law establishes standards for any exempted reservoirs.
SB 143 would exempt Diamond Valley Lake from the body contact prohibition (thereby allowing body contact recreation) if both of the following conditions are satisfied:

- The water subsequently receives complete water treatment, including coagulation, flocculation, sedimentation, filtration, and disinfection, before being used for domestic purposes; and
- The reservoir is operated in compliance with regulations of the State Water Resources Control Board.

Diamond Valley Lake is southern California’s largest drinking water storage reservoir and was dedicated into the Metropolitan Water District (MWD) system in March 2000. Diamond Valley Lake provides important emergency water supply storage and reduces the threat of water shortages during drought and periods of peak summer use.

During the course of considering appropriate recreational activities at Diamond Valley Lake, MWD solicited a public health analysis conducted by several prominent academics. In 1997, a final report was issued which helped to inform MWD in the development of Diamond Valley Lake’s recreational policies. MWD ultimately decided to exclude body-contact recreation from Diamond Valley Lake to help protect the public health of water consumers and also help MWD and its member agencies avoid additional water treatment costs.

The degradation in water quality caused by body-contact recreation could result in increased costs for treatment by MWD, the Water Authority, and Water Authority member agencies that receive water from Diamond Valley Reservoir as part of their imported water supply.

As it is currently written, SB 143 presents the assumption that all water treatment facilities use coagulation, flocculation, sedimentation, filtration, and disinfection as part of the treatment process before the water can be used for domestic purposes. However, the Water Authority’s Twin Oaks Valley Water Treatment Plant does not use flocculation and sedimentation in the manner outlined in SB 143. The Water Authority has received water directly from Diamond Valley Lake in the past and would not be in compliance with the statute embodied in SB 143, because the Water Authority uses membrane treatment to remove impurities in the water.

In 1995, legislation was enacted (Health and Safety Code, Section 115840) that provides an exception from the body contact prohibition in San Diego County reservoirs when the water is subsequently subject to complete water treatment processes, including coagulation, flocculation, sedimentation, filtration, and disinfection, prior to being used for domestic purposes. This statutory language is very similar to the provisions in SB 143, related to Diamond Valley Lake. Even given this San Diego County exception however, water managers throughout the region have generally held firm in prohibiting full body contact in San Diego County reservoirs to fully protect public health and safety related to drinking water:

- No body contact recreation is permitted at Olivenhain Reservoir
• Limited body-contact activity (sailboarding) is allowed at Lake Hodges

• Limited body-contact activity (water skiing and personal watercraft) is allowed at San Vicente Reservoir

• Limited body-contact activity (water skiing and personal watercraft) is allowed at El Capitan Reservoir

None of the facilities allow full body contact (swimming) activities.

The Water Authority’s legislative policy guidelines state that the Water Authority shall oppose legislation that:

• Contributes to the degradation of source water quality around reservoirs and groundwater basins.

• Imposes or mandates recreational activities on drinking water reservoirs and reservoir property where such activities have been determined to be inappropriate by the reservoirs’ owners and operators

(2015 Legislative Policy Guidelines, Local Water Resources, Oppose, Page 11, item 3; Water Facilities/Facility Improvement, Oppose, Page 14, item 1).

**Staff recommends a position of Oppose on SB 143.**

Prepared by: Glenn A. Farrel, Government Relations Manager
Approved by: Dennis A. Cushman, Assistant General Manager
February 18, 2015

Attention: Legislation, Conservation and Outreach Committee

Federal Legislative Priorities for 2015. (Action)

Background
During the January 22, 2015 Board meeting, staff presented the proposed federal legislative priorities for 2015 for the Board’s consideration and to receive additional input from Board members.

Following is a revised series of federal legislative priorities that reflects and encompasses Board input on the priorities received by staff since the January 22, 2015 Board meeting.

<table>
<thead>
<tr>
<th>Federal Legislative Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Participate and engage closely to influence the direction of emerging regulatory issues by informing the regional congressional delegation, relevant committees, and federal agencies of their impact on the Water Authority and its members agencies, and explore options to achieve regulatory relief.</td>
</tr>
<tr>
<td>2. Communicate the Water Authority’s interests in the Bay-Delta Conservation Plan with the San Diego congressional delegation and other key federal officials.</td>
</tr>
<tr>
<td>3. Pursue continued and increased federal funding appropriations for important regional water projects, including desalination, Title XVI Water Reclamation funding, and other water infrastructure programs.</td>
</tr>
<tr>
<td>4. Continue to regularly apprise members of the San Diego congressional delegation of developments regarding the Water Authority’s interests in the Colorado River and Salton Sea restoration.</td>
</tr>
<tr>
<td>5. Communicate interests of the Water Authority and its member agencies in federal efforts to provide relief for drought conditions in California and within the Colorado River Basin.</td>
</tr>
<tr>
<td>6. Continue to inform the regional congressional delegation on energy-water nexus policy issues that could potentially affect the Water Authority and its member agencies, and explore options for federal funding support or regulatory relief to reduce energy costs and improve energy efficiency for the Water Authority and its member agencies.</td>
</tr>
<tr>
<td>7. In partnership with the City of San Diego, inform and advocate support for the San Vicente Hydropower Pumped Storage Project with members of Congress and Administration and regulatory officials and agencies.</td>
</tr>
<tr>
<td>8. Regularly apprise the San Diego congressional delegation and other key federal officials regarding the importance of tax-exempt public financing tools in meeting the goals of the Water Authority and its member agencies.</td>
</tr>
<tr>
<td>9. Communicate the interests of the Water Authority and its member agencies in promoting potable reuse as a major regional water supply initiative.</td>
</tr>
</tbody>
</table>
FEDERAL LEGISLATIVE PRIORITIES – 2015

1. REGULATORY ISSUES

Federal agencies continue to focus significant attention on regulatory issues involving water quality, drinking water contaminants, Clean Water Act implementation, invasive species, and the resiliency of facilities and operations to climate change. These efforts are driven primarily by the U.S. Environmental Protection Agency, but also involve the formal or consultative role of other agencies that include the Council on Environmental Quality, the U.S. Army Corps of Engineers, and the U.S. Fish and Wildlife Service, among others. These efforts have long been the subject of congressional interest, but Republican control of Congress will increase the use of congressional oversight and appropriations to affect changes in regulatory actions.

The Water Authority has worked closely with water industry associations to present a united front on regulatory issues directly affecting the Water Authority’s interests on a number of water quality and drinking water regulatory issues in the past and this will continue to be the most effective means to get the Water Authority’s issues and concerns heard. This broader effort will be combined with engaging the San Diego-area’s House delegation and both California Senators regarding the specific impact of existing or proposed regulations on the Water Authority’s and its member agencies’ operations and goals.

Action

- Staff and federal legislative advocates will continue to collaborate with member agencies and participate and engage closely with industry association partners to ensure appropriate opportunities are taken to influence the direction of emerging regulations.

- Staff and federal legislative advocates will closely monitor regulatory proceedings and communicate Water Authority and member agency interests to the local congressional delegation and relevant committees and federal agencies. Staff will alert member agencies to emerging regulatory matters anticipated to impact their operations.

2. BAY-DELTA CONSERVATION PLAN

The efforts to resolve water supply and ecosystem conflicts in the Delta have a long history in California water policy. The latest effort to address the conflicts is a joint effort of state and federal agencies to develop a Bay-Delta Conservation Plan (BDCP). The BDCP is a habitat conservation plan, intended to result in long-term permits from regulatory agencies authorizing take of covered species so the export facilities may be operated in a more stable and reliable manner. A central component of the BDCP strategy for water exporters is the construction and operation of twin tunnels to convey water from a north Delta facility on the Sacramento River and deliver it to the existing Tracy pumping plants for export south of the Delta. The state has placed the estimate for the BDCP at approximately $25 billion, with at least $17 billion envisioned being paid by the water contractors, including the Water Authority through its water supply purchases from the Metropolitan Water District.
Action on the BDCP proposed by the Brown Administration has raised significant concerns regarding the cost, federal share of funding, environmental impact, and ability to provide long-term resource security of the project. The Water Authority continues to seek a greater role in providing input to the BDCP environmental review process, cost analysis, and technical assessments on various proposals sufficient enough to assist the Water Authority Board in making a policy decision regarding the support for a proposal(s).

Action
- Staff and federal legislative advocates will continue to regularly brief members of the San Diego congressional delegation to ensure there is a thorough understanding regarding the Water Authority’s interests in, and issues with the BDCP.

- Staff and federal legislative advocates will pursue opportunities for the Water Authority General Manager and Board officers to provide direct briefings on BDCP-related issues during future visits to Washington.

- Staff and federal legislative advocates will continue to monitor federal advocacy efforts by the various BDCP stakeholders and interested parties, and provide briefings to the Water Authority and its member agencies on developments within Congress and the relevant federal agencies.

3. FEDERAL FUNDING

While certainty has been restored to near-term funding for federal water-related programs, debt reduction and general pressure to limit domestic discretionary funding continues to limit options for funding. The recently-enacted appropriations act for FY 2015 includes $906.9 million and $1.449 billion, respectively, for the Drinking Water and Clean Water State Revolving Loan Fund programs, each equal to their FY 2014 funding levels. The recent spending bill also provides $1.1 billion for programs at the Department of the Interior related to water resources. This amount includes $50 million set aside for the U.S. Bureau of Reclamation to address drought conditions in the western United States. The spending bill also includes $21.5 million for the Title XVI Water Reclamation and Reuse Program. Continued limits on spending growth should be considered the norm, although the long trend of declining funding appears to have halted, at least temporarily.

The congressional ban on earmarking appropriations for specific projects continues as it has for several years. Continued constraints on federal funding have also led to hearings in the House of Representatives questioning the overall value of Title XVI and similar programs. Nonetheless, the San Diego Area Water Reclamation Program continues to be funded at levels which exceed any other region in the country and Congress has provided $21.5 million for the program in FY 2015.

Action
- Staff and federal legislative advocates will continue to pursue opportunities for funding for desalination, water reclamation and reuse, and other programs on behalf of the Water
Authority and its member agencies through appropriations and budget processes.

- Staff and federal legislative advocates will continue to brief Appropriations Committee members and staff on the benefits demonstrated by the Title XVI program, in particular to the Water Authority and the San Diego region, and advocate for continued and increased appropriations for this program.

- The Water Authority will work closely with industry associations to build support for continued meaningful federal participation in the development and construction of local and regional seawater desalination projects.

- Staff and federal legislative advocates will work to ensure that seawater desalination projects are eligible to receive any new federal infrastructure funding or financing.

4. COLORADO RIVER/SALTON SEA

The Water Authority’s water supply portfolio includes a suite of water supplies from the Colorado River. These supplies include a water conservation and transfer agreement with the Imperial Irrigation District and water conserved by two projects, the All American Canal Lining Project and the Coachella Canal Lining Project. By 2020, these water supplies are expected to produce approximately 280,000 acre-feet, and comprise more than 30 percent of the Water Authority’s total water supply.

The Water Authority continues to work with other Colorado River contractors and states to develop additional Colorado River supplies and water management strategies. The Water Authority is participating in a study by the U.S. Bureau of Reclamation of overall water demand and supply conditions in the entire seven-state Colorado River Basin, with an eye toward augmenting limited Colorado River supplies. The Water Authority is also active in binational discussions with Mexico to develop a number of mutually beneficial Colorado River programs, including water conservation, seawater desalination, water storage, and environmental projects.

Action

- Staff and federal legislative advocates will continue to keep members of the regional congressional delegation and staff apprised of developments in the lower Colorado River Basin, including the Authority’s activities in support of the lower Colorado River and Basin-wide studies and projects.

- Staff and federal legislative advocates will continue to provide educational information to members and staff of the San Diego region’s congressional delegation, relative to how Colorado River issues are different from, or contribute to, discussions on other state water initiatives, including BDCP and drought response.

- Staff and federal legislative advocates will continue to keep members and staff of the San Diego region’s congressional delegation apprised of developments related to Salton Sea restoration, and advocate appropriate measures to protect the Water Authority’s and its
member agencies’ interests, including efforts to evaluate renewable energy programs within the Salton Sea area that may help to facilitate financing of air quality and habitat improvements, and progress towards a viable restoration plan.

5. DROUGHT RESPONSE

California and the western United States continue to suffer from the effects of a historic and prolonged drought. Many interests believe these natural hydrologic conditions are exacerbated by state and federal environmental laws, regulations, and guidance that divert water from agricultural, industrial, and public uses to support preservation of threatened or endangered species, habitat preservation, water quality controls, and limit seawater intrusion into sensitive aquatic regions and underground aquifers.

Balancing the competing demands for limited water has not yet been achieved to everyone’s satisfaction. Multiple legislative efforts to address the situation in California have failed to find a consensus path forward. Renewed attempts at federal legislation for drought response and relief are expected early in 2015 as Senator Feinstein and House Republicans seem likely to renew negotiations toward a meaningful legislative response.

Action

- The federal legislative advocates will continue to keep the Water Authority Board apprised of drought response negotiations and recommend opportunities to address the needs of the Water Authority and its member agencies.

- Staff and federal legislative advocates will continue to educate the regional congressional delegation members and staff regarding the needs of the Water Authority and its member agencies for secure, reliable water supplies and its efforts to diversify and conserve water resources.

6. ENERGY-WATER NEXUS

Congress has also shown a growing interest in the energy-water nexus. Legislation to formalize federal intergovernmental consultation and leadership between the Office of Management & Budget, Council on Environmental Quality, Departments of Energy and of the Interior, and the National Academy of Science will be introduced in the early part of 2015.

Electricity for moving water is a major cost to the Water Authority and its member agencies. While there is a natural nexus between water use efficiency and energy efficiency, particularly in the operations of water systems, staff and the federal legislative advocates will closely evaluate any energy-water nexus initiatives that would suggest the imposition of mandates requiring specific water resources be developed by water agencies that fail to take into account local factors, such as water reliability, hydrologic and geographic characteristics, and the economic, political, public acceptance, and social environment, which can influence selection of resources and/or fails to take into account or conflicts with existing local and regional planning policies and implementation priorities.
Action

- Staff and federal legislative advocates will continue to educate the regional congressional delegation members and staff regarding the energy needs and contributions of the Water Authority and its member agencies.

- Staff and federal legislative advocates will work with the San Diego congressional delegation and appropriate congressional committees to explore options for further regulatory relief to reduce costs for ongoing and planned projects and operations.

- Staff and federal legislative advocates will monitor congressional hearings and legislation related to the energy-water nexus and communicate the Water Authority’s positions on this issue to the San Diego congressional delegation and relevant committees and federal agencies.

7. SAN VICENTE HYDROPOWER PUMPED STORAGE PROJECT

Hydropower pumped storage projects present a strategy to generate power during peak energy demand periods on very short notice. These projects are being considered as a renewable energy source in the context of creating greater energy storage opportunities in California. As of September 2012, the Water Authority’s Lake Hodges Hydropower Pumped Storage Project became fully operational, delivering up to 40 megawatts of electricity to the San Diego region. The Water Authority has a long-term power purchase and sale agreement with San Diego Gas & Electric that includes terms for buying power produced by the project and a reduced rate on energy required to operate the project. In addition, the Water Authority, in partnership with the City of San Diego, is assessing the potential for significant hydropower pumped storage capabilities at the San Vicente Reservoir. As part of this partnership, the Water Authority and the City of San Diego agree to work collaboratively on related congressional briefings.

Congress has shown a keen interest in providing greater authority, if not funding, for innovative projects to make greater use of hydroelectric power on federal facilities. These efforts have included expanding the size of projects exempt from Federal Energy Regulatory Commission oversight and providing some easing of environmental review requirements.

Action

- Staff and federal legislative advocates will, in partnership with the City of San Diego, continue to educate the regional congressional delegation members and staff regarding the progress of the San Vicente hydropower pumped storage project.

- In partnership with the City of San Diego, staff and federal legislative advocates will work with the San Diego congressional delegation and appropriate congressional committees to explore options for regulatory relief to reduce costs for the construction and operation of the San Vicente hydropower pumped storage project.
8. PUBLIC FINANCE

A number of fiscal issues, related to tax reform, unfunded federal mandates, shifting federal costs to state and local governments, and municipal bond financing continue to be the subjects of discussion within Congress. During 2013 and 2014, the Water Authority was among a number of San Diego regional entities opposing efforts to reduce or eliminate the tax-exempt status of municipal bonds. President Obama’s Fiscal Year 2014 budget request proposed capping the value of all tax exemptions, including municipal bond interest – even retroactively – at 28 percent of income. Others have suggested eliminating tax exemptions altogether. These proposals would increase infrastructure costs for local communities, as investors would demand higher interest rates on municipal bonds to offset potential new taxes. Similar proposals, such as a recently emerging proposed new Federal Reserve rule that would exclude municipal bonds from the definition of High Quality Liquid Assets, and could thus constrain investment in municipal bonds, are examples of the public finance issues that are continuing to gain traction in Washington.

In a separate development, Congress included a pilot Water Infrastructure Finance and Innovation Authority (WIFIA) program in the Water Resources Reform and Development Act of 2014 (WRRDA). While modest, water infrastructure advocates have pursued enactment of a WIFIA program for many years and sound program development – combined with wise project selections in its early years – is critical to seeing WIFIA develop into a meaningful financing tool. WIFIA will provide low-interest loans for large water projects that are unlikely to receive State Revolving Loan Fund program funding. Under the WIFIA program enacted in WRRDA, both the U.S. Army Corps of Engineers and the U.S. Environmental Protection Agency would provide loans for large water projects, such as water recycling projects, seawater desalination projects, groundwater cleanup, and infrastructure rehabilitation projects.

Action

- The federal legislative advocates will continue to keep the Water Authority apprised of issues and recommend opportunities to educate and advocate with the San Diego congressional delegation, Congress, the White House, and federal agencies in response to developments.

- Staff and federal legislative advocates will continue to educate the San Diego congressional delegation and key Members of Congress regarding the importance of preserving the current tax-free municipal bond program.

- Staff and federal legislative advocates will work in tandem with other industry associations to support the implementation of a sound WIFIA program and funding for FY2016 awards from the program.
9. POTABLE REUSE

Beginning in the early and mid-1990s, the City of San Diego began planning for a potable reuse project, and in 2012, the California Department of Public Health and the San Diego Regional Water Quality Control Board conceptually approved the City’s proposed indirect potable reuse project for surface water augmentation through San Vicente Reservoir. In addition, several Water Authority member agencies have expressed interest in potable reuse and are in the beginning stages of development projects:

- The City of San Diego is partnering with the WaterReuse Research Foundation to monitor, evaluate, and demonstrate a test plan for direct potable reuse at the City’s advanced water treatment demonstration facility.

- In 2014, the City of Oceanside initiated an indirect potable reuse and pathogen removal study to evaluate indirect potable reuse in the Mission Basin.

- Padre Dam recently initiated a pilot testing program at its water reclamation facility and is proposing to develop potable reuse through groundwater recharge in the Santee Basin and is working with Helix Water District to evaluate potable reuse through reservoir augmentation.

- The City of Escondido recently completed a feasibility study for a reservoir augmentation project using advanced treated water from the Hale Avenue Resource Recovery Facility.

- Olivenhain MWD is evaluating conjunctive use in the San Elijo and San Dieguito groundwater basins for brackish water extraction and recharge with recycled water.

Other member agencies are also proceeding with important studies and planning, including projects involving indirect potable reuse, groundwater recharge, or reservoir augmentation.

Action

- The federal legislative advocates will continue to keep the Water Authority Board apprised of any developments at the federal level relating to potable reuse, and recommend actions related to any emerging opportunities to address the needs of the Water Authority and its member agencies.

- Staff and federal legislative advocates will continue to educate the regional congressional delegation members and staff regarding the needs of the Water Authority and its member agencies for secure, reliable water supplies and its efforts to diversify the region’s water supply portfolio through the advancement of potable reuse projects.
February 18, 2015

Attention: Legislation, Conservation and Outreach Committee

2015 Public Opinion Poll Content (Discussion)

Purpose
Present recommended topic areas and seek Board input on focus areas to include in the 2015 Public Opinion Poll.

Background

The 2014 poll included for the first time an online component to complement telephone responses and to stay current with polling trends and technology. Following a competitive procurement process, Probe Research was retained to conduct the 2014 survey with a Water Authority option to also conduct a 2015 poll. The Water Authority expects the current survey to be conducted in March with results presented to the Board at its April meeting.

Discussion
The Water Authority has used quantitative and qualitative public opinion research in conjunction with designing or implementing major public outreach campaigns, tracking progress toward achieving key Business Plan goals, and measuring public perception of water issues and projects. To track responses over time, some questions are routinely repeated in surveys. Topics that have consistently been included are:

• Attitudes and opinions about general news/current events/issues
• Attitudes and perceptions concerning water reliability
• Attitudes and knowledge of:
  o Recycled water
  o Seawater desalination
  o Water use and water-use efficiency
  o Water rate considerations and rate tolerance
  o Water Authority projects and programs

Because of higher costs and decreased levels of public participation associated with longer polls, focusing the questions on the most important near-term issues and challenges is important. Public Outreach and Conservation has sought input on recommended topic areas from member
agency general managers and the Joint Public Information Council during the survey development process.

Based on these considerations, the current recommended 2015 public opinion poll subject areas for Board consideration and input include:

- **Public willingness to pay for improved water reliability**
  - Perception of the value of water and services provided by public water agencies
  - Rate increase tolerance for local supply development
  - Interest in investing in Bay-Delta projects when compared to investments in local projects
  - Understanding of the linkage between water supply reliability and the region’s economic health
- **Factors driving current water use**
  - Awareness of, and compliance with, water-use restrictions
  - Adoption of common conservation practices
  - Motivations for using water efficiently
  - Drought-specific conservation behaviors
  - Awareness of water agency drought campaigns
- **Current water supply issues**
  - Top regional concerns
  - Willingness to remove high-water-use turf grass, and barriers to removal
  - Attitudes and perceptions about water supply reliability and current water supply conditions
- **Awareness and acceptance of indirect potable reuse**
- **Awareness and support for the Water Authority’s supply diversification strategy**
- **Understanding of the Water Authority’s role in the region**
- **Perception of water-use efficiency as a community ethic**
- **Preferred communication channels and strategies**

Prepared by:  Mike Lee, Public Affairs Representative
Reviewed by:  Jason Foster, Director of Public Outreach and Conservation
February 18, 2015

Attention: Legislation, Conservation and Outreach Committee

Drought Response Communications and Outreach Update (Information)

Purpose
This report provides an update on drought management communications and outreach activities to promote increased conservation as part of the Water Authority’s Water Shortage and Drought Response Plan.

Background
On February 13, 2014, the Water Authority Board authorized entering into the Voluntary Supply Management stage of its Water Shortage and Drought Response Plan, which calls for increased voluntary water conservation. The Board also approved notifying the Water Authority’s 24 member agencies that the region was at a Drought Watch condition of the region’s Model Drought Response Ordinance. Following several months of worsening drought conditions and record-breaking heat, the Water Authority Board authorized entering into the Supply Enhancement stage of its Water Shortage and Drought Response Plan on July 24, 2014. The Board also declared a Drought Alert condition of the region’s Model Drought Response Ordinance, which calls for the implementation of mandatory water use restrictions to help manage available supplies. The Water Authority Board’s actions aim to help preserve stored water reserves in Southern California, and they are designed to help the region’s retail water agencies comply with emergency mandatory conservation measures imposed by the State Water Resources Control Board that took effect on August 1, 2014.

The Water Shortage and Drought Response Plan includes the implementation of a communications strategy to help achieve increased water conservation by the public, and enhance public understanding of how ratepayers’ investments in projects and their commitment to water conservation has reduced the region’s vulnerability to shortages from drought conditions.

Discussion
From mid-January through mid-February, staff continued to implement a range of urgent and aggressive tactics to communicate that mandatory water use restrictions were in effect, and to encourage reducing outdoor watering as much as possible during the winter months. Staff communicated changes in the status of the Water Authority’s turf replacement program and began to promote a new pilot public-private partnership designed to reduce the cost of replacing water-intensive turf grass with artificial turf. Tactics employed included media relations, development and distribution of communication tools for member agencies, advertising, promotions, outreach at community events, social media, and other activities.

Staff issued three news releases related to drought outreach: “Countywide Water Use Decreases 29 Percent in December,” “Water Authority Partners with Companies to Offer Discounts on Artificial Turf,” and “‘Dear Drought Fighter’ Column Debuts in U-T San Diego.” Staff also
responded to numerous media queries about water use and supplies and conducted a special outreach effort to NBC 7/39 to discuss the value of the Emergency Storage Project during droughts, earthquakes and other supply challenges. In addition, staff worked with Cox Communications to develop an in-depth community affairs TV episode about water issues that included an interview with Chair Weston.

The Water Authority also continues to coordinate with member agencies on drought response outreach campaign issues. Staff held its monthly meeting with the Joint Public Information Council/Conservation Coordinators on Feb. 2 at the offices of 211 San Diego. Water Authority and member agency staff discussed the latest water supply conditions and water use levels, ongoing communications activities and other issues. Staff also heard a presentation from 211 San Diego staff on how 211 San Diego could potentially assist water agencies with drought-related communications or other needs.

Staff also commenced a round of targeted advertising using the “How Low Can You Go” creative to promote keeping water use as low as possible this winter. Tactics being employed include radio, online and social media advertising, TV and radio weather report sponsorships, and Spanish-language radio and television. This round of advertising is expected to run through March. The Water Authority is using state drought response grant funds to partially support the campaign, and it is coordinating advertising efforts with other water agencies conducting outreach to leverage resources and minimize duplication.

Community and media partnerships also are helping to spread awareness of the need for increased conservation while leveraging Water Authority resources. Water Authority staff reached an agreement with U-T San Diego to conduct another weekly water conservation feature in the newspaper’s Saturday Home + Garden section and online in 2015. The U-T will publish a question-and-answer column called “Dear Drought Fighter” to help San Diego County residents make the most of limited water supplies. The short items will feature a range of practical ideas, resources and tools to help cut water use at homes and businesses. In addition, in mid-January staff contacted service organizations, planning groups and business and civic organizations around the region and urged them to share updated messages about the drought via their websites or e-newsletters. That outreach led to the promotion of When in Drought campaign messages by the Asian Business Association, Industrial Environmental Association, San Ysidro Chamber of Commerce and the Vista Chamber of Commerce. It also led to requests for drought presentations by several local planning groups.

Staff also continued community outreach tactics such as presentations and event booths to share information about water supplies, water-use restrictions and conservation rebates. Presentations were delivered to Escondido Sunrise Rotary, Boy Scout Troop 950, San Diego Association of Professional Landscape Designers, San Diego Community Planners Committee, Point Loma Rotary Club, City Heights Area Planning Committee, San Diego chapter of the California Restaurant Association, the San Diego chapter of the U.S. Green Building Council, San Diego Incubator for Innovation, Cuyamaca College Professional Development Environmental Sustainability Committee, the Conservation Action Committee and the Construction Specifications Institute San Diego. The Water Authority hosted booths at the North County Beer
Festival, an Update Your Home Event run by The Home Depot in Santee, and the Asian Business Association Lunar New Year Celebration.

In addition, since mid-January staff made more than 65 Twitter posts to spread awareness of drought conditions, promote conservation programs and call attention to water supply reliability efforts. Members of the public tweeted and re-tweeted more than 100 messages related to drought management actions, water conservation-related events and promotions, and other topics related to conservation or drought. These messages came from civic organizations, public officials, media outlets, and individuals. Staff also posted more than 50 drought and conservation-related messages to Facebook.

The Water Authority’s drought web portal landing page, www.whenindrought.org, has received more than 41,000 page views between the site’s launch on April 29, 2014 and February 5, 2015. In addition, WaterSmartSD.org had more than 3,500 visits during January.

Staff will continue to provide updates to the Board on the implementation and execution of drought management communications activities.

Prepared by: Jason Foster, Director, Public Outreach and Conservation
Reviewed by: Dennis A. Cushman, Assistant General Manager
February 18, 2015

Attention: Legislation, Conservation and Outreach Committee

Government Relations Update. (Information)

Discussion
This report is an update of the Water Authority’s government relations program.

The Legislature
The Legislature is currently speeding toward its bill introduction deadline of February 27. Already, indications are that water resources issues will again receive significant attention in the Legislature during 2015, with major attention focused on Proposition 1 implementation and spending, groundwater sustainability “cleanup” legislation, Proposition 218 modifications, desalination, and drought response.

Board Officer Legislative Advocacy Trip
On February 9, the Board Officers, General Manager Maureen Stapleton, and Assistant General Manager Dennis Cushman traveled to Sacramento for a full-day legislative advocacy visit. Among the legislators and Administration officials with whom the group briefed included the following:

- Senator Lois Wolk, Chair, Senate Budget Subcommittee on Resources
- Senator Ben Hueso
- Assembly Speaker Toni Atkins
- Assemblymember Marc Levine, Chair, Assembly Water, Parks, and Wildlife Committee
- Senate Minority Leader Bob Huff
- Senate President pro Tempore Kevin De Leon
- California Natural Resources Secretary John Laird

While each briefing varied in terms of the subject matter focus, the Water Authority provided briefings on the following key topics:

- QSA water transfers and Salton Sea restoration
- Water Authority’s ongoing evaluation of the Bay-Delta Conservation Plan
- Water Authority sponsored legislation for 2015
- Drought response

A second advocacy trip to Sacramento is scheduled for March 24 to include the Board Officers, LCO Chair Gary Croucher, and LCO Vice-Chairs Christy Guerin and Fern Steiner. A significant focus for the March 24 visit will be connecting with the San Diego legislative delegation and legislators on key Assembly and Senate policy and fiscal committees.
Sponsored Legislation
At the November 20, 2014 Board of Directors’ meeting, the Board approved Water Authority sponsorship of three bills for the 2015 legislative session.

- Assemblymember Rocky Chavez has introduced AB 149 on behalf of the Water Authority. AB 149 would permanently change the urban water management plan approval deadline to December 31 in years ending in “1” and “6.”

- Senator Ricardo Lara has agreed to introduce the Water Authority’s sponsored legislation to streamline the process by which non-governmental organizations and disadvantaged communities can be provided funding – through a combination of advanced payment and reimbursement – within the structure of the integrated regional water management program.

- Assemblymember Lorena Gonzalez has agreed to introduce the Water Authority’s sponsored legislation to authorize homeowners within common interest developments to install synthetic grass or artificial turf, within reasonable design, aesthetic, and environmental protection standards, in lieu of conventional turf or even low water-using plants.

Lobbyist Activities
Steve Cruz of Gonzalez, Quintana & Hunter reports that he performed the following lobbying activities on behalf of the Water Authority over the past month:

- Provided strategic advice and information regarding the Water Authority’s legislative interests.

- Advocated the Water Authority’s interests relative to the QSA water transfers with the San Diego legislative delegation, legislative leadership, and the Administration.

- Worked with the Water Authority Government Relations Manager to develop background materials and secure authors for the Water Authority’s three sponsored bills.

- Coordinated with the entire Sacramento lobbying team to secure appointments for the February 9 Board officer legislative advocacy visit to Sacramento.

- Represented the Water Authority in a variety of venues on Water Authority issues.

- Coordinated with V. John White, Bob Giroux, and Water Authority staff on various legislative issues of importance to the Water Authority.

Bob Giroux of Lang, Hansen, O’Malley & Miller reports that he performed the following lobbying activities on behalf of the Water Authority over the past month:
• Provided strategic advice and information regarding the Water Authority’s legislative interests.

• Coordinated with the entire Sacramento lobbying team to secure appointments for the February 9 Board officer legislative advocacy visit to Sacramento.

• Coordinated with V. John White, Steve Cruz, and Water Authority staff on various legislative issues of importance to the Water Authority.

• Conferred with the Assembly Speaker and the Senate President pro tem regarding the Water Authority’s interests.

V. John White reports that he performed the following lobbying activities on behalf of the Water Authority over the past month:

• Provided strategic advice and information regarding the Water Authority’s legislative interests.

• Coordinated with the entire Sacramento lobbying team to secure appointments for the February 9 Board officer legislative advocacy visit to Sacramento.

• Coordinated with Bob Giroux, Steve Cruz, and Water Authority staff on various legislative issues of importance to the Water Authority.

• Met and discussed several Water Authority issues of interest with key environmental groups, including Sierra Club, Planning and Conservation League, and the California League of Conservation Voters.

**Washington, D.C.**

Ken Carpi of Carpi & Clay will provide a separate written report of the firm’s monthly activities in Washington, D.C.

Prepared by:  Glenn A. Farrel, Government Relations Manager
Reviewed by:  Dennis A. Cushman, Assistant General Manager
February 18, 2015

Attention: Legislation, Conservation and Outreach Committee

Newly Introduced Bills. (Information)

Discussion
This report describes bills of interest to the Water Authority that have recently been introduced in the California Legislature.

The deadline for introducing bills in the California Legislature for the 2015 legislative session is February 27. Water Authority staff has compiled a list of bills that may be of interest to the Water Authority. The list includes bills that were introduced between December 1, 2014 and February 10, 2015. The bills in the list are primarily focused on issues of water, local government, public employees, and environmental laws. Staff is continuing to follow and analyze newly introduced legislation and will bring recommended positions to the Board, as warranted.

The following are bills introduced between December 1, 2014 and February 10, 2015 that staff has identified as being of potential interest to the Water Authority:

Assembly

AB 1 (Brown) – Drought: Local Governments: Fines
AB 1 would prohibit a city or county, during a drought emergency declared by the Governor, from enforcing a law or ordinance requiring a resident to water his or her lawn.

AB 88 (Gomez) – Sales and Use Taxes: Exemption: Energy or Water Efficient Home Appliances
AB 88 would exempt water efficient home appliances from sales tax when purchased by a public utility for the purpose of distributing to low-income participants in federal, state, or rate-payer funded energy efficiency programs.

AB 149 (Chávez) – Urban Water Management Plans
AB 149 would permanently change the adoption dates for future Urban Water Management Plans to December 31 of years ending in “1” and “6,” rather than years ending in “0” and “5.” This measure is sponsored by the Water Authority.

Senate

SB 7 (Wolk) – Housing: Water Meters: Multiunit Structures
SB 7 would authorize building standards that require the installation of water submeters in multiunit residential buildings.
SB 13 (Pavley) – Groundwater
SB 13 is a spot bill intended to address “cleanup” related to the comprehensive Sustainable Groundwater Act that was enacted during 2014.

SB 37 (Nielsen) – Water: Floods
SB 37 would authorize the Department of Water Resources to provide reimbursement to recipients that execute a funding agreement under the Urban Flood Risk Reduction Projects Program for expenditures associated with continued funding of a project initiated under the Early Implementation Project.

SB 47 (Hill) – Environmental Health: Synthetic Turf
SB 47 would require the Office of Environmental Health Hazard Assessment, in consultation with the Department of Resources Recycling and Recovery, the State Department of Public Health, and the Department of Toxic Substances Control, to prepare and provide to the Legislature a study analyzing synthetic turf used to cover or surface a field or playground, for potential adverse health impacts.

SB 119 (Hill) – Protection of Subsurface Installations
SB 119 would require the Contractors State License Board to adopt a program to enforce violations relating to subsurface excavations. The bill would authorize the Board to require a contractor to undergo training, levy a fine, and suspend a contractor's license for a violation.

SB 127 (Vidak) – Environmental Quality: Water Quality, Supply, and Infrastructure Improvement Act of 2014
SB 127 would require, for a project funded by Proposition 1, the courts to create a process where within 270 days of a local agency submitting an EIR, all concerns and claims against the EIR must be resolved or addressed.

SB 143 (Stone) – Diamond Valley Reservoir: Recreational Use.
SB 143 would exempt Diamond Valley Reservoir from the body contact prohibition associated with drinking water reservoirs (thereby allowing body contact recreation) if both of the following conditions are satisfied:

- The water subsequently receives complete water treatment, including coagulation, flocculation, sedimentation, filtration, and disinfection, before being used for domestic purposes; and
- The reservoir is operated in compliance with regulations of the State Water Resources Control Board.

Prepared By: Ivy Ridderbusch, Assistant Management Analyst
Reviewed By: Glenn Farrel, Government Relations Manager
ENGINEERING AND OPERATIONS COMMITTEE

AGENDA FOR

FEBRUARY 26, 2015

Ken Williams – Chair     Michael Hogan
Marty Miller – Vice Chair    John Linden
Ron Watkins – Vice Chair    Ron Morrison
Gary Arant      Ken Olson
Jimmy Ayala      Halla Razak
Brian Boyle      Javier Saunders
Brian Brady      John Simpson
Gary Croucher


2. Additions to Agenda (Government Code Section 54954.2(b)).

3. Public Comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

   4-A Directors’ Comments.
   4-B Engineering and Operations Committee Draft Work Plan for calendar years 2015 and 2016.

I. CONSENT CALENDAR

1. **Amendment 2 to service contract with Co’s Traffic Control for traffic control services.**
   Staff recommendation: Authorize the General Manager to approve Amendment 2 with Co’s Traffic Control for $150,000 to provide additional traffic control services, increasing the contract amount from $150,000 to $300,000. (Action)
II. ACTION/DISCUSSION

1. San Vicente Pumped Storage Study.
   **Staff recommendation:** Approve moving forward in Phase 1 work of the San Vicente Pumped Storage Study including the following actions:

   A. Approve the expenditure of the remaining $525,000 previously appropriated by the Board to complete the work needed to fulfill the Federal Energy Regulatory Commission (FERC) requirements. The $525,000 includes funding for items (i) and (ii) below, as well as for project administration costs; and
   
   i. Authorize the General Manager to award a professional services contract to Harvey Consulting Group, LLC, for $150,000, to prepare the FERC license Preliminary Application Document (PAD), and provide environmental studies and support for the San Vicente Pumped Storage Study; and
   
   ii. Approve Amendment 4 to the Black & Veatch Corporation to provide engineering studies and support to Harvey Consulting Group, LLC for the San Vicente Pumped Storage Study, increasing the contract amount from $579,920 to $829,920; and

   B. Approve the staff-agreed upon principles of the partnership agreement with the City of San Diego for the San Vicente Pumped Storage Study; and

   C. With the approval of Items A and B, authorize the addition of the City of San Diego as co-applicant to the FERC Preliminary Permit application. (Action)

Frank Belock

III. INFORMATION

IV. CLOSED SESSION

V. ADJOURNMENT

Linda A. Troyan, MMC
Clerk of the Board

NOTE: This meeting is called as an Engineering & Operations Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
February 18, 2015

Attention: Engineering and Operations Committee

Engineering and Operations Committee’s Draft Work Plan for 2015 and 2016

Purpose
This report provides the Engineering and Operations Committee Draft Work Plan for calendar years 2015 and 2016.

Background
The Engineering and Operations Committee is responsible for matters of design, construction, replacement, maintenance and operation of the Water Authority’s facilities, property and equipment, including: administration of the Capital Improvement Program; administration of the Aqueduct Protection Program; right of way acquisition and management; system and facility security; water quality; other matters relating to facility operations.

Discussion
Attached for your review is the Engineering and Operations Committee Draft Work Plan for calendar years 2015 and 2016. This work plan was prepared by staff under the direction of the Engineering and Operations Committee Chair and Vice Chairs. Comments from committee members are welcome and appreciated. The finalized work plan will be adopted at the March 26, 2015 Board meeting.

Prepared by: Gary A. Eaton, Director of Operations and Maintenance
William J. Rose, Director of Engineering

Reviewed by: Frank Belock, Deputy General Manager
Ken Williams, Chair, Engineering and Operations Committee

Attachment: Engineering and Operations Committee’s Work Plan for calendar years 2015 and 2016
Business Plan Items

Asset Management

1. Consider and approve actions necessary to budget the needs of the Asset Management and Relining and Pipe Replacement Program in the fiscal years 2016 and 2017 Capital Improvement Program. (June 2015 – Business Plan Goal #3)

Capital Improvement Program

1. San Vicente Dam Raise – Complete the State of California Division of Safety of Dams’ mandatory coring program and receive DSOD’s certification that the San Vicente Reservoir can be filled to the full height of the raised dam. Filling of the reservoir is controlled by the completion of the San Vicente Bypass Pipeline (see below) and available water. Provide on-going litigation support regarding the construction contract with Shimmick-Obayashi Joint Venture. (July 2013 - Business Plan Goal #1 and #8)

2. San Vicente Reservoir Marina Facilities – Complete construction of the San Vicente Marina by April 2015. (December 2014 - Business Plan Goal #1)

3. San Vicente Bypass Pipeline – Complete construction of the San Vicente Bypass Pipeline by October 2015. (December 2015 - Business Plan Goal #8)

4. Pipeline 3, 4, and 5 Relining for State Route 76 – Complete the relining of all three Second Aqueduct pipelines within the right of way of the widened and realigned State Route 76 no later than May 2015. (Business Plan Goal #2)

5. Nob Hill Improvements – Complete the design of the Nob Hill Improvements by March 2015, advertise for construction in April 2015 and complete construction by the fall of 2016. (Business Plan Goal #13)

6. Twin Oaks Valley Water Treatment Plant Expanded Service Area - Complete construction at the Valley Center Pump Station by September 2015 to double, from 20 cfs to 41 cfs, the volume of treated water from the Twin Oaks Valley Water Treatment Plant delivered to the First Aqueduct. (September 2015 - Business Plan Goal #6)
7. First Aqueduct Regulatory Storage Project - Complete the California Environmental Quality Act (CEQA) compliance for the project by July 2016. The project will provide operational reliability should treated water flows along the Second Aqueduct be interrupted. (July 2016 - Business Plan Goal #9)

**Carlsbad Seawater Desalination**

1. Receive periodic updated information on both the Carlsbad Desalination Facility (in accordance with the Carlsbad Desalination Facility Water Purchase Agreement) and the Desalinated Product Water Conveyance Pipeline (in accordance with the Desalination Design-Build Agreement).

2. Pipeline 3 Desalination Relining San Marcos to Twin Oaks – Complete the relining of approximately 27,000 feet of Pipeline 3 by March 2015 from the Product Water Conveyance connection to the Twin Oaks Valley Water Treatment Plant prior to the scheduled start up and testing of the Carlsbad Desalination Facilities. (June 2015 - Business Plan CIP Goal #3)

3. Consider and approve actions necessary to complete commissioning/commercial operations of the Carlsbad Desalination projects in fall of 2015. (October 2015 - Business Plan Goal #6)

**Facilities Security and Emergency Preparedness**

1. Provide direction as needed, regarding staff’s participation in/conducting a local inter-agency or regional emergency preparedness exercise. (December 2015 – Business Plan Goal #2)

2. Consider and approve actions required to complete video surveillance and communication upgrades at the Escondido Operations Center. (June 2016 – Business Plan Goal #4)

3. Provide direction as needed, regarding staff’s participation in/conducting a local inter-agency or regional emergency preparedness exercise. (December 2016 – Business Plan Goal #5)

**Operations and Maintenance**

1. Achieve 97 percent uptime and produce $2.6 million in revenue at the Lake Hodges Hydroelectric Facility in fiscal year 2016. (June 2016 – Business Plan Goal #4)

2. Achieve 97 percent uptime and produce $2.6 million in revenue at the Lake Hodges Hydroelectric Facility in fiscal year 2017. (June 2017 – Business Plan Goal #7)
3. Consider and approve actions necessary to resolve five of the top ten ROW enforcement cases. (June 2016 – Business Plan Goal #5)

4. Produce hydroelectric energy revenue, of $900,000 annually, at the Rancho Penasquitos Hydroelectric Plant. (June 2016 – Business Plan Goal #6)
February 18, 2015

Attention: Engineering and Operations Committee

Amendment 2 to service contract with Co’s Traffic Control for traffic control services.

(Action)

Staff recommendation
Authorize the General Manager to approve Amendment 2 with Co’s Traffic Control for $150,000 to provide additional traffic control services, increasing the contract amount from $150,000 to $300,000.

Alternative
Direct staff to initiate a new procurement and prepare a Request for Proposals for traffic control services. Water Authority may need amend the existing contract to add sufficient funds to last through RFP advertisement and contract award.

Fiscal impact
Sufficient funds are available within the operating budget for Fiscal Year 2015. The rate category of this project is transportation.

Background
In 2009, Operations and Maintenance staff conducted a review of the Water Authority’s traffic control and permit procedures. Staff determined outsourcing to be the most cost effective means of providing traffic control for annual maintenance of line structures, draining and filling pipelines during shutdowns, and for corrective maintenance required on facilities located in streets. Outsourcing this service has resulted in increased efficiency in completing the annual preventative maintenance work, provided a safe work environment for our crews, and has allowed our work crews to focus on their assigned maintenance tasks without having to set up and remove traffic control equipment.

In August 2013, the Water Authority opened proposals for as-needed traffic control services for planned fiscal years 2014 and 2015 maintenance. The traffic control scope of work includes obtaining required traffic control permits, providing all labor, supervision, tools, equipment, supplies, and materials necessary to perform traffic control services on a scheduled, unscheduled, and emergency basis for the Water Authority.

Co’s Traffic Control was one of two proposing firms. The Water Authority’s proposal review panel rated Co’s proposal as excellent, and Co’s rates were 40 percent lower than the other proposing firm. On September 30, 2013, we entered into a one-year, $150,000 contract with an option to extend for an additional 24 months. The Water Authority exercised the option to extend the term in September 2014. Since award of the contract we have expended 68 percent of the available funds to complete additional maintenance, CIP support, and emergency repair activities, and cannot perform the remaining traffic control needs for the Desalination Facilities and other CIP projects scheduled for fiscal year 2015 without amending the current contract.
Discussion
Co’s performance has been outstanding. They perform quality work in a very professional manner. They have been able to secure traffic control permits with minimal costs to the Water Authority, provide clear installation of traffic control equipment and signage necessary for public safety, and their field crews ensure our staff is able to perform work in the streets in a safe and efficient manner.

Preparing a new RFP will require additional staff time and will likely result in higher prices and schedule delays when compared to amending the current contract. In addition, a new traffic control company would be required to obtain revised traffic control permits under it’s company name, which would result in additional design and permitting costs to the Water Authority.

Co’s Traffic Control is a small, woman-owned business. This information is provided for statistical purposes.

Prepared by: Kathy Schuler, Operations and Maintenance Manager
Reviewed by: Gary A. Eaton, Director of Operations and Maintenance
Approved by: Frank Belock, Jr., Deputy General Manager

KS/GAE/FB:mmr
February 18, 2015

Attention: Engineering and Operations Committee

San Vicente Pumped Storage Study. (Action)

Staff recommendation:
1. Approve moving forward in Phase 1 work of the San Vicente Pumped Storage Study including the following actions:

   A. Approve the expenditure of the remaining $525,000 previously appropriated by the Board to complete the work needed to fulfill the Federal Energy Regulatory Commission requirements. The $525,000 includes funding for Items (i) and (ii) below, as well as for project administration costs; and

   i. Authorize the General Manager to award a professional services contract to Harvey Consulting Group, LLC, for $150,000 to prepare the FERC license Preliminary Application Document (PAD), and provide environmental studies and support for the San Vicente Pumped Storage Study; and

   ii. Approve Amendment 4 to the Black & Veatch Corporation to provide engineering studies and support to Harvey Consulting Group, LLC for the San Vicente Pumped Storage Study, increasing the contract amount from $579,920 to $829,920; and

   B. Approve the staff-agreed upon principles of the partnership agreement with the City of San Diego for the San Vicente Pumped Storage Study; and

   C. With the approval of Items A and B, authorize the addition of the City of San Diego as co-applicant to the FERC Preliminary Permit application.

 Alternatives:
Do not approve staff recommendations. This will jeopardize receiving a FERC preliminary permit and delay the required studies and the overall project schedule.

 Fiscal Impact
There are sufficient funds in the approved project budget and the Fiscal Year 2014 and 2015 Capital Improvement Program appropriation to support this action. The rate category for this project is customer service. The City will reimburse the Water Authority half of the cost ($200,000) for the professional services, in accordance with the Feasibility Study Agreement between the City of San Diego and the San Diego County Water Authority for the San Vicente Pumped Storage Project.
Background
Since the completion of the San Vicente Dam Raise project, the San Vicente Pumped Storage Team, consisting of Water Authority and City of San Diego staff and the various consultants, have been collaborating on a potential up to 500 megawatts (MW) pumped storage facility at San Vicente Reservoir. San Vicente Reservoir, owned and operated by the City of San Diego would serve as the lower reservoir. The focus of the Team has been coordinating steps to advance the project, such as the siting of the upper reservoir, the FERC permitting/licensing process, conducting a technical analysis of the compatibility of this project with Pure Water San Diego, and developing agreements that articulate the Water Authority and City’s roles and responsibilities. To oversee this work, a Hydropower Task Force of the board was created in 2013. The Task Force, now structured as a Subcommittee of the Engineering and Operations Committee, continues to be chaired by Director Michael Hogan. The Subcommittee is overseeing the ongoing efforts by the Team. Both Water Authority and City staff members, as well as the various consultants, participate in the Subcommittee meetings.

Since August 2014, when this project was last presented to the Engineering and Operations Committee, staff has been meeting regularly with the Hydropower Task Force (now the Hydropower Subcommittee), most recently on February 3, 2015. At the February 12, 2015 Special E&O Committee meeting, Water Authority and City staff gave an extensive presentation of on-going project issues that support the need for today’s actions which are further discussed below.

Previous Board Action: At the August 2014 board meeting, the board authorized the General Manager to execute an agreement with the City of San Diego for the implementation of the next necessary steps for the San Vicente Pumped Storage Study including the San Vicente Reservoir modeling and the inlet/outlet study; accepted and approved a portion of an amendment to the Black and Veatch contract for engineering and environmental studies; and authorized expenditures for the Water Authority’s share of San Vicente Reservoir modeling and project administration.

Discussion
At the February 12, 2015 Special Engineering and Operations Committee meeting, staff provided a detailed report on the pumped storage purpose, site description, project value, Indirect Potable Reuse (Pure Water San Diego) study status, regulatory overview and permitting, question and answer highlights from past E&O Committee meetings, project phasing, timeline, budget, and next steps. Questions and answers resulting from this meeting are provided in Attachment 1.

At that meeting, the E&O Committee also heard the critical nature of performing the work (Phase 1) necessary to complete the Preliminary Application Document (PAD) and Notice of Intent (NOI) to meet the July 2015 deadline specified in the FERC Order, dated October 2014. Submittal of the PAD and NOI documents initiate the FERC licensing and CEQA/NEPA processes. The goal is to complete the Phase 1 work required to file the FERC-ordered PAD and NOI, listing both Water Authority and the City as co-licensees. Primary activities include upper reservoir alternative site screenings, tribe and regulatory agency outreach, and upper reservoir desktop environmental and geotechnical studies, as well as preparing the formal submittal to
FERC. The July 2015 deadline is fixed, and if the Water Authority-City PAD is not submitted, other entities may file and take priority standing for this project.

A status update was provided on the partnership agreement with the City for this project. Water Authority and City staff have been meeting regularly, and agree that the following principles will be used as a framework for the partnership agreement.

- Establishes coordination protocol
- Defines roles and responsibilities
- Clarifies future cost sharing
- Provides for Water Authority/City to be co-applicants on FERC license
- Establishes Water Authority/City will procure owners’ advisor pending Board approval to do so
- Defines decision-making process
- Provides estimated project timeline
- Establishes issues resolution process

It was suggested at the meeting to draft a letter that memorializes these principles, as well as the Water Authority and City’s intent to enter into an agreement that includes submitting a FERC preliminary permit application naming the Water Authority and City as joint applicants. The draft letter and principles are provided in Attachments 2 and 3, respectively.

**Recommended Actions**

To meet the imposed July 2015 FERC deadline, Phase 1 work must be completed. Therefore, staff recommends approval of moving forward in Phase 1 work of the San Vicente Pumped Storage Study including the following actions:

A. Approve the expenditure of the remaining $525,000 previously appropriated by the Board to complete the work needed to fulfill the FERC requirements. The $525,000 includes funding for items (i) and (ii) below, as well as for project administration costs.

   i. Award a professional services contract, via waiver of competitive acquisition, to Harvey Consulting Group, LLC in the amount of $150,000, to prepare the PAD. This work will include conducting environmental studies for upper reservoir screenings. The screening will narrow the upper reservoir alternatives, which will ultimately be analyzed during the CEQA/NEPA process and be described in the PAD. The work will also include conducting outreach to tribes, resources agencies, and other stakeholder groups; also a requirement of the PAD.
The Water Authority and City must retain this expertise now to prepare and submit the PAD in order to meet FERC’s July 2015 deadline. Dr. Jeff Harvey, of Harvey Consulting Group, LLC, possesses the expertise required for pumped storage projects and has an extensive history with the San Vicente area. He was the lead in obtaining the most recent FERC license for a large-scale hydro pumped storage project (1,300 MW) in Southern California. Dr. Harvey not only has the specialized skillset pertaining to the FERC licensing process, but also has expert knowledge of the Water Authority's aqueduct system; having worked on the Water Authority's 2013 Facilities Optimization and Master Plan Update Supplemental Program EIR and the Water Authority's first Climate Action Plan. Dr. Harvey was also the lead in development of the Water Authority's 2003 Regional Water Facilities Master Plan Program EIR, which included the San Vicente Reservoir site for the development of Carryover Storage for environmental analysis. The work for this project will build on his previous work on the San Vicente Reservoir.

ii. After completion of a competitive procurement process in October 2013, the Board authorized the General Manager to award a professional services contract to Black & Veatch Corporation, in the amount of $149,920 to perform an economic and financial study for the San Vicente Pumped Storage project. Black and Veatch completed the study and two amendments were executed under the General Manager’s signature authority, for a total of $105,000, to support meetings with the Hydropower Task Force, Board, and City. The third amendment, in the amount of $325,000, provided the services necessary to perform studies optimizing the pumped storage facility inlet/outlet location in support of the City’s modeling of its Pure Water San Diego efforts. Staff recommends amending Black and Veatch’s contract a fourth time for $250,000 to perform engineering and geotechnical desktop studies for the upper reservoir screening, refine the overall engineering configuration and cost estimates contained in the initial study, and support Harvey Consulting Group, LLC with the technical information required to complete the PAD, increasing the contract amount from $579,920 to $829,920.

As detailed in our existing agreement with the City, the City will reimburse the Water Authority for half the costs of Items A.i. and A.ii. or $200,000.

B. Approve the staff-agreed upon principles of the partnership agreement with the City of San Diego for the San Vicente Pumped Storage Study. These principles will form the basis of the partnership agreement that the Water Authority and City are developing. As discussed at the February 12, 2015 Special E&O Committee meeting, on January 13, 2015, the Water Authority and the City filed a joint letter to FERC requesting they refrain from acting on the pending motion, and hold processing of the preliminary permit application in abeyance for a 90-day period to allow the parties further time to complete additional agreements regarding
specific partnership arrangements. On January 15, 2015, FERC confirmed it would wait the 90 days to allow the parties to finalize the agreement. The agreement will be presented to the E&O Committee as an action item prior to the submittal of the PAD and NOI in July. Upon approval of these principles, the Water Authority will submit an amended preliminary permit application to FERC naming the City as co-applicant.

C. In conjunction with the approval of Items A and B, authorize the addition of the City of San Diego as co-applicant to the FERC Preliminary Permit application. Adding the City to the permit will not cause a delay in FERC’s permitting process.

Next Steps

Staff anticipates returning to the E&O Committee in June 2015 to present the results of Phase 1 work, and to request approval to submit the PAD to FERC. At that time, staff may also be requesting approval to move forward with Phase 2 work, including procurement of an Owners’ Advisor.

In the interim, the Hydropower Subcommittee will be meeting regularly and periodically updating the E&O Committee on project status.

Prepared by: Kelly Rodgers, Principal Engineer
Reviewed by: William J. Rose, Director of Engineering
Approved by: Frank Belock, Jr., Deputy General Manager

Attachments:

1. February 12, 2015 Special E&O Committee Meeting Presentation and Questions and Answers
2. Draft Notice of Intent Letter
3. Principles of the Partnership Agreement with the City of San Diego for the San Vicente Pumped Storage Study
Project Value

- Q: Where are the project cost and revenue assumptions located?
  - A: They are contained in the San Vicente Pumped Storage Project Financial and Economic Study prepared by Black & Veatch (Executive Summary distributed at the August 28, 2014 E&O Committee meeting and full study made available for review).

- Q: How does project value relate to project delivery?
  - A: The data in the Slide 26 -San Vicente Pumped Storage Value (slide presentation attached) articulates the value of the project regardless of project delivery method. The shared value of that project depends on the partnership arrangement. If the Water Authority and City enter into a deal where the developer assumes all of the risks, the shared value for the City and Water Authority would be very small. If the two agencies develop the project further, the Water Authority and City’s share of the pie becomes larger. If the agencies completely develop the project and assume all of the risk, then the Water Authority and City would reap all of the project value.

- Q: What is the estimated capital investment estimated?
  - A: The estimated initial investment for capital, engineering, and soft costs is approximately $1 billion.

- Q: Does the initial investment of $1 Billion include the building of the upper reservoir alternative and pipelines?
  - A: Yes

- Q: And what else does the $1 Billion include?
  - A: It includes the engineering, land, environmental, permitting, and all other soft costs, as well as the physical infrastructure that needs to be constructed.

- Q: What is the difference between revenue and profit?
  - A: Revenue is the annual cash flow paid for the services. Profit, or net cash, is revenue less the operations and maintenance costs.

- Q: What does the revenue for the project currently include?
  - A: It includes revenue from capacity and ancillary services, but does not include the value of storing excess renewables that would otherwise have been lost, and this could be a big number. In this analysis, Black & Veatch used a model that they use for other
energy utilities. The projections are for the next 30 years. There were a number of years that capacity or ancillary services values were not escalated to be conservative.

- Q: What is the value of energy storage?
  - A: This is yet to be determined and could be based on the value lost by off-takers; because if the off-takers cannot accommodate all of the renewables on the grid, they must still pay for these renewables. It is also difficult to determine what storage is worth to potential off-takers due to the emerging nature of California’s energy market.

- Q: When would the Water Authority and City realize its first revenue stream?
  - A: Most likely when commercially operable at Year 1.

- Q: Is it correct to look at this as a large battery for the region for renewables? What other battery choices do renewables have in the region?
  - A: Yes. In essence, this is a giant battery. Pumped storage is more complex than a battery because it has a spinning turbine in it. On an electric grid, a large spinning turbine generates a lot of stability, voltage support, frequency support, and so on. There are lots of other interesting utility batteries that are being deployed right now, no higher than tens of megawatts scale and still very expensive; whereas this will be much larger than that but in the future there could be a lot of competitors. It doesn’t appear that any of the competitors would be plausibly more competitive than pumped storage by the year 2020 to 2025.

- Q: On Slide 25 (Preliminary Financial Assumptions), you state the first year’s profit could be as early as 2022.
  - A: Operational in year 2022 is an early completion date in the event the project is aggressively implemented.

- Q: What is the Water Authority’s and City’s share of the profit?
  - A: There is not enough information yet to recommend the delivery method which influences profit sharing between the Water Authority and City, and potential partners. The share of the profit will depend upon how much risk the City and Water Authority are willing to take. The level of risk acceptance will have a direct relationship on how much revenue will be derived from the project. Should the Board decide to take this step, the Owners’ Advisor would assist in analyzing the project delivery methods and recommending a business arrangement.

- Q: What are the assumptions going forward in regard to what the market will look like in 2020 or 2030? What will the demand be for pumped storage and competition from emerging technologies?
A: Should the Board authorize theses services, the Owners’ Advisor would help research these questions as we move forward in the process. During Phase 2, the Owners’ Advisor would outreach to and engage in discussions with the developers and off-takers to evaluate interest and potential business models.

Q: In looking at the 500 megawatt size, does this compensate for what we lost regionally when San Onofre was decommissioned?
A: It is much smaller than the closure of units two and three. We believe the transmission system, as it is sized right now, can take a project of this size.

Q: When will project risk be evaluated?
A: Risks will continue to be evaluated, quantified, and mitigation plans developed as we move through the regulatory process and project consideration. The Owners’ Advisor would assist with this risk analysis which would help to analyze options and recommend for Board consideration, a project delivery method.

Q: What happens if CAISO expands its ability to interconnect with utilities outside of the region?
A: More interconnections out of California could change the picture somewhat. The analysis Black & Veatch did actually looked at the western interconnects, not just California.

Pure Water San Diego

Q: Is there a difference if we use indirect reuse versus direct reuse on net result, as far as the water that ends up being in San Vicente Reservoir there?
A: First, San Vicente Reservoir would not be part of a Direct Potable Reuse system. The initial study conclusion was the introduction of purified water to the reservoir didn’t change the overall pattern of seasonal stratification. It is likely that pumped storage will de-stratify the reservoir if it is filled with imported water and no purified water is present.

Q: Will there be an issue with turbidity and silt in the reservoir due to pumped storage operations?
A: The modeling focused on the physics of the reservoir and water quality in terms of algae growth. Turbidity and scouring would need to be assessed in the future.

Q: Is stratification a benefit to the Indirect Potable Reuse project?
A: Potentially yes. The concept approvals from the Department of Drinking Water for reservoir augmentation are based on the idea that the reservoir will be stratified most of the time. This modeling focused attention on that period of time when the reservoir is not stratified, so we need to explore the same questions when the reservoir is mixed all year round and we will do that.
• Q: Is it feasible to look at some sort of diffuser to reduce the velocities and reduce the destratification?
  o A: Yes. It is one of the things that will potentially be evaluated after receiving input from the independent advisory panel.
• Q: Would the Pure Water project water go into the upper reservoir?
  o A: It will actually go into the lower San Vicente Reservoir. The modeling addressed the compatibility of the pumped storage and Pure Water projects in San Vicente.
• Q: Why are we not pumping Pure Water project water in the upper reservoir?
  o A: Two to three years were spent modeling San Vicente because it is a larger reservoir and a larger reservoir helps with dilution.

Similar Projects

• Q: On Slide 71 (Looked for Plants with Similar Criteria to Proposed San Vicente Project) which similar projects met these criteria?
  o A: None of the projects listed on Slide 72 (California Pumped Storage Projects – Operational) meet all of these criteria.

Emerging Technologies

• Q: Does UCSD produce solar on campus?
  o A: Yes and they can use this energy on campus to provide reliability by operating independently from the grid.
• Q: How does a geothermal micro grid operate?
  o A: Geothermal micro-grids use the waste heat from gas turbines to produce energy for heating and cooling. The business model for micro-grids of that type is the ability to store the energy as gas and then make the gas system much more efficient. There is a growing interest in using geothermal micro-grids for power reliability. Most of those are military bases and some hospital complexes. They are diesel generators connected to a switch. The amount of batteries connected to these micro-grids is still tiny in comparison.
• Q: Is geothermal energy considered a renewable?
  o A: Yes. It would be categorized as renewable because there are no greenhouse gas emissions.

• Q: Do they operate continuously?
  o A: The geothermal projects can operate 24/7.

• Q: But that is a different purpose and pumped storage is not competing with geothermal?
  o A: Correct.

• Q: What kind of more energy efficient technologies will emerge in the next 10 to 30 years?
  o A: There will likely be an increase in compressed air energy storage. More batteries will likely come on line. Still, hydro power has a much larger potential than these technologies.

• Q: On Slide 77 (Worldwide Installed Storage Capacity for Electrical Energy), are these installed storage capacity from four years ago and is this information credible and relevant today?
  o A: Yes, these are from 2011 and this is the most recent data. It comes from a credible source, the Department of Energy. The information may have changed slightly but the figures are still relevant today.

Next Steps

• Q: When will we be actually hiring an Owners’ Advisor and how does that relate to the timing of the July 2015 FERC deadline?
  o A: In July staff anticipates requesting for Board consideration the approval to submit the Preliminary Application Document to FERC and approval to begin procurement of an Owner’s Advisor. The Owners’ Advisor would possess expertise in the hydropower field and pending Board approval, would help to contact potential partners and maximize the returns to the City and Water Authority, while balancing the risk. This information will allow this Board to make a decision about moving forward.

• Q: When will the agreement between the City and the Water Authority be complete?
  o A: The Water Authority and City concur with the principles presented today. The Board will be asked to consider approving the principles while the Water Authority and City work toward finalizing the agreement. Finalization of the agreement is anticipated to be complete before the July submittal to FERC.

• Q: Is it possible to draft a letter memorializing the principles and that the Water Authority and City will move forward based on those principles?
  o A: Yes.
San Vicente Pumped Storage Study

Special Engineering and Operations Committee Meeting
February 12, 2015

Today’s Agenda

- Introduction
- Pumped Storage Overview
- Regulatory Overview
- Questions/Answers Highlights
- Project Phasing, Timeline, and Budget
- Next Steps
Hydropower Subcommittee Members

- Mike Hogan (Chair)
- Gary Arant
- Brian Brady
- Marty Miller
- Halla Razak
- Ron Watkins
- Ken Williams

HPSC Meeting December 15, 2014 Recap

- Regulatory Update
- Key Project Drivers
- Project Phasing
- Task & Budget Timeline
- City of San Diego
  - Initial report overview
  - Dr. David Victor - City consultant
- Owners’ Advisor Team Concept and Role
HPSC Meeting February 3, 2015 Recap

- December 15, 2014 Meeting Review
- FERC Status
- City/Water Authority New Agreement/Principles
- San Vicente Reservoir Modeling
- Timeline and Budget
- FERC Licensing/Environmental
- February Special E&O Committee Meeting
- Lake Hodges Update

Agenda

- Introduction
- Pumped Storage Overview
- Regulatory Overview
- Questions/Answers Highlights
- Project Phasing, Timeline, and Budget
- Next Steps
Pumped Storage Overview

- Pumped Storage Purpose – Gary Bousquet
- Site Description
- Project Value
- Indirect Potable Reuse Study Status

San Vicente Pumped Storage Project

- Considers an up to 500 MW hydroelectric project at San Vicente Reservoir
  - City owns San Vicente Dam and Reservoir
  - Water Authority expanded the reservoir by raising the dam

- Provides an opportunity to generate revenue for FERC co-license applicants (Water Authority and City)

- Maintains water storage capacity rights
  - City – 90,000 acre-feet
  - Water Authority – 152,000 acre-feet
Project Partners

- Both are public agencies
- Co-applicants for the project
- Share costs and benefits equally
- Each party brings value to the project
- Commonality of goal (balance risk and reward)
- Worked collaboratively previously on San Vicente Dam Raise suite of projects and ESP agreement

Traditional Revenue Streams for Pumped Storage Projects

- **Capacity Payment** – Payment for being available to produce firm MW of power for defined period of time

- **Ancillary Services** – Specialty service used by California Independent System Operator to balance power grid
California’s 33% Renewable By 2020 Mandate (AB 32)

- Current Requirement is 33% of energy portfolio to come from renewable energy resources, such as wind and solar

- Gubernatorial decision - Percentage could go higher renewable requirements (40% - 50%)

CAISO Renewable Resource Forecast

Source: CAISO Webpage
Excess Renewable Generation

CAISO Forecast for Overgeneration
Curtailment

- Curtailment occurs when excess wind and solar (renewables) energy is generated and cannot be accommodated on the grid by CAISO.
**Why is Storage Beneficial?**

- Can use excess renewable energy during periods of overgeneration
- Avoids curtailment and contributes to renewable energy percentage
- Non-greenhouse gas energy source can be used later as solar and wind come off line
- Highly flexible energy

![Image of solar panels from CAISO Webpage](image)

**Range of Project Value**

**Revenue Over 30 Years**

- Off-load Project Early Option
- Water Authority-City Develop Option

- Partner
- WA-City
- or something in between

![Pie chart showing range of project value](chart)
Project Risk Assessment Needed

- Identify Risks
  - Technical (e.g. Construction)
  - Regulatory (e.g. FERC, environmental)
  - Financial (e.g. Interest rates, business models)
  - Contractual/Legal (e.g. Project delivery method)

- Quantify Risks
  - Explore mitigation options and costs
  - Assess risk versus reward

Pumped Storage Overview

- Pumped Storage Purpose
- Site Description – Kevin Davis, Black & Veatch
- Project Value
- Indirect Potable Reuse Study Status
Completed and On-going Work

- Economic and Financial Feasibility Study (Black & Veatch)
- Initial Power Market Analysis (Navigant)
- Preliminary Financial Analysis (Clean Energy Capital)
- Technical Reservoir Modeling (Water Quality Solutions)

San Vicente Upper Alternatives

- **Alternative A**
  - Reservoir Elevation: 2,110 feet
  - 93 acre Pond Surface Area
- **Alternative B**
  - Reservoir Elevation: 1,400 feet
  - 100 acre Pond Surface Area
- **Alternative C**
  - Reservoir Elevation: 1,500 feet
  - 60 acre Pond Surface Area
- **Alternative D**
  - Reservoir Elevation: 1,300 feet
  - 60 acre Pond Surface Area
Inlet/Outlet Structure in San Vicente

- 4 upper reservoir locations
- 4 inlet/outlet locations
- 9 total options evaluated
- 5 to 8 hours of storage
- 310 to 500 MW
- Development Costs ~ $1B

Alternatives Summary
**Preliminary Financial Assumptions**

- **Construction cost**
  - Based on similar projects
  - Technical parameters
    - Capacity, generating hours...
  - Direct construction costs
    - Structures, turbines...
  - Indirect construction costs
    - Engineering, permitting...
  - Contingency allowance
    - 20%
- **First year’s net revenue (profit) 2022**
  - Assumes 3 year construction period

---

**San Vicente Pumped Storage Value**

- Total Cumulative Revenue > $5.8B
- Annual Net Cash > $60M
- Cumulative Net Cash over 30 years > $2B
- Initial Investment ~ $1B

**Notes:**

1. Based on a maximum of 500 MW
2. The financial assessment includes capacity and ancillary services revenue only and does not include revenue from storage of excess renewables
Summary

- The project is technically feasible
  - Existing lower reservoir
  - Existing and proximate transmission line
  - Adequate land
- The project appears to be financially attractive
  - Potential revenue would generate adequate pool of potential project partners
- Power off-takers and developers have expressed interest
  - Private developers
  - Private contractors
  - Investor-owned utilities

Pumped Storage Overview

- Pumped Storage Purpose
- Site Description
- Project Value – Dr. David Victor
- Indirect Potable Reuse Study Status
**Key Points**

- Critical technical and strategy issues to be further explored/refined
  - Size of project
  - Market stress testing
  - Financial analysis
  - Engineering configuration
  - Risk analysis/mitigation
  - Value of storage
Key Points

- Cohesion of partners
  - Owners’ advisor role
  - Experienced multidisciplinary team of advisors
  - Represent Water Authority and City
    - Establish one voice

- Project delivery method evaluation
  - Potential business models

- Strategic bargaining is essential

Questions?
Pumped Storage Overview

- Pumped Storage Purpose
- Site Description
- Project Value
- Indirect Potable Reuse Study Status - Jeff Pasek

San Vicente Reservoir Studies for Potable Reuse and Pumped Storage

February 12, 2015
San Diego’s potable reuse plan

Pure Water San Diego

initial phases:
- 15 mgd by 2023
- 30 mgd by 2027

future phase:
- 83 mgd by 2035
Presentation outline

• role of a reservoir in a potable reuse project
• limnology of reservoirs in southern California
• San Vicente Studies for Pure Water San Diego: overview and key findings
• modeling of Pumped Storage at San Vicente: initial results
• current and future work

Role of the reservoir in a potable reuse project

the reservoir serves as an environmental buffer that provides

**time to respond** to a treatment failure at the Advanced Water Purification Facility

**attenuation of pathogens** before water is conveyed from the reservoir to the potable treatment plant

• dilution
• retention time = inactivation [aka “die off”]
Density stratification: a fundamental characteristic of reservoirs in SoCal

Typical density stratification in San Vicente Reservoir, 1999
Density stratification is consistent: San Vicente Reservoir, 2000-2007

Density stratification provides a barrier between purified water inflow and reservoir outflow
Regulatory criteria for San Diego’s reservoir augmentation project at San Vicente

a 24-hour inflow of purified water to be diluted a minimum of 100:1

use density stratification [thermocline] to achieve dilution and minimize “short-circuiting”

dilution, stratification, absence of short-circuiting demonstrated using three-dimensional hydrodynamic model
Study approach: three-dimensional hydrodynamic model

SVR Pure Water model scenarios

3 purified water inflow rates: 15, 27, 68 mgd
4 inlet locations
3 reservoir operating conditions
San Vicente Reservoir studies for Pure Water program: key findings

- Adding purified water to SVR will not affect water quality.
- Reservoir expansion will improve water quality.
- Purified water will not substantially change this.
- Adding purified water to SVR will not affect hydrologic conditions, specifically seasonal stratification.
- Dilution and retention provides a substantial environmental barrier.
- Purified water will be diluted at least 100:1 under all anticipated reservoir operations, using the distant inlet locations.

Independent Advisory Panel for Pure Water program

- Full, ten-member IAP met four times in 2009-2011.
- Four member limnology subcommittee has met eight times, with three more meetings planned.

R. Gersberg, M. Anderson, J. Crook, G. Tchobanoglous
Savage Dam at Otay Reservoir, January 2014
California Department of Public Health concept approval

City submitted concept proposal to CDPH
CDPH concept approval letter
September 7, 2012

“Based on CDPH’s review of the City’s...submittal...CDPH approves the San Vicente Reservoir Augmentation Concept.”

Three-dimensional hydrodynamic model
Pumped Storage inlet-outlet structure is larger than one cell in model grid
Modeling for the Pumped Storage project: begin with “near-field” model

Near-field model, cross section at Pump Storage inlet/outlet structure
Near-field model: water flow lines during generation mode

streamlines on a vertical plane along jet centerline during generation mode; water surface = 700 ft

Compare scenarios with and without P/S:
Pumped Storage destratifies the reservoir

extended drought; ½ design inlet location; PW inflow = 68 mgd; open port #2
Modeling of Pumped Storage at San Vicente: initial results

- four model runs complete, four additional model runs underway
- Pumped Storage destratifies the reservoir
  - reservoir nearly completely mixed, top to bottom
- dilution of purified water inflow is sometimes greater, sometime less
- modeling of a likely Pure Water project scenario shows that dilution with pumped storage is equivalent to dilution without pumped storage

Current and future SVR modeling work for Pumped Storage

- four additional model runs underway
  - focus on anticipated purified water inflow rates and most likely purified water inlet location
  - will 1:100 dilution be achieved?
  - what are the effects on stratification?

- Independent Advisory Panel meeting March 2 & 3
  - IAP is mechanism for discussion with DDW

- final report fall 2015
Questions and Discussion

Agenda

- Introduction
- Pumped Storage Overview
- Regulatory Overview – Kelley Gage
- Questions/Answers Highlights
- Project Phasing, Timeline, and Budget
- Next Steps
Regulatory Context

- California Energy Commission (CEC)
- California Public Utilities Commission (CPUC)
  - Participate in 2014 Long-Term Procurement Plan Proceeding and submit comments to Commission
  - Advocate for the Project and including pumped storage in long-term planning and procurement plans
- California Independent System Operator (CAISO)
  - Requires Interconnection Agreement to connect to grid
- Federal Energy Regulatory Commission (FERC)

FERC Overview

- Federal Power Act
  - Establishes regulatory authority over energy projects
  - Allows for issuance of preliminary permits
    - 3-year hold period, exclusive rights to develop application for a license
  - Grants licenses for energy projects
    - Permission to construct
    - Allows for “Municipal Preference”
- Federal Power Act implemented by FERC
  - Authority to issue power project permits and licenses
  - Up to five Commissioners appointed by the President, with consent of Senate; 5-year term
Water Authority’s FERC Permit SVPS

|----------|----------|----------|-------|----------|----------|----------|----------|-------|----------|----------|

- **Received 1st Preliminary Permit**
- **Applied for 2nd Preliminary Permit**
- **Received 2nd Preliminary Permit**
- **Applied for 3rd Preliminary Permit**
- **3rd Preliminary Permit Denied**
- **WA Submitted Re-hearing Petition**

---

**FERC Activities - Review**

- Congressional letter sent to FERC on **July 31, 2014** in support of hydro pumped storage in San Diego County for rehearing
- Meetings held **September 10, 2014**
  - **Water Authority**: Chair Wornham, Director Madaffer, AGM Cushman and Special Counsel Michael Swiger (Van Ness Feldman)
  - **FERC**:
    - Commissioner Norman Bay
    - Commissioner Philip Moeller
    - Nicholas Tackett, technical advisor to Commissioner Tony Clark
    - Steven Wellner, legal advisor to Chairman Cheryl LaFleur
    - Ann Miles, Deputy Director, Office of Energy Projects
    - John Katz, Deputy Associate General Counsel (hydropower projects)
**FERC Permit Current Status**

<table>
<thead>
<tr>
<th>Date</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 16, 2014</td>
<td>FERC issues final Order of Denial on 3rd Permit</td>
</tr>
<tr>
<td>Nov 6, 2014</td>
<td>Applied for <em>new</em> Preliminary Permit</td>
</tr>
<tr>
<td>Dec 29, 2014</td>
<td>FERC 60-Day Notice in Federal Register</td>
</tr>
<tr>
<td>Jan 8-15, 2015</td>
<td>City Files Motion to Intervene to Amend Permit</td>
</tr>
<tr>
<td></td>
<td>CWA/ City request 90-day tolling of FERC permit process (abeyance)</td>
</tr>
<tr>
<td></td>
<td>FERC approves 90-day abeyance</td>
</tr>
</tbody>
</table>

**Preliminary Permit vs. License**

- **Preliminary Permit**: (3-year term)
  - Must submit a PAD within this 3-year window
  - PAD begins FERC License Application Process (Receive License 2 to 5 years from PAD)
  - Submit PAD July 2015

Oct 2014 - Oct 2019
FERC Order: October 16, 2014

“If the Water Authority receives a new preliminary permit, we expect that it will act in good faith and with due diligence in order to file a development application during that permit term. Specifically, we would expect the Water Authority to identify the location of its proposed upper reservoir, initiate consultation with agencies, tribes, and other interested parties, and file a Preliminary Application Document (PAD) and Notice of Intent (NOI) not later than July 2015, as discussed above.”

FERC Licensing Process Overview

- **PAD/ NOI Filing Requirements**
  - Initial Tribal Consultation Meeting
  - Scoping document
  - Proposed study plan
  - First and second seasons studies
  - Preliminary Licensing Proposal

- **Post-filing Activity**
  - License Application
  - Environmental Analysis (CEQA)
  - Commission completes NEPA process
  - Commission issues license order

Each deliverable is reviewed and approved by FERC before moving onto next step.
1. Submittal of the Preliminary Application Document (PAD) begins the FERC license process
   - PAD includes existing, relevant, and reasonably available information about the project and its effects on resources
2. Environmental compliance with California
   - Environmental Quality Act (CEQA) can begin once PAD is filed - i.e., field work for biological, cultural, etc.
3. Applicant files the License Application once studies are completed
4. Once FERC deems License Application is complete, they begin National Environmental Policy Act (NEPA) process, independent of CEQA

**Questions?**
Agenda

- Introduction
- Pumped Storage Overview
- Regulatory Overview
- Questions/Answers Highlights – Toby Roy/Frank Belock
- Project Phasing
- Timeline and Budget
- Next Steps

Questions/Answers Highlights

- Toby Roy
  - Similar Projects
  - Emerging Technologies
Looked for Plants with Similar Criteria to Proposed San Vicente Project

- Preferred criteria
  - Plant is in operation
  - Financed and owned by a public entity that does not provide electric service to customers (not an electric utility)
  - Constructed by a developer that assumed the majority of risk (permitting, contracting, electric interconnection, construction, operations)
  - Greater than $100 million in cost
  - Completed since the year 2000

No existing pumped storage projects meet this criteria

California Pumped Storage Projects Operational

- Big Creek Hydroelectric - 1914 (Last Expanded - 1987)
  - 1,000 MW
  - SCE
  - Fresno County, CA
  - Expanded several times

- Castaic Pumped-Storage Plant - 1966
  - 1,247 MW
  - LADWP and Department of Water Resources
  - Pyramid Lake, CA

- Edward Hyatt Power Plant - 1967
  - 644 MW
  - Department of Water Resources
  - Oroville, CA

  - 424 MW
  - Bureau of Reclamation
  - Gustine, CA

- Helms Pumped Storage - 1984
  - 1,212 MW
  - PG&E
  - Fresno County, CA
California Pumped Storage Projects Under Development

- **Iowa Hill (Public)**
  - 400 MW
  - Estimated cost at $800 million
  - Sacramento Municipal Utility District (SMUD)
  - Geotechnical study in 2015
  - Design and cost study in 2016
  - SMUD Board will evaluate whether to proceed with project
  - FERC review and approval 2017
  - Begin construction 2017
  - Operational 2023

- **Eagle Crest (Private)**
  - 1300 MW
  - Private Developer
  - Riverside County
  - First Preliminary permit 2005
  - PAD submitted 2008
  - FERC Permit issued 6/19/2014

Identified Benefits of Recent and Proposed Projects

- Operational flexibility: immediately available stored energy, reliable capacity
- Revenues from CAISO’s energy and ancillary markets
- Alleviates over-generation or minimum load condition
- Allows consistent operation of thermal plants
- Integrates renewables
- Reduces dependence on fossil fuels
- Reduces greenhouse gas emissions
- Environmentally sound
Purpose of Energy Storage

- Selection of storage options vary based on the purpose:
  - Bulk power management by capturing energy when supply is higher and using it when demands exceed supply
  - Grid support
    - Fluctuations between generation and loads
    - Reliability/outage mitigation
  - User uninterruptable power supply (UPS)

Types of Energy Storage

- Supercapacitors
- Flywheel
- Pumped Hydropower
- Compressed Air Energy Storage (CAES)
- Hydrogen Fuel Cells
- Batteries
- Superconducting Magnetic Energy Storage (SMES)
Worldwide installed storage capacity for electrical energy

- Pumped Hydro
- Compressed Air Energy Storage 440 MW
- Sodium-Sulfur Battery 316 MW
- Lead-Acid Battery ~35 MW
- Nickel-Cadmium Battery 27 MW
- Flywheels <25 MW
- Lithium-Ion Battery ~20 MW
- Redox-Flow Battery <3 MW

Over 99% of total storage capacity

Source: Fraunhofer Institute, EPRI 2011

Discharge Time at Rated Power

- Seconds
- Minutes
- Hours
- UPS Power Quality
- T&D Grid Support Load Shifting
- Bulk Power Mgt

- Flow Batteries: Zn-Cl, Zn-Air, Zn-Br
- VRB, PSB, New Chemistries
- NaS Battery
- Advanced Lead-Acid Battery
- NaNiCl₂ Battery
- Li-Ion Battery
- Lead-Acid Battery
- NICd

System Power Ratings, Module Size

1 kW 10 kW 100 kW 1 MW 10 MW 100 MW 1 GW
Current Alternative to Storage in San Diego

- Curtailment of renewables
- Gas Peaker Plants
  - (South Bay area) 175 MW
  - (El Cajon area) 109 MW
  - (Escondido-Pala area) 197 MW
  - (Miramar area) 132 MW
  - (Kearney Mesa area) 136

Other Trends

Consumer Based
- Plug-in Electric Cars
- Demand Management

Microgrids
- Borrego Springs
- UCSD
Questions?

Questions/Answers Highlights

- Frank Belock
  - Q&A in packet
  - Budget
  - Permitting/Licensing/Environmental
  - Project Value
  - Project Delivery
  - Miscellaneous
  - Q&A from today
  - Living Document
Agenda

- Introduction
- Pumped Storage Overview
- Regulatory Overview
- Questions/Answers Highlights
- Project Phasing, Timeline, and Budget - Kelly Rodgers
- Next Steps

Previous Board Actions

- June 2013
  - Approved $550,000 operating funding for consultant and staff work on initial study efforts
- October 2013
  - Authorized Black and Veatch Contract for $150K Initial Study
  - Approved Water Authority/City MOU
- June 2014
  - Approved the addition of SVPS Study to the CIP
  - Appropriated $1.2 million to the project
- August 2014
  - Approved a portion of Amendment 3 to Black and Veatch for the Inlet/Outlet study
  - Authorized the expenditure of a total of $675,000 of the $1.2 million for the Water Authority’s share of the modeling and the Inlet/Outlet study
  - Approved Water Authority/City Agreement
### Work Authorized to Date

<table>
<thead>
<tr>
<th>Activity</th>
<th>WA Share</th>
<th>City Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Economic and Financial Study/Inlet/Outlet Engineering analysis (Black &amp; Veatch)</td>
<td>$312,500</td>
<td>$237,500</td>
</tr>
<tr>
<td>Power Market Analysis (Navigant/Clean Energy)</td>
<td>$162,500</td>
<td></td>
</tr>
<tr>
<td>IPR/Reservoir Modeling (Water Quality Solutions) (Total cost: $550,000)</td>
<td>$225,000</td>
<td>$225,000</td>
</tr>
<tr>
<td>Legal Services to Support FERC Permit Application</td>
<td>$3,400</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$703,400</strong></td>
<td><strong>$462,500</strong></td>
</tr>
</tbody>
</table>

*Note: Does not include Water Authority or City staff costs for project administration.*

### Prior and Current Project Phases

- **Prior (Completed February 2014)** - Initial Economic and Financial Study and preliminary power market analysis

- **Current (Anticipated late 2015)** - Inlet/outlet study and San Vicente Reservoir Modeling
Future Project Phases

- Phase 1 (through July 2015) – Develop and submit FERC ordered Preliminary Application Document and Notice of Intent
- Phase 2 (ending about July 2016) – Hire owners’ advisor team, project delivery method analysis
- Phase 3 (Beyond July 2016) – Following board direction, develop necessary business contracts/agreements
- Phase 4 - (Circa 2021) Design and Construction

Timeline
Past and Current Work

Board funds initial study | Board awards B&V contract initial study | Board funds & adds to CIP | Board awards B&V Contract I/O & modeling

- June 2013
- Oct 2013
- Feb 2014
- June 2014
- Aug 2014
- Jan 2015

- B&V initial study complete
- I/O initial modeling subst. complete
**Timeline**

**Phase 1- Work to support PAD**

- **Feb 2015**: Board consideration of funds for FERC PAD/NOI prep.
- **Apr 2015**: 90 day abeyance ends & submit revised FERC permit app.
- **July 2015**: FERC PAD Submittal

**Move Forward to Phase 2 OR Stop**

---

**Recommended Phase 1 Work**

<table>
<thead>
<tr>
<th>Activity</th>
<th>WA Share</th>
<th>City Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering Studies for Upper Reservoir Screenings and Refinement of Project Configuration (Black &amp; Veatch)</td>
<td>$125,000</td>
<td>$125,000</td>
</tr>
<tr>
<td>Environmental Studies for Upper Reservoir Screenings, Stakeholder Outreach, and FERC required Preliminary Application Document (PAD) Preparation (Harvey Consulting Group)</td>
<td>$75,000</td>
<td>$75,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$200,000</strong></td>
<td><strong>$200,000</strong></td>
</tr>
</tbody>
</table>

**Note:** Does not include Water Authority staff or City costs for project administration.
City/ Water Authority Agreement Principles

- Establishes coordination protocol
- Defines roles and responsibilities
- Clarifies future cost sharing
- Provides for WA/City to be co-applicants on FERC license
- Establishes WA/City will procure owners’ advisor pending Board approval to do so
- Defines decision-making process
- Provides estimated project timeline
- Establishes issues resolution process

Timeline
Phase 2 - Owners’ Advisor/ Project Delivery Method Selection

- Board considers Phase 2 Budget & WA/City Agreement
- Board considers award Owners’ Advisor contract

- Move Forward to Phase 2
- Proceed with Phase 2 Work
- Stop

July 2015
Oct 2015
July 2016
Owners’ Advisor Team

- Owners’ Advisor Team comprised of:
  - Power market expert
  - Financial expert
  - Large hydro expert
  - Legal advisor

- Advise Water Authority and City (Owners’)
  - One voice

- Phased scope and opportunities for off-ramp

Owners’ Advisor Scope

1. Recommend project delivery method
   a. Power market analysis
   b. Financial analysis
   c. Technical configuration
   d. Stakeholder outreach
   e. Potential partner outreach
   f. Agreement terms
   g. Risk assessment
   h. Recommend project delivery method

- Estimated Cost - $1.5M
**Project Delivery Options**

- Low risk – low reward
  - One-partner
  - Early off-ramp

- Higher risk – higher reward options
  - Two-partner
  - Utility and developer
  - Design-build-operate
  - Design-bid-build

---

**Timeline**

**Phase 3 - Develop Necessary Business Contracts**

- **Board Considers Selection of Project Delivery Method & Phase 3 funds**
- **Oct 2015**
  - Owners’ advisor begins Phase 2 work
- **Jul 2016**
  - Owners’ advisor completes Phase 2 work
- **July 2017**
  - Move Forward to Phase 3
  - OR
  - Stop
Next Steps

- City and Water Authority staff continue to work on principles of agreement
- Present specific Staff Recommendations for Board consideration at the February 26th Engineering & Operations Committee meeting
February 18, 2015

Halla Razak, Director of Public Utilities
City of San Diego, Public Utilities Department
9192 Topaz Way
San Diego, CA 92123-1119

RE: Letter of Intent for the San Vicente Pumped Storage Study Partnership Agreement

Dear Halla:

It is the intent of the San Diego County Water Authority and the City of San Diego (Parties) to enter into an agreement, based on the attached Partnership Agreement Principles for the San Vicente Pumped Storage Study (Project). The purpose of the agreement between the Parties is to establish the protocols for cooperation and partnership including the various planning and environmental activities necessary to complete the Federal Energy Regulatory Commission (FERC) co-permitting and co-licensing process, and fully evaluate the potential implementation of this Project.

This letter establishes our mutual agreement to work together to collaboratively finalize an agreement, based on these principles and the approval of the February 26, 2015 Board actions. Please sign below indicating your concurrence with the City’s intent to enter into an agreement with the Water Authority on this Project effort. Please return the original executed copy by March 10, 2015 to Kelly Rodgers, 4677 Overland Avenue, San Diego, CA 92123. Please contact me at (858) 522-6781 with any questions.

Sincerely,

Maureen Stapleton
General Manager

Concurrence:

City of San Diego

Halla Razak  Date
Director of Public Utilities

FB/KR:

Attachment: Partnership Agreement Principles

P:\J0201 SVPumpedStorage\000 General Finance\001 Board Memos\Board Meetings\2015 February\Attachment 2 Draft Letter of Intent.docx
PARTNERSHIP AGREEMENT PRINCIPLES FOR
THE SAN VICENTE PUMPED STORAGE STUDY (PROJECT)
February 18, 2015

• Establishes Coordination Protocol: Sets the processes and procedures for the San Diego County Water Authority and City of San Diego (Parties) to oversee, conduct, and report on the Project’s progress, and adjust approach as necessary to ensure that the principles herein are achieved to the satisfaction of both Parties. In addition, it provides for the sharing of any and all information and records related to the approved Project activities.

• Defines Roles And Responsibilities: Clarifies the Parties’ respective roles and responsibilities for Project implementation and stakeholder coordination.

• Clarifies Future Cost Sharing: Establishes the cost sharing requirements of the Project activity by the Parties.

• Provides For The Parties To Be Co-Applicants On FERC License: Identifies the Parties that will be co-applicants on all FERC permits and licenses for the Project.

• Establishes The Parties Will Procure Owners’ Advisor If the Board Authorizes Procurement to Begin: Specifies the Parties’ agreement on the retention of an Owners’ Advisor is in the best interest of the Parties and will assist them in speaking in “one voice”. Requires the Parties to jointly and expeditiously develop a scope of work for and select an Owners’ Advisor that will represent the Parties.

• Defines Decision-Making Process: As work tasks are assigned to each party, governing body actions may be required for work to proceed. Specifies that the Parties will share advance draft copies of contracts, memos, and related documents for actions taken by their respective governing bodies related to the Project.

• Provides Estimated Project Timeline: Establishes that all Project activities, timelines, and related scope(s) of work will be mutually agreed to by the Parties.

• Establishes Issues Resolution Process: Identifies an issues resolution process that will endeavor to resolve issues at the lowest possible level and elevate to the next level if needed.
IMPORTED WATER COMMITTEE

AGENDA FOR
FEBRUARY 26, 2015

Mark Watton – Chair     Jim Murtland
DeAna Verbeke – Vice Chair  Ken Olson
Elsa Saxod – Vice Chair    Dave Roberts
David Barnum              Javier Saunders
Betty Evans               Fern Steiner
Christy Guerin           Mark Weston
Michael Hogan            Doug Wilson
Jim Madaffer

1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).

3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4. Chair’s report.

4-A Directors’ comments.
4-B Imported Water Committee Draft Work Plan for calendar years 2015 and 2016.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION

1. Metropolitan Water District Issues and Activities Update.

   1-A Metropolitan Water District Delegates Report. (Information) (Supplemental Materials) MWD Delegates

2. Colorado River Programs.

   2-A Colorado River Board Representative’s Report. (Information) (Supplemental Materials) Doug Wilson


   3-A State Water Project Contractors Authority Bay Delta Funding. (Discussion) Amy Chen
3-B Proposed 2015-2016 Bay-Delta Workplan
Staff recommendation: Adopt the proposed 2015-2016 Bay-Delta workplan. (Action)

Glenn Farrel

III. INFORMATION

1. Presentation on Metropolitan Water District Storage Programs Update.
   Amy Chen

   Amy Chen

IV. CLOSED SESSION

1. CLOSED SESSION:
   Conference with Legal Counsel - Existing Litigation
   Government Code §54956.9(d)(1) –
   Name of Case: SDCWA v Metropolitan Water District of Southern California;
   Case Nos. CPF-10-510830; CPF-12-512466; and CPF-14-514004
   Dan Hentschke

2. CLOSED SESSION:
   Conference with Legal Counsel - Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case:   State Water Resources Control Board Petition of Imperial Irrigation District for Modification of Revised Water Rights Order 2002-0013
   Dan Hentschke

V. ADJOURNMENT

Linda A. Troyan, MMC
Clerk of the Board

NOTE: This meeting is called as an Imported Water Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
February 18, 2015

Attention: Imported Water Committee

Imported Water Committee Draft Work Plan for calendar years 2015 and 2016

Purpose
This report provides the Imported Water Committee Draft Work Plan for calendar years 2015 and 2016.

Background
The Imported Water Committee is responsible for imported water matters, including: activities and issues as a member agency of the Metropolitan Water District of Southern California; administration of the Colorado River Quantification Settlement Agreement and related agreements; Colorado River Board; State Water Project; Bay-Delta; and other matters relating to water supplies from outside San Diego County.

Discussion
Attached for your review is the Imported Water Committee Draft Work Plan for calendar years 2015 and 2016. The work plan was prepared by staff under the direction of the Imported Water Committee Chair and Vice Chairs. Comments from committee members are welcome and appreciated. The finalized work plan will be adopted at the March 26, 2015 Board meeting.

Prepared by: Amy I. Chen, Director of MWD Program
Dan Denham, Director of Colorado River Program
Reviewed by: Mark Watton, Chair, Imported Water Committee

Attachment: Draft Imported Water Committee Work Plan for calendar years 2015 and 2016
Imported Water Committee Work Plan
for calendar years 2015 and 2016

Business Plan Items

Bay-Delta Plan
1. Adopt updated Bay-Delta work plan for Calendar Years 2015 and 2016 (March 2015 – BP #1)
2. Address issues related to the implementation of near-term Bay-Delta actions and long-term solutions to fix the Bay-Delta’s infrastructure (September 2017 – BP #2, #4, #5 and #6)
3. Recommend and advocate alternatives that would secure long-term firm financial commitments commensurate with benefits to pay the fixed costs of the Bay-Delta conveyance project; and to secure federal and state funds to support non-water supply improvements in the Bay-Delta that benefit the public at-large (September 2017 – BP #1, #3, #4 and #5)

Colorado River Water Supplies
1. Work with the Colorado River Sub Committee to ensure full access to supplies linked to the Quantification Settlement Agreement and related agreements, including the water transfer with IID, the All American Canal Lining Project, and the Coachella Canal Lining Project (June 2019 – BP #1, #2, #3, #4, #5, #6, #7 and #8)
2. Advocate for effective and efficient mitigation measures in support of the Water Authority’s supplies under the Quantification Settlement Agreement and related agreements (June 2019 – BP #1, #5, #6, and #8)
3. Recommend and support water supply projects that augment the region’s existing Colorado River supply sources, including binational projects (June 2019 – BP #9 and #10)
4. Advocate for the State to meet its mitigation and restoration obligations at the Salton Sea in a timely and effective manner (June 2019 – BP #5 and #6)

Metropolitan Water District Water Supplies
1. Work with the MWD Delegates to ensure long-term regional MWD water supply reliability and quality while ensuring equity for San Diego County water ratepayers (June 2016 – BP #3 and #4)
2. Work with the MWD Delegates to address issues related to MWD policies and programs to ensure MWD’s long-term fiscal sustainability (April 2016 – BP #2)
3. Consider options to secure short-term water transfers and optimize the Water Authority’s out-of-region storage to meet dry-year supply needs as required (December 2017 – BP #8 and #12)
4. Consider staff recommendations to the rate litigation to achieve a successful court outcome in the 2015-2016 rate case and to preserve the favorable April 24, 2014 ruling (December 2017 – BP #1, #10 and #11)
5. Address issues related to the governance, operation and ownership of the State Water Project that may impact imported water supplies to the region. (September 2017 – MWD Program: BP #5 and Bay-Delta Program: BP #6)

Other Items

1. Ensure coordination and consideration of local supply development as related to Bay-Delta, Colorado River and MWD supply development.
February 18, 2015

Attention: Imported Water Committee

State Water Project Contractors Authority Bay Delta Funding (Information).

Purpose
To review State Water Project Contractors Authority’s efforts to finance the planning, environmental, design, and pre-construction phases of the Bay Delta Conservation Plan.

Background
Under development since 2006, the Bay Delta Conservation Plan (BDCP) is a conservation strategy intended to protect the Sacramento-San Joaquin Bay-Delta (Delta) ecosystem while permitting the reliable operation of state and federal water projects. The Metropolitan Water District (MWD) participated in the development of the BDCP with the state and federal stakeholders since its inception through a series of agreements. Included in the agreements is a cost-sharing arrangement that established $2.9 million as MWD’s share of the plan’s total budget of $13.5 million. In 2008, the Delta Habitat Conservation and Conveyance Program (DHCCP) was formed to conduct the required environmental studies and preliminary design needed to support the development of the Delta conveyance facilities described in the BDCP. MWD also participated in the development of DHCCP through a series of funding and management agreements. At that time, the original cost to complete the environmental review and preliminary engineering design needed for project development and approval was estimated to be $140 million. The cost was to be spread over three years and equally shared between state and federal contractor groups.

The State Water Project Contractors Authority (SWPCA), a joint powers authority (JPA), was formed in 2003 by the State Water Project (SWP) contractors to provide the California Department of Water Resources (DWR) a vehicle for contracting specified project and services based on members’ interests. One of the project committees the JPA members established was the Delta Specific Project Committee (DSPC), which serves as a mechanism to allow all interested SWP contractors to participate in BDCP and DHCCP. Through individual funding agreements with the DWR, DSPC members, including MWD, agreed to have their share of the DHCCP ($70 million) billed through DWR’s statement of charges based on participating members’ Table A contract amount. MWD’s share ($35 million) of the state’s portion of DHCCP costs is roughly proportional to its Table A allocation. MWD has funded its share of the cost through its operating budget. On the federal side, the funding mechanism was to be administered through the San Luis Delta Mendota Water Authority (SLDMWA), also a JPA. Westlands Water District (WWD),

---

1 The JPA members include 27 of the 29 SWP contractors, including MWD, which collectively hold 95 percent of the SWP Table A.
2 The JPA provides a forum for SWP contractors to select individual projects that they jointly have an interest in pursuing as related to SWP; individual joint powers organizations are established for specific projects. Not all members are required to participate in all projects.
SLDMWA’s largest member agency, has provided the majority of the federal contractors’ funding including issuing bonds;\(^4\) it also agreed to backstop 100 percent of the federal contractors’ share of DHCCP costs.\(^5\)

In 2009, a year into the initial estimate, DWR reassessed the DHCCP’s program scope, technical needs, and schedule and developed a revised budget that integrated related costs of both the BDCP planning phase and DHCCP’s development. DWR then sought additional funding of $100 million from the state and federal contractors, which was provided through agreements executed in 2010. Together with the original $153.5 million in funding, the estimated total costs for BDCP and DHCCP planning grew to $253.5 million.

As the planning and environmental work proceeded, through 2012 and into 2013, DWR again evaluated its financing need to complete the existing planning phase and the next phase – design through pre-construction activities. In November 2013, WWD held a BDCP and DHCCP workshop to provide its Board a progress update and set the stage for a decision related to additional financing to take the project through the pre-construction phase. At this meeting, it was reported that the state and federal contractors would need to fund an additional $1.2 billion\(^6\) to maintain the BDCP implementation schedule.\(^7\) To date, the MWD Board has not taken up the discussion on how to fund the additional costs. The latest budget status report from MWD was last June and it showed $24.8 million of the $240 million remained unspent as of May 2014. The following table summarizes the growing cost associated with pre-construction activities:

### Table 1: BDCP and DHCCP Pre-Construction Costs

<table>
<thead>
<tr>
<th>Program</th>
<th>$’s in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDCP Development Budget</td>
<td>$13.5</td>
</tr>
<tr>
<td>DHCCP (Environmental Review and Associated Preliminary Engineering Design)</td>
<td>$140.0</td>
</tr>
<tr>
<td>BDCP and DHCCP (Environmental Review and Associated Preliminary Engineering Design)</td>
<td>$100.0</td>
</tr>
<tr>
<td><strong>Current Program Budget</strong></td>
<td><strong>$253.5</strong></td>
</tr>
<tr>
<td>BDCP and DHCCP (Pre-Construction)</td>
<td>$1,200.0-1,300.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,453.5-$1,553.5</strong></td>
</tr>
</tbody>
</table>


\(^6\) At MWD’s January 2015 Special Committee on the Bay-Delta, staff reported that the pre-construction funding needs are as much as $1.3 billion.

\(^7\) WWD Workshop, “BDCP and DHCCP,” held November 20, 2013.
Discussion

Pre-Construction Finance Phase. Discussions are occurring in the SWPCA to fund the next phase of BDCP and DHCCP costs, which includes design, permitting, land acquisition, and pre-ordering of equipment, some of which may not take place until after the Record of Determination and Notice of Determination. Although the split of the project implementation costs between the state and federal contractors has not been agreed, they have agreed to split the environmental documentation and associated preliminary engineering design work equally. It appears that the working assumption by the two contractor groups is that they would share the additional pre-construction costs equally. According to a board report by the Santa Clara Valley Water District (SCVWD) last September, two debt issuances are anticipated to cover the state and federal contractors’ pre-construction costs before the construction of the BDCP commences. The first $500 million issuance is intended to finance the next three years of pre-construction engineering (originally for years 2014 through 2017) and the second issuance (date to be determined) is estimated at $700 million. The SWPCA has been working to establish the means to fund the SWP contractors’ share of the next round of costs. Last year, the SWPCA issued a request for proposal for underwriting services and evaluated the respondents’ proposals with the intention of issuing debt in late-2014. It was reported at SWPCA’s January 2015 meeting that the state contractor’s share is estimated to be $600 million. Although WWD discussed the additional funding need in November 2013, it is unclear whether its Board authorized additional debt issuance. To-date, although the need for additional funding is identified, neither SLDMWA nor WWD for the federal contractors, nor the SWPCA for the state contractors have issued debt related to the design and pre-construction activities.

Pre-Construction Funding Alternatives. At the January SWPCA meeting, Managing Director Brian Thomas of Public Financial Management (financial advisory firm to the SWPCA) gave an update on two potential bond financing alternatives for $600 million under consideration by the SWP contractors. It was learned at this meeting that although SCVWD, KCWA, and MWD had previously considered each securing a share of the debt issuance on behalf of SWP contractors, SCVWD and KCWA had since chosen to not participate in the issuing of debt. A DHCCP pre-construction financing schedule using either MWD or the SWPCA to issue debt on behalf of the SWP contractors was presented (see Attachment 1). Thomas reported that MWD is already prepared to issue up to $400 million of commercial paper and to seek its Board’s authorization to issue debt as early as October 2015 following the Record of Decision and Notice of Determination for the project. It was not clear if MWD would ask its Board to authorize the entire $600 million for the state’s share of the pre-construction phase. Should the MWD Board not approve MWD serving as the debt issuer (an action the schedule indicated would take place in July 2015), the other option is for the SWPCA to be the debt issuer. If the SWPCA were to issue the debt, the earliest availability of the funds would be late December 2015, two months later than the proposed MWD financing schedule, due to the need to establish its credit worthiness. Under either option, individual contractors would execute a funding agreement with DWR to pay back their share of the cost. However, under the MWD financing option, because the debt is issued under MWD’s name, it may

---

ultimately serve as the de facto “back stop” should contractors default. It is unclear how the federal contractors plan to fund their $600 million share of the additional pre-construction costs.

**Issues and Concerns.** Details of the work conducted and its related costs under the planning and pre-construction phase have not been very transparent making it difficult to assess the status of the current funding. Other than a passing comment this January about the additional planning cost being $1.3 billion, when responding to a director’s question, MWD has not discussed with its Board any of the funding alternatives being explored by the SWPCA. It was reported in January that the $253.5 million slated for the planning phase is anticipated to be exhausted by June 2015, causing a gap between planning and pre-construction funding that still needs to be addressed in order to maintain the BDCP implementation schedule. It is unknown how the state or federal contractors plan to bridge this gap. MWD has indicated to its Board that it is providing in-kind staffing services to help DWR for some portion of the BDCP activities, including preparing the yet-to-be recirculated environmental documents. As of the first quarter of fiscal year 2015, MWD reported that it had 39 active contracts to perform work related to the Bay-Delta, including work on the BDCP and DHCCP. These contracts have a maximum total cost of $7.6 million in fiscal year 2015 (some of these contracts may be multi-year increasing the contract cost). It is unknown whether all these costs will be borne solely by MWD or some will be reimbursed among participating state and federal project contractors.

Concerned with the lack of progress in reaching agreement on cost sharing, growing BDCP cost, and lack of transparency, a Los Angeles MWD delegate recently asked for a detailed accounting of MWD’s expenditures on BDCP (and DHCCP) since inception to date – including MWD share of the BDCP environmental and engineering work, as well as staff’s in-kind services and consulting agreements to support the development of BDCP.

When discussions were first initiated over debt financing the state contractors’ share of the pre-construction costs, Thomas said that SCVWD, KCWA, and MWD were considering issuing a share of the debt on behalf of the SWP contractors. No reason was disclosed at the January SWPCA meeting why SCVWD and KCWA dropped out, leaving MWD as the only contractor considering issuing debt on behalf of the SWP contractors. Further, because the $600 million represents only the state contractors’ one-half share of the additional costs needed to carry the project through pre-construction, it is unclear whether, when, or how the federal contractors will pay for their share of the pre-construction costs.

During the January SWPCA meeting, a request was made by a SWP contractor to add that the new funding agreement would be contingent on a certain percentage of participating contractors or funding cap. Thomas responded that the previous DHCCP funding agreements required a minimum of 3.0 million acre-feet of Table A participation, which made involvement more palatable by sharing the risk and costs among SWP contractors holding 75 percent of the Table A. It is unclear whether the new pre-construction funding agreement will contain such a contingency clause. The SWPCA anticipates having a draft of the pre-construction finance agreement by the end of February 2015 and will distribute it to the SWP contractors for review in early March 2015.
Today, the state and federal contractors are faced with a decision to commit an additional $1.2 billion to $1.3 billion without certainty that the BDCP will move forward. The new cost would bring the total pre-construction costs to nearly $1.5 billion. Even though BDCP planning is continuing, the lack of progress on how the cost for the ultimate project will be allocated among federal and state contractors and within each contractor group is of concern. If no critical mass of contractors opts to participate in the ultimate project, those who are left would bear an increased burden of funding the entire project, and they may ultimately not desire to proceed.10

Next Steps. As the Water Authority continues to rely on water purchases from MWD as a portion of its supply, the SWP water will remain an integral part of the Water Authority’s supply portfolio. The Water Authority Board has expressed a desire to be part of the discussion regarding a Delta solution. The cost and benefit of an eventual BDCP to the Water Authority ratepayers is important. Likewise, the MWD Board has yet to take an official position to support the project because it is also waiting for the resolution of how costs will be allocated. In addition, how MWD passes along its share of BDCP costs will be of interest to the Water Authority. MWD currently allocates DWR’s SWP facility costs on its transportation rates. Staff will continue to monitor the SWP and Delta financing issues and return to this committee with its findings.

Prepared by: Debbie Discar-Espe, Senior Water Resources Specialist
Reviewed by: Amy Chen, Director of the MWD Program

Attachment: DHCCP pre-construction financing schedule, dated January 2015

---

10 SCVWD Manager states if the urban contractors were asked to carry the cost due to agricultural contractors opting out, SCVWD would not support the action. SCVWD workshop: A statewide perspective on the Bay Delta Conservation Plan dated October 21, 2013, http://mavensnotebook.com/2013/10/21/mavens-minutes-santa-clara-valley-water-district-workshop-a-statewide-perspective-on-the-bay-delta-conservation-plan
### SUMMARY

**DHCCP Pre-Construction Financing Schedule**  
**Metropolitan Water District Financing**

*(Initial Pre-Construction Funding for SWP Contractors via MWD Commercial Paper  
Total SWP Pre-Construction Funding Estimate of $600 million)*

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 31, 2015</td>
<td>Finalize Term Sheet (Finance Workgroup)</td>
</tr>
<tr>
<td>January 31 through February 27, 2015</td>
<td>Finalize Draft of Pre-Construction Financing Agreement (MWD, DWR, KCWA, SCVWD)</td>
</tr>
<tr>
<td>March 3, 2015</td>
<td>Distribute Financing Agreement to all Parties (Finance Workgroup)</td>
</tr>
<tr>
<td>March 30, 2015</td>
<td>Receive all comments and revise Pre-construction Financing Agreement, as necessary (Finance Workgroup)</td>
</tr>
<tr>
<td>March 30, 2015</td>
<td>Recirculation of EIR/EIS</td>
</tr>
<tr>
<td>June 8, 2015</td>
<td>Metropolitan Finance Committee – Information Item (MWD)</td>
</tr>
<tr>
<td>July 13, 14, 2015</td>
<td>Metropolitan Finance Committee and Board action – approve Pre-Construction Finance Agreement (MWD)</td>
</tr>
<tr>
<td>July 15 – September 15, 2015</td>
<td>Negotiate bank documents, update Offering Memorandum, commercial paper dealer agreement(s), etc. (MWD/FA)</td>
</tr>
<tr>
<td>September 15, 2015</td>
<td>Final EIR/EIS</td>
</tr>
<tr>
<td>October 5-9, 2015</td>
<td>Rating Agency Meetings</td>
</tr>
<tr>
<td>October 12, 13, 2015</td>
<td>Metropolitan Finance Committee and Board action re: financing documents (Disclosure, bank agreements, etc.)</td>
</tr>
<tr>
<td>October 15, 2015</td>
<td>ROD/NOD</td>
</tr>
<tr>
<td>October 23, 2015</td>
<td>Receive ratings (Rating agencies)</td>
</tr>
<tr>
<td>October 26, 2015</td>
<td>Prepare to issue Commercial Paper, provide initial funds to DWR/DCE (MWD)</td>
</tr>
</tbody>
</table>

---

1. If MWD does not approve Pre-Construction Funding Agreement and issuance of MWD debt, SWPCA may be required to provide initial financing.
2. Depending on timing and need – Metropolitan would be in a position to issue the first of Commercial Paper by October 26, 2015

**Participants:**
- MWD – Metropolitan Water District
- KCWA – Kern County Water Agency
- SCVWD – Santa Clara Valley Water District
- Finance Workgroup – DWR, MWD, SCVWD, KCWA, Hallmark, FA, BC
- FA – Financial Advisor
- BC – Bond Counsel
- Participating Agencies – SWP Contractors that will sign Pre-Construction Funding Agreements and agree to pay a share of annual debt service
- DWR – Department of Water Resources
- Rating Agencies – Standard & Poor’s, Moody’s, and Fitch
## SUMMARY

**DHCCP Pre-Construction Financing Schedule**

**Metropolitan Water District Financing and SWPCA Alternative**

*(Initial Pre-Construction Funding for SWP Contractors)*

*Total SWP Pre-Construction Funding Estimate of $600 million*

**January 8, 2015**

<table>
<thead>
<tr>
<th>Date</th>
<th>MWD Commercial Paper Financing</th>
<th>SWPCA Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 31, 2015</td>
<td>Finalize Term Sheet (Finance Workgroup)</td>
<td></td>
</tr>
<tr>
<td>January 31 through February 27, 2015</td>
<td>Finalize Draft of Pre-Construction Financing Agreement (All)</td>
<td></td>
</tr>
<tr>
<td>March 3, 2015</td>
<td>Distribute Financing Agreement to all Parties (Finance Workgroup)</td>
<td></td>
</tr>
<tr>
<td>March 30, 2015</td>
<td>Receive all comments and revise Pre-construction Financing Agreement, as necessary (All)</td>
<td></td>
</tr>
<tr>
<td>March 30, 2015</td>
<td>Recirculation of EIR/EIS</td>
<td></td>
</tr>
<tr>
<td>June 8, 2015</td>
<td>Metropolitan Finance Committee – Information Item (MWD)</td>
<td>If MWD Board does not proceed - and SWPCA financing is desired, the following schedule applies</td>
</tr>
<tr>
<td>July 13,14, 2015</td>
<td>Metropolitan Finance Committee and Board action (MWD) - approval of Pre-construction Financing Agreement</td>
<td></td>
</tr>
<tr>
<td>July 15 – September 30, 2015</td>
<td>Participating Agencies - board approval of Pre-Construction Financing Agreements (Participating Agencies)</td>
<td></td>
</tr>
<tr>
<td>July 15 – September 15, 2015</td>
<td>Negotiate bank documents, update Offering Memorandum, commercial paper dealer agreement(s), etc. (MWD/FA)</td>
<td></td>
</tr>
<tr>
<td>August 19, 2015</td>
<td>SWPCA Board Meeting - Review Pre-Construction Finance Agreement</td>
<td></td>
</tr>
<tr>
<td>September 15, 2015</td>
<td>Final EIR/EIS</td>
<td></td>
</tr>
<tr>
<td>September 16, 2015</td>
<td>SWPCA Board Meeting - approval of Pre-Construction Financing Agreement</td>
<td></td>
</tr>
<tr>
<td>October 5-9, 2015</td>
<td>Rating Agency Meetings</td>
<td>Rating Agency Meetings</td>
</tr>
<tr>
<td>October 12, 13, 2015</td>
<td>Metropolitan Finance Committee and Board action re: financing documents (Disclosure, bank agreements, etc.)</td>
<td></td>
</tr>
<tr>
<td>October 15, 2015</td>
<td>ROD/NOD</td>
<td></td>
</tr>
<tr>
<td>October 21, 2015</td>
<td>SWPCA Board Meeting - approval of Financing Resolution and bond documents</td>
<td></td>
</tr>
<tr>
<td>October 23, 2015</td>
<td>Receive ratings (Rating agencies)</td>
<td></td>
</tr>
<tr>
<td>October 26, 2015</td>
<td>Prepare to issue Commercial Paper, provide initial funds to DWR/DCE (MWD)[i]</td>
<td>Rating Agency Meetings</td>
</tr>
<tr>
<td>November 11, 12, 2015</td>
<td>Receive Ratings</td>
<td></td>
</tr>
<tr>
<td>November 30, 2015</td>
<td>Post Preliminary Official Statement</td>
<td>Pricing</td>
</tr>
<tr>
<td>December 9, 10, 2015</td>
<td>Pricing</td>
<td></td>
</tr>
<tr>
<td>December 23, 2015</td>
<td>Closing - funds available</td>
<td></td>
</tr>
</tbody>
</table>

[i] Depending on timing and need – Metropolitan would be in a position to issue the first tranche of Commercial Paper by October 26, 2015
February 18, 2015

Attention: Imported Water Committee

Adopt Proposed 2015-2016 Bay-Delta Workplan. (Action)

Staff Recommendation
Adopt the proposed 2015-2016 Bay-Delta workplan.

Alternatives
1. Modify the proposed Bay-Delta workplan.
2. Do not adopt the proposed 2015-2016 Bay-Delta workplan.

Fiscal Impact
There is no fiscal impact associated with this action.

Discussion
The Water Authority has been very active in matters pertaining to the Bay-Delta for the past several years, and has engaged in a years-long Board and staff education process on the Bay-Delta Conservation Plan (BDCP) proposal and its potential effects on the San Diego region. Since 2011, the Board has conducted more than 31 public meetings on Bay-Delta and BDCP-related issues. In addition, an intensive, multi-disciplinary staff analysis of the BDCP environmental and planning documents was undertaken and shared with the Board over the course of 2013 and 2014, culminating in formal Water Authority comment letters submitted on the BDCP effort in Spring and Summer 2014.

Over the course of 2015 and into 2016, significant activity is expected related to the BDCP. In April 2015, it is anticipated that the BDCP will recirculate the environmental documents, including the EIR and EIS, and Implementing Agreement, for further public comment. The BDCP program has identified September 2015 as the projected timeframe for release of the final EIR/EIS, and October 2015 is identified as the projected timeframe for issuance of the federal Record of Decision and the state Notice of Decision on the environmental documents, thereby allowing construction to proceed in the 2016 timeframe.

This report presents a proposed Bay-Delta workplan for calendar years 2015 through 2016. The Bay-Delta workplan is intended to guide staff and the Water Authority Board of Directors in its actions on Bay-Delta issues over the next two years.

Staff recommends that the Board adopt the proposed 2015-2016 Bay-Delta workplan.

Prepared by: Glenn Farrel, Government Relations Manager
Debbie Espe, Senior Water Resources Specialist
Amy Chen, MWD Program Director
Reviewed by: Dennis A. Cushman, Assistant General Manager

Attachment: Proposed 2015-2016 Bay-Delta Workplan
PROPOSED 2015-2016 BAY-DELTA WORKPLAN

Objective: The Water Authority will actively engage at various decision-making levels to ensure the development and implementation of a cost-effective Delta solution that will stabilize its environment and provide improved water quality and water supply reliability, and ensure that the Water Authority’s share of the financial obligations match with the benefits provided by the selected Delta solution. The Water Authority staff will provide timely information and recommendations about Bay-Delta and Bay-Delta Conservation Plan (BDCP) activities to the Board of Directors.

Oversight of Bay-Delta Activities

- Advise the Board on Bay-Delta activities through regular reports to the Imported Water Committee – hold Board workshops on specific issues, as appropriate.

- Monitor activities related to the Bay-Delta, such as the BDCP and the Delta Stewardship Council.

- Actively participate, to the extent possible, in the governance, oversight, finance and funding, ecosystem restoration, facilities operations, and public advisory structures that emerge as a result of the BDCP and related forums.

- Provide input to the Water Authority’s delegation to the MWD Board of Directors regarding decisions to be made about MWD’s participation in Bay-Delta actions and solutions.

Development of Water Authority Positions Related to the Bay-Delta

- Upon publication of BDCP cost allocation data, staff will review and analyze the fiscal and cost allocation data presented to evaluate the potential BDCP fiscal impact on San Diego ratepayers, and to evaluate the BDCP project’s cost-benefit to Water Authority ratepayers as compared to other supply alternatives.

- Review and provide comments on the BDCP re-circulated EIR/EIS and Implementing Agreement, as appropriate.

- Monitor the State Water Resources Control Board’s process to develop new flow objectives for the Delta and assess potential impact from that process to Delta export as it relates to supply benefit described in BDCP.

- Actively engage in the development of new BDCP governance structures and parameters to ensure balanced and fair representation of interests.
• Educate San Diego business, community, legislative, civic, and opinion leaders, and the media, regarding the Water Authority positions related to the BDCP.

**Bay-Delta Program Financing**

• Advocate that the costs and sources of funds of any Bay-Delta solution be identified and funding committed before project commences.

• Monitor BDCP pre-construction cost to ensure it is shared equally by all project proponents.

• Monitor and analyze development of any short- or long-term finance plan that:
  
  o Provides adequate and stable funding to accomplish the co-equal goals of providing a reliable water supply and restoring the Bay-Delta ecosystem.
  
  o Ensures Bay-Delta solutions proportionately allocate the costs to all those that benefit from the program’s actions, so that financial support for the program reflects benefits received.
  
  o Links water user funding to the accomplishment of specific water supply reliability and water quality goals.

• Work with other stakeholders to secure and maximize appropriations of state and federal funding for necessary Bay-Delta improvements.

• Educate San Diego business, community, legislative, civic, and opinion leaders, and the media, regarding financial implications and potential water supply and water quality benefits of BDCP to San Diego ratepayers.

• Continue to actively advocate for a BDCP financing model that requires firm financial commitments – through take-or-pay contracts or legal equivalent – from member agencies or units of the State Water Project and Central Valley Project contractors, to pay the fixed costs of BDCP, and that utilizes appropriate back-stop financing mechanisms to ensure payment, before bonds are issued and commencement of project construction.

**Advocacy for Near- and Longer-Term Bay-Delta Improvements Necessary to Restore and Improve Water Supply Reliability**

• Engage Water Authority directors in direct advocacy efforts in Sacramento and Washington, D.C. to communicate the San Diego region’s interests in a Delta solution and Bay-Delta improvements.
• Engage directly to secure the support of San Diego business, community, civic, and opinion leaders, and the media, for any Delta solution supported by the Water Authority.

• Monitor MWD’s positions and recommendations on Bay-Delta issues and provide recommendations to the Water Authority’s delegation to the MWD Board of Directors.

• Recommend to the Water Authority board positions of support or opposition to legislation concerning the Bay-Delta and the BDCP.

• Monitor and report the progress of Bay-Delta water rights hearings and settlement discussions as they affect the quality, reliability, and cost of State Water Project supplies.

• To the extent possible, participate in any forums related to BDCP to advance and protect the San Diego region’s interests.

**Participation and Outreach to Member Agencies and the Public**

• Advise the member agencies on Bay-Delta activities through periodic reports at member agency general manager meetings; make informational presentations at member agency Board meetings and interested community organizations, as requested.

• Represent Water Authority positions at meetings in public forums related to the Bay-Delta, as appropriate; inform Board members and member agency managers of opportunities for their participation in the process and assist in the development of letters and public testimony.

• Provide briefings and written updates, as appropriate, on Bay-Delta issues and San Diego region concerns to local legislators and elected officials, business and community groups, and other interested parties.
February 18, 2015

Attention: Imported Water Committee

Metropolitan Water District Storage Programs Update (Information).

Purpose
To update the status of the Metropolitan Water District’s storage programs.

Background
California’s 2014 water year was the third-driest in recorded state history. Even though the 2015 water year started with several significant precipitation events in December, the state experienced one of the driest Januaries on record. A survey conducted in late-January at Echo summit in the Sierra Nevada Mountains, which normally constitutes the state's largest surface runoff area, showed the snow pack at just 12 percent of normal. Lake Oroville, which is the State Water Project’s principal reservoir, is about 69 percent of normal for this time of year. The Metropolitan Water District (MWD) ended 2014 by depleting about half of the dry-year storage reserves, starting 2015 with 1,17 million acre-feet. In preparation for potential continued dry conditions, this month, MWD initiated discussions on a potential water supply allocation. Key issues in these discussions are how much storage reserves are available, how much storage should be used to help meet projected 2015 demands, and where those demands occur in the MWD’s service territory.

A more comprehensive discussion of MWD’s storage programs and the evolution of its reliance on storage is attached (see Attachment 1).

Discussion
Calendar Year 2014. MWD began 2014 with 2.33 million acre-feet of total dry-year storage. As dry conditions persisted and record temperatures continued, the Department of Water Resources (DWR) issued its final 2014 State Water Project (SWP) allocation at 5 percent. Similarly, the Colorado River Basin was in its 14th year of drought, although no shortage was declared on the River. In California, Governor Brown declared a state of emergency in January urging Californians to increase water conservation efforts and in April, he again asked Californians to redouble their efforts. The MWD Board responded by taking several actions to further its conservation objectives. However, despite the efforts, member agencies’ demand on MWD increased compared with 2013. Statewide, 2014 ended as the warmest year on record. Member agencies’ demand on MWD (including the Water Authority’s Quantification Settlement Agreement (QSA) transfer supplies), along with MWD’s obligations and system losses totaled 2.1 million acre-feet. More than half of MWD’s demand – 1.16 million acre-feet -- was met by storage reserves (See Table 1), reducing the dry-year storage reserves to about 1.17 million acre-feet.

---

1 Excluding emergency storage of 626,000 acre-feet.
Table 1: 2014 MWD Water Supply and Demand Balance

<table>
<thead>
<tr>
<th>2014 Water Supply and Demand Balance</th>
<th>(Acre-Feet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Demands, Obligations, and Losses *</td>
<td>-2,103,000</td>
</tr>
<tr>
<td>Available Supplies</td>
<td>945,000</td>
</tr>
<tr>
<td>SWP Supplies</td>
<td>108,000</td>
</tr>
<tr>
<td>CRA Supplies *</td>
<td>837,000</td>
</tr>
<tr>
<td>Net Water Supply and Demand Balance (Gap)</td>
<td>-1,158,000</td>
</tr>
<tr>
<td>Dry-Year Storage Withdrawn</td>
<td>1,158,000</td>
</tr>
<tr>
<td>WSDM Storage as of January 1, 2015 (excluding Emergency Storage)</td>
<td>1,174,000</td>
</tr>
</tbody>
</table>

*(includes the Water Authority’s 180,000 AF of QSA Transfer and Lining Water)

**Calendar Year 2015.** The significant withdrawals from storage, and where the remaining storage reserves are located, have made availability of 2015 SWP supplies critical. This section examines MWD’s potential supplies for 2015.

**Transfers.** In MWD’s 2015 supply and demand analysis presented in February, an additional 265,000 acre-feet of dry-year transfers was assumed on the Colorado River and SWP systems. In contrast, MWD obtained 12,000 acre-feet of dry-year transfers in 2014.

**Colorado River Aqueduct.** Although there is a slight probability of shortage declaration in 2016 on the Colorado River due to the prolonged drought experienced in that basin, no shortage declaration is expected on the River for 2015. For 2015, MWD reported it anticipates a base Colorado River Aqueduct supply of about 930,000 acre-feet – 93,000 acre-feet more than its 2014 supply.

**State Water Project.** Last December, DWR announced its initial allocation of 10 percent for 2015, and later, in January, increased it to 15 percent after a series of storms in December. However, despite December’s storms, and expected heavy rainfall in northern California this month, DWR has indicated it would take three to four months of above normal precipitation to pull California out of the lingering drought. MWD can expect 286,725 acre-feet of SWP supplies under the current 15 percent allocation. Depending upon hydrology over the next several months, the final allocation may be higher or lower.

In an operations study update (January 21), DWR projected an 18 percent SWP allocation under dry conditions, and between 27 percent and 39 percent SWP allocation under median conditions, depending on pumping restrictions. In February, MWD presented scenario analyses for SWP allocations at 20, 30 and 40 percent, reflecting its interpretation of DWR modeling results for SWP allocation under dry and median conditions. At these allocations, MWD reported between

---

2 In February 2015, the MWD board authorized pursuing up to 100,000 acre-feet of additional dry-year transfer supplies on the SWP system
3 No details were provided on MWD’s project 2015 Colorado River supplies, however, it may involve additional programs similar to the Southern Nevada exchange which allows MWD to take the water now and return it in the future.
4 The Operations Study conducted by DWR relies on reservoir conditions, precipitation data and operation restrictions, among other things, to develop the probability of allocation levels. The study result changes as the water year unfolds and precipitation measurements and runoff predictions are better known. For example, the median condition based on January 5 Operations Study was between 45 and 55 percent, depending on pumping restrictions.
500,000 and 540,000 acre-feet of water from storage is available, as withdrawal capacity increases slightly (although not proportionally) with increased SWP allocation.

**Demand Gap.** Table 2 summarizes MWD’s 2015 potential supply and demand scenarios, assuming a repeat of 2014 demands in 2015 and under the current SWP allocation and potential SWP allocations based on current projected dry and median conditions, as well as a SWP allocation where available supplies balance with assumed demands.

<table>
<thead>
<tr>
<th></th>
<th>15% SWP (AF)</th>
<th>20% SWP (AF)</th>
<th>30% SWP (AF)</th>
<th>40% SWP (AF)</th>
<th>50% SWP (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SWP Supplies Total</td>
<td>286,725</td>
<td>382,300</td>
<td>573,450</td>
<td>764,600</td>
<td>955,750</td>
</tr>
<tr>
<td>CRA Supplies Total</td>
<td>930,000</td>
<td>930,000</td>
<td>930,000</td>
<td>930,000</td>
<td>930,000</td>
</tr>
<tr>
<td>Transfers/Exchanges Total</td>
<td>265,000</td>
<td>265,000</td>
<td>265,000</td>
<td>265,000</td>
<td>265,000</td>
</tr>
<tr>
<td><strong>Supplies Total</strong></td>
<td><strong>1,481,725</strong></td>
<td><strong>1,577,300</strong></td>
<td><strong>1,768,450</strong></td>
<td><strong>1,959,600</strong></td>
<td><strong>2,150,750</strong></td>
</tr>
<tr>
<td>2015 Demands and System Losses*</td>
<td>2,103,000</td>
<td>2,103,000</td>
<td>2,103,000</td>
<td>2,103,000</td>
<td>2,103,000</td>
</tr>
<tr>
<td><strong>Net Water Supply and Demand Balance</strong></td>
<td><strong>-621,275</strong></td>
<td><strong>-525,700</strong></td>
<td><strong>-334,550</strong></td>
<td><strong>-143,400</strong></td>
<td><strong>47,750</strong></td>
</tr>
</tbody>
</table>

*(includes the Water Authority’s 180,000 acre-feet of QSA Transfer and Lining Water)

**Storage Supplies.** For SWP allocations between 20 and 40 percent, out of the 1.17 million acre-feet of dry-year storage reserves, MWD reported it has 500,000 and 540,000 acre-feet of storage supply accessible to augment supply in 2015. MWD now is faced with the question whether to withdraw almost half of its remaining dry-year storage thus leaving minimal storage reserves for future years, or whether to take actions to manage demand, including allocating water, to reduce potential storage take and preserve storage reserves in anticipation of potential continuation of dry year impacts to supply availability.

**SWP-Exclusive Area.** Under normal operations, one-third of MWD’s service area can receive only SWP supplies. In 2014, due to limited SWP supplies, MWD took actions to reconfigure its operations to facilitate the use of Colorado River supplies in some of the previously SWP-exclusive areas. MWD withdrew 495,000 acre-feet of storage from SWP system in 2014, depleting its DWR “flex storage” account and almost all of its “carryover” storage. Under agreement, MWD must pay back the 219,000 acre-feet of its “flex storage” take within five years. Withdrawal of this unprecedented amount of water from the SWP system was necessary largely to meet MWD’s SWP-exclusive areas’ needs. Together with the SWP base supply, in 2014, MWD delivered 608,000 acre-feet of SWP supplies, – of which about 550,000 acre-feet was consumed by the SWP-exclusive

---

5 Based on MWD’s interpretation of potential SWP allocations, which differ slightly from DWR’s modeling results.
6 Under the 10 percent initial SWP allocation, the total storage reserves available is up to 491,000 acre-feet.
7 Per the Monterey Amendments, the Flexible Storage Program provides SWP water contractors participating in the repayment of the capital costs of Castaic Lake and Lake Perris the option to withdraw water in excess of approved deliveries. Participating SWP water contractors are given five years to replace stored water withdrawn with approved SWP or non-SWP water. MWD has access to up to 219,000 acre-feet of water in DWR’s terminal reservoirs.
8 Includes a small amount of transfers, and advance delivery program with Desert Water Agency and Coachella Valley Water District.
areas. In other words, even with operational changes, MWD still has an annual SWP need of 550,000 acre-feet, without additional demand management. An added complexity MWD must consider when its SWP system storage is low: how will it meet its SWP-exclusive area needs?

Table 3 illustrates potential available 2015 SWP supplies under the same scenarios analyzed above. It also offers a perspective on MWD’s ability to meet its SWP-exclusive areas’ demand. The table shows a severe limitation for MWD to serve water to its SWP-exclusive areas if allocation is below 20 percent. Until MWD regains access to DWR’s “flex” storage and “carryover” water and if dry conditions continue, how MWD would meet its SWP-exclusive area’s demands remains challenging.

<table>
<thead>
<tr>
<th></th>
<th>15% SWP (AF)</th>
<th>20% SWP (AF)</th>
<th>30% SWP (AF)</th>
<th>40% SWP (AF)</th>
<th>50% SWP (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SWP Base (Table A)</td>
<td>286,725</td>
<td>382,300</td>
<td>573,450</td>
<td>764,600</td>
<td>955,750</td>
</tr>
<tr>
<td>SWP System Storage</td>
<td>141,000</td>
<td>151,000</td>
<td>171,000</td>
<td>191,000</td>
<td>191,000</td>
</tr>
<tr>
<td>Carryover</td>
<td>26,000</td>
<td>26,000</td>
<td>26,000</td>
<td>26,000</td>
<td>26,000</td>
</tr>
<tr>
<td>DWR Flex</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Central Valley programs*</td>
<td>115,000</td>
<td>125,000</td>
<td>145,000</td>
<td>165,000</td>
<td>165,000</td>
</tr>
<tr>
<td>DWCV Advance Delivery Account</td>
<td>28,650</td>
<td>38,200</td>
<td>57,300</td>
<td>76,400</td>
<td>95,500</td>
</tr>
<tr>
<td>SWP Total</td>
<td>456,375</td>
<td>571,500</td>
<td>801,750</td>
<td>1,032,000</td>
<td>1,242,250</td>
</tr>
</tbody>
</table>

* Central Valley programs include: Arvin Edison, Semitropic, Kern Delta and Mojave

Storage Use. The large gap between supply and demand if SWP allocation stays at 15 percent will force MWD to allocate water because it does not have access to adequate storage reserves to meet demands. Even if the SWP allocation improves, there is still important policy considerations relating to how MWD should meet its demands -- what about SWP allocations of 30 and 40 percent – the current forecasted allocation under median conditions as interpreted by MWD?

- How does MWD balance the amount of water to keep in storage and how much should it withdraw to meet demand and lessen the impacts of shortage? This requires considering:
  - What’s the proper reserve balance to keep for future use if dry conditions continue?
  - How does an allocation affect the region’s economy?
- If MWD calls for an allocation too soon, would that be an unnecessary burden to its ratepayers if wetter weather returns in late spring?
- If MWD allocates its supplies, is there a priority on any “excess” supplies resulting from demand reductions? Should MWD use the supplies to rebuild its own depleted regional storage, or should it share the supplies for member agencies to store in their groundwater basins or reservoirs?

---

9 MWD reported that through its operational changes, it was able to reduce its SWP-exclusive area demand from about 700,000 acre-feet to 550,000 acre-feet in 2014.
In addition to the storage withdrawals, in recent years, MWD has been utilizing supplies from programs that contain “pay-back” provisions. The use of DWR’s flex storage is an example. MWD has also exchanged 162,000 acre-feet of water with Southern Nevada Water Authority, which must be paid back in future years. MWD must consider these pay-back obligations and the future impacts of continuing to utilize supplies with these provisions on its ability to meet its member agencies’ future demands.

**Next Steps.** The Water Authority’s Delegates have long urged the MWD Board to have a policy discussion on storage use to develop a comprehensive storage management strategy that includes adaptive put and take operational parameters as well as a funding plan. This month, MWD began the discussion on storage use and demand management. Staff will report to the Water Authority’s Imported Water Committee on the discussions held at MWD’s committee and Board meetings.

Prepared by: Debbie Discar-Espe, Senior Water Resources Specialist
Reviewed by: Amy Chen, Director of the MWD Program

Attachment: Metropolitan Water District Storage Programs, dated June 18, 2014
June 18, 2014

Attention: Imported Water Committee

Metropolitan Water District Storage Programs (Information).

Purpose
To review Metropolitan Water District’s storage programs and how the use of storage influences MWD’s ability to meet demand.

Background
California is in the third consecutive year of drought, with 2013 being the direst year on record statewide. Governor Brown declared a state of emergency in January urging Californians to increase water conservation efforts and he again asked Californians in April to redouble their effort. The Metropolitan Water District (MWD) board responded by taking actions to further its conservation results in February, March, and again in May; but persistent dry conditions and hotter than normal temperatures continue to increase demands on MWD.\(^1\) The worsening drought is causing MWD to withdraw an unprecedented amount of water from storage reserves this year to meet demands. Potentially, more than 1 million acre-feet of water may be withdrawn from storage for 2014, representing almost half of MWD’s current available dry-year storage supplies.

MWD’s storage management strategies were developed in earlier years, following the droughts of 1976-77 and 1987-1992, and the region’s need for storage has since evolved. For example, MWD increased its reliance on the more hydrologically variable State Water Project (SWP) supplies in 2003 when it lost access to a significant amount of surplus Colorado River, a core supply. The pumping restrictions placed on the SWP since 2007 threaten to cause MWD’s SWP supplies to be short seven out of 10 years,\(^2\) versus three out of 10 years historically. These changed conditions have progressively increased MWD’s reliance on storage reserves to meet supply gaps – both in terms of frequency and degree of reliance. This reality, combined with the current depth of the drought, makes it an opportune time to review and update MWD’s storage programs and its management strategy.

To facilitate a more in-depth understanding of MWD’s storage programs and how its reliance on storage has evolved, please refer to Attachment 1.

Discussion
Over the past two decades, MWD increased its total storage capacity to about 6 million acre-feet to meet emergency and dry-year supply needs. By 2012, MWD accumulated storage reserves to its highest level and ended the year with about 2.7 million acre-feet of dry-year supplies in storage.\(^3\) With

---

1 The Water Authority board took action in February 2014, activating its Drought Response Plan, seeking increased voluntary conservation. In March 2008, the Water Authority approved a Model Drought Response Ordinance as a guide for member agencies. It identifies four levels of drought response with progressive water-use restrictions.

2 According to MWD, modeling results conducted immediately following the pumping restrictions showed that the SWP would be short seven out of 10 years; but more recently, staff said as a result of overall reduction on MWD demand, the frequency of shortage is not as severe, but remains higher than the three out of 10 years.

3 Not including an additional 626,000 acre-feet of emergency storage supplies. The amount of storage supplies set aside for emergency use may differ one year to another, because the amount is adjusted according to the projected needs.
2013 in the books as California’s driest year on record, MWD drew its storage reserves down by 358,000 acre-feet, closing the year with about 2.3 million acre-feet of total dry-year storage.

MWD entered 2014 with a dismal 5 percent SWP initial allocation. As dry conditions persisted – for the first time ever – the Department of Water Resources (DWR) decreased the allocation to an unprecedented zero percent, an amount that was subsequently increased back to 5 percent where it currently stands. With more than 2 million acre-feet of water in storage, MWD management decided early on to avoid allocations and meet the projected demand in 2014 by withdrawing from storage reserves.

Although the MWD Act affords each member agency a “preferential right” to MWD water, the MWD board in 2008 adopted a Water Supply Allocation Plan (WSAP) that describes how the board may choose to allocate water during a shortage. To impose an allocation, the WSAP specifies that the board take an action in April with July 1 as the implementation date. Making a decision in April allows MWD to see how the “water year” has developed so the decision could better reflect developing conditions. This past April, the MWD board did not take action to impose a WSAP allocation for fiscal year 2015.

However, in response to Governor Brown’s call to increase conservation, the MWD board has taken several actions since February intended to increase conservation and therefore reduce demand. Yet, these actions have not slowed member agencies’ demands for MWD water, due to the hotter than normal weather. The 12-month rolling demands on MWD continue to increase and now, with system losses included, stand at 1.94 million acre-feet. (Often, MWD includes its obligation to transfer the Water Authority’s Quantification Settlement Agreement supplies as part of its demand and when that amount is included, the total stands at more than 2.1 million acre-feet.) For 2014, MWD has adequate storage reserves to meet the projected supply gap of about 1.1 million acre-feet. But if 2015 is dry, and MWD demand continues to track at current levels, MWD may need to implement its WSAP to manage demands and maintain prudent storage reserves so that it may minimize the severity of future supply cuts should dry conditions persist.

Although there are discussions of an El Niño condition forming in 2015, the potential effect of an El Niño condition on MWD supplies is unknown. Given the uncertainty of SWP allocation for 2015 and that certain parts of MWD’s service area have limited access to Colorado River supplies, MWD would benefit by conducting multi-year scenario planning with its member agencies to better understand available options for the region should dry conditions continue beyond 2014.

When MWD entered the last drought of 2007-2009, MWD staff kept the board apprised as conditions evolved and provided frequent written reports. It also communicated extensively with member agency staff and held numerous meetings informing member agencies of the developing conditions. Through that effort, the MWD board adopted the WSAP and used it to manage storage reserves. Member agencies responded by taking actions locally and reversed the demand trends. In contrast, during the current multi-year drought, MWD staff has not actively engaged member agency managers in any process or dialog to jointly strategize on how the region may best respond to the current situation and conditions.

---

4 Although MWD has taken actions to enable the delivery of Colorado River supplies to traditionally SWP exclusive areas, Calleguas and Las Virgenes municipal water districts are especially vulnerable, as they have the least access to the Colorado River supplies.
what to do should dry conditions persist. Although MWD is communicating the drought messaging with member agencies’ public information staff, it has not engaged the managers in a dialog on the development of strategies to best manage potential water shortage allocations in the coming years.

As MWD’s reliance on storage increased due to changed conditions, the Water Authority’s delegates have repeatedly suggested having a comprehensive policy review and discussion on MWD’s storage management strategy, including the put and take operations as well as a funding strategy. MWD management has maintained that its resource management strategy is current and provides flexibility for staff to manage resources. In recent months, as California faced continued unprecedented supply challenges, the delegates have also suggested that MWD begin scenario planning should dry conditions continue. Last month, MWD staff presented a written report that provided more details on imported water supply gaps and identified potential storage reserves that may be withdrawn. The MWD board has taken actions so areas previously served by SWP supplies exclusively could receive Colorado River supplies. MWD staff indicated this month that during the summer, it plans to begin a review process of the WSAP and involve the member agency managers in this process, and consider adjustments to the WSAP this fall.

While it is crucial for MWD to conduct scenario planning on options for withdrawals in the event of continued dry conditions beyond 2014, it would also be prudent for MWD to prepare a fill plan – both operationally and financially – so it may capture the maximum amount of supplies and begin to replenish its storage reserves.

A successful storage program depends on not just having an adequate capacity, but also on having the operational and financial capability to fill the storage space when water is available and the operational land financial capacity to withdraw and deliver water to where it is needed. A comprehensive storage plan therefore addresses the capacity and operational needs, and also the funding strategy. Last year, faced with excess unrestricted reserves over the maximum limit, MWD created a restricted reserve fund intended for water transfers and costs associated with storage replenishment and drought response activities, and transferred some of the excess reserves fund to fill the fund initially. However, MWD has not adopted a policy on how this fund will be replenished or for what type of activities this fund should be used.

Next Steps

The Water Authority’s delegates will continue to advocate prudent resources management at MWD. Water Authority staff will actively engage in the review process to help explore options. It will also continue to monitor and analyze MWD’s storage programs as it relates to MWD supplies and demand and will report back to the Imported Water Committee.

Prepared by: Debbie Discar-Espe, Senior Water Resources Specialist
Reviewed by: Amy Chen, Director of MWD Program

Attachment 1: MWD’s Storage Development: How Storage Reserves Are Used To Meet Supply Gaps

---

5 MWD has cancelled six of the member agency managers meeting over the past 14 months – including this May and June -- where MWD had historically communicated and held dialog with agency managers to tackle regional water supply challenges.

6 Historically, certain parts of MWD service areas were served with SWP supplies exclusively to avoid pumping costs for MWD.
MWD’s Storage Development:
How Storage Reserves Are Used To Meet Supply Gaps

As Metropolitan Water District’s (MWD) imported water supplies become less stable and demand on MWD continues to grow and surpass budgeted projections, storage is playing an increasing role in MWD’s overall supply strategy. This report supplement contains a summary of MWD’s storage development and changed conditions that impacted the reliance of its storage resources over the past 40 years. Also included are a status of MWD’s current storage conditions and a snapshot of potential impacts to the storage reserves under a range of potential 2015 State Water Project (SWP) allocations.

Role of Storage

During the 1976-1977 drought, when statewide runoff hit an all-time low, it became clear that storage could play a larger role to augment imported supplies. MWD modified its water resources plans to rely more on carryover storage and continued to encourage its member agencies to better utilize their groundwater basins. In the late 1980s, extended dry conditions again threatened California’s water supply. Both MWD’s imported sources – the State Water Project (SWP) and the Colorado River Aqueduct (CRA) – were faced with prolonged dry hydrologic conditions. By 1991, even though MWD was able to maintain a full CRA by using Arizona’s and Nevada’s unused apportionments, the limited SWP supplies severely hindered MWD’s ability to meet demand. It resorted to supply allocation to manage member agencies’ demands on MWD. For more than one year, the Water Authority’s MWD supplies were cut by 31 percent; deeper delivery cuts of 50 percent were only averted by “Miracle March” rains.

Water Surplus and Drought Management Plan

Following the drought of 1987-1992, the MWD Board adopted its first Integrated Resources Plan (IRP) in 1996. The plan was updated in 2004 and again in 2010. The foundation of the IRP was incorporated into MWD’s wholesale reliability goal, “to provide 100 percent of full service demands at the retail level under all foreseeable hydrologic conditions.” To fully effectuate the plan’s objectives, local actions are required.

As part of the implementation of the 1996 IRP, in April 1999 MWD adopted the Water Surplus and Drought Management (WSDM) Plan, which defines “the resource management policy necessary to achieve the region’s reliability goal.” The WSDM Plan outlines potential resource management actions during various stages of surplus and shortage conditions (See Figure 1 for WSDM Plan Stages and Actions matrix).

<table>
<thead>
<tr>
<th>Surplus Stages</th>
<th>Actions</th>
<th>Shortage Stages</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Put to Cyclic Storage</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Put to SWP Groundwater Storage</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Put to SWP Carryover</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Put to Lake Mead ICS</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Put to Conjunctive Use Groundwater</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Put to DWR Flexible Storage</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Put MWD Surface Storage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Public Outreach</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Take MWD Surface Storage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Take from SWP Groundwater Storage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Take from Replenishment Deliveries</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Take from Conjunctive Use Storage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Take from SWP Carryover</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Take from DWR Flexible Storage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Take from Lake Mead ICS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Extraordinary Conservation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reduce IAWP Deliveries</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Call Options Contracts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Buy Spot Transfers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Implement Allocation</td>
<td></td>
</tr>
</tbody>
</table>

* Replenishment and agricultural deliveries were phased out by December 2012.
When the WSDM Plan was first adopted, it did not include an allocation plan. The Water Supply Allocation Plan (WSAP) was subsequently adopted in 2008 and added to the WSDM Plan matrix, as the last step in management of supply resources. Although the WSDM Plan matrix in Figure 1 identifies surplus and shortage “stages,” they are not meant to be used prescriptively, but rather, as an illustration of general management actions. Other than the implementation of supply allocation, which requires a board action, MWD management maintains flexibility in deciding how supplies would be managed. When the WSDM Plan matrix was first adopted, probably its most interesting concept from a member agency’s perspective was the understanding of the actions available to MWD in the event drought conditions increase and how member agency services, such as discounted replenishment or agricultural programs, may be impacted. As imported supplies have become less stable and demands on MWD’s full service water continued, both discounted water programs have been phased out. How MWD manages its storage resources plays an ever increasing role in managing the frequency and severity of potential supply allocations.

**Shifting of Imported Supplies**

When MWD adopted the 1996 IRP, it assumed its Colorado River Aqueduct (CRA) would be full and any reliance on storage was mainly to offset the anticipated demand gap due to the variability of annual SWP supplies. In 2003, MWD lost access to surplus Colorado River supplies it had relied upon for many decades, when Nevada and Arizona’s increased demand on Colorado River water. The loss of 662,000 acre acre-feet of surplus Colorado River supplies, which MWD previously assumed would be available every year, significantly impacted its supply planning. The decrease in such a large core supply assumption made MWD’s storage programs even more important, as the SWP supplies are more susceptible to annual hydrologic variations. In 2007, the SWP pumping was limited by a federal judge, which led to subsequent regulatory restrictions, causing MWD to further increase its dependence on its storage programs.

---

1. Although the MWD board has used different methods to allocate supplies, these allocation plans do not supersede member agency’s preferential right. During the 1990’s, the MWD board instituted the Incremental Interruptible Conservation Plan to allocate supplies. WSAP, adopted in 2008, is the current allocation plan.
2. Storage has always played an important role in surface water supplies. The Colorado River system has about 60 million acre-feet of system storage. The abundant storage capacity in the Colorado River system for carry over uses and the Law of the River that favors California water users, make MWD supplies from this system less sensitive to annual hydrologic variations. In contrast, the SWP system has only about 5.8 million acre-feet of storage and its supplies are far more sensitive to annual hydrologic variation.
3. MWD has since developed several programs to replace the surplus water, but not at a level that fully replaced the lost annual surplus. The Water Authority’s water transfer with the Imperial Irrigation District and the supplies from the lining of All American and Coachella canals comprise 180,000 acre feet of supplies conveyed by MWD through the CRA.
Storage Capacity Growth
Since the 1987-1992 drought, MWD has steadfastly built up its water storage capacity from around 1 million acre-feet in the early 1990s to about 6 million acre-feet by 2014. Other than water that is stored and set aside for emergency use, the remaining capacity is intended to be managed and utilized when MWD’s imported sources are insufficient to meet demands. (See Figure 2 for MWD’s storage capacity growth).

MWD’s storage portfolio includes both surface reservoirs (MWD-owned, and reservoirs owned and operated by others that are accessible to MWD through agreements), and groundwater storage (in-region groundwater storage with member agencies via conjunctive use agreements and out-of-region groundwater storage via exchange and storage agreements). These storage facilities are located along the SWP, the CRA, and within MWD’s service area.

MWD’s storage strategy was originally developed based on the amount of storage needed to fill supply gaps for three out of 10 years -- matching the historical drought frequency and the potential SWP may not produce adequate supplies to meet annual demand. With pumping restrictions on SWP, the frequency of supply gaps increased. MWD initially reported that modeling results showed SWP supplies shifted to being “short” seven out of 10 years, but more recently said the “short” is not as dire, due to decreases in MWD demand.

Historic Use of Storage Reserves
As MWD built up its storage capacity, it has utilized storage resources to mitigate supply shortages. Figure 3 shows MWD’s end of year storage for the last decade and the impact of the SWP’s variability on storage. By the end of 2006, MWD had about 2.2 million acre-feet dry year storage in its various facilities and accounts. As dry conditions continued, and later court-imposed pumping restrictions further curtailed SWP supplies, MWD drew down more than half of its stored water in two years (2007 and 2008) to meet the gap between water supply and regional demand, ending calendar year 2008 with about 1.1 million acre-feet in its dry-year storage reserves.

4 The amount of MWD supply set aside for emergency use (as a result of a major earthquake damage to the region’s imported supply systems, including SWP, CRA and the Los Angeles Aqueduct) is based on the criteria that it would have sufficient supply to meet 75 percent of member agencies’ retail demand under normal hydrologic conditions for six months. As such, the amount is adjusted depending on projected member agencies’ retail demand.

5 Excluding 670,000 acre-feet of supply in storage set aside, which was the estimated emergency storage need in 2006. For 2014, the emergency storage water set aside is 626,000 acre-feet, reflecting projected reduced MWD demands.
The trend began to reverse when MWD implemented the WSAP in 2009. MWD was able to manage its demand and withdrew only about 100,000 acre-feet from storage in 2009. The supply curtailment and corresponding MWD and retail water rates increases, coupled with a down economy, started the trend of lower water demand on MWD and allowed it to again begin putting water in storage starting in 2010. In 2011, favorable water supply conditions resulted in MWD’s board lifting the WSAP, but the trend of lower MWD sales continued. By the end of 2012, with continued low demand, MWD increased its dry year storage to about 2.7 million acre-feet.

**Current Storage Levels**

With hydrology on the SWP again worsening, and 2013 the driest year on record, MWD withdrew 358,000 acre-feet out of the dry-year storage to meet demand, bringing its dry-year storage reserve levels to approximately 2.3 million acre-feet. MWD began calendar year 2014 with 1.05 million acre-feet storage along the SWP system, including 607,000 acre-feet in the Central Valley and 442,000 acre-feet in SWP carryover and flexible storage. The remaining stored supplies are located in Colorado River system, including about 475,000 acre-feet in Lake Mead and 260,000 acre-feet in the Desert Water and Coachella Valley account; MWD’s own surface reservoirs (759,000 acre-feet); and in-region storage programs with member agencies (73,000 acre-feet). See Table 1 for MWD’s 2014 WSDM Storage details.

<table>
<thead>
<tr>
<th>WSDM Storage</th>
<th>1/1/2014 Storage Levels</th>
<th>Maximum CY 2014 Take Capacity*</th>
<th>CY 2014 Put Capacity*</th>
<th>Total Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado River Aqueduct System</td>
<td>475,000</td>
<td>475,000</td>
<td>200,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Lake Mead Extraordinary Conservation</td>
<td>385,000</td>
<td>385,000</td>
<td>200,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Drop 2 Reservoir and Yuma Desalting</td>
<td>90,000</td>
<td>90,000</td>
<td>0</td>
<td>90,000</td>
</tr>
<tr>
<td>State Water Project System</td>
<td>1,049,000</td>
<td>541,000</td>
<td>154,000</td>
<td>1,829,000</td>
</tr>
<tr>
<td>MWD SWP Carryover</td>
<td>233,000</td>
<td>233,000</td>
<td>47,000</td>
<td>270,000</td>
</tr>
<tr>
<td>Castaic Lake (DWR Flex Storage)</td>
<td>154,000</td>
<td>154,000</td>
<td>0</td>
<td>154,000</td>
</tr>
<tr>
<td>Lake Perris (DWR Flex Storage)</td>
<td>65,000</td>
<td>65,000</td>
<td>0</td>
<td>65,000</td>
</tr>
<tr>
<td>Arvin Edison Storage Program</td>
<td>161,000</td>
<td>17,000</td>
<td>45,000</td>
<td>350,000</td>
</tr>
<tr>
<td>Semitropic Storage Program</td>
<td>32,000</td>
<td>32,000</td>
<td>0</td>
<td>32,000</td>
</tr>
<tr>
<td>Kern Delta Storage Program</td>
<td>169,000</td>
<td>50,000</td>
<td>30,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Mojave Storage Program</td>
<td>39,000</td>
<td>0</td>
<td>0</td>
<td>390,000</td>
</tr>
<tr>
<td>In-Region Storage</td>
<td>832,000</td>
<td>504,000</td>
<td>297,000</td>
<td>1,491,000</td>
</tr>
<tr>
<td>Diamond Valley Lake</td>
<td>584,000</td>
<td>404,000</td>
<td>226,000</td>
<td>810,000</td>
</tr>
<tr>
<td>Lake Mathews</td>
<td>139,000</td>
<td>61,000</td>
<td>43,000</td>
<td>182,000</td>
</tr>
<tr>
<td>Lake Skinner</td>
<td>36,000</td>
<td>2,000</td>
<td>8,000</td>
<td>44,000</td>
</tr>
<tr>
<td>IEUA/TVMWD (Chino Basin)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100,000</td>
</tr>
<tr>
<td>Long Beach (Cent. Basin)</td>
<td>6,000</td>
<td>4,000</td>
<td>13,000</td>
<td></td>
</tr>
<tr>
<td>Long Beach (Lakewood)</td>
<td>1,000</td>
<td>1,000</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td>Foothill (Raymond and Monkhill)</td>
<td>1,000</td>
<td>0</td>
<td>9,000</td>
<td></td>
</tr>
<tr>
<td>MWDOC (Orange County Basin)</td>
<td>49,000</td>
<td>20,000</td>
<td>16,000</td>
<td>66,000</td>
</tr>
<tr>
<td>Three Valleys (Lone Oak)</td>
<td>1,000</td>
<td>0</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Three Valleys (Upper Claremont)</td>
<td>2,000</td>
<td>0</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Compton</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2,000</td>
</tr>
<tr>
<td>Western</td>
<td>8,000</td>
<td>4,000</td>
<td>3,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Cyclic - Upper San Gabriel</td>
<td>5,000</td>
<td>5,000</td>
<td>0</td>
<td>10,000</td>
</tr>
<tr>
<td>Cyclic - Three Valleys</td>
<td>0</td>
<td>0</td>
<td>40,000</td>
<td></td>
</tr>
<tr>
<td>Cyclic - Inland Empire Utilities Agency</td>
<td>0</td>
<td>0</td>
<td>40,000</td>
<td></td>
</tr>
<tr>
<td>Other Programs</td>
<td>594,000</td>
<td>14,000</td>
<td>236,000</td>
<td>1,060,000</td>
</tr>
<tr>
<td>Other Emergency Storage</td>
<td>334,000</td>
<td>0</td>
<td>0</td>
<td>334,000</td>
</tr>
<tr>
<td>DWCV Advance Delivery Account</td>
<td>260,000</td>
<td>14,000</td>
<td>236,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Total</td>
<td>2,950,000</td>
<td>1,534,000</td>
<td>887,000</td>
<td>6,044,000</td>
</tr>
<tr>
<td>Total WSDM Storage**</td>
<td>2,324,000</td>
<td>1,534,000</td>
<td>887,000</td>
<td>6,044,000</td>
</tr>
<tr>
<td>Total Emergency</td>
<td>626,000</td>
<td>0</td>
<td>0</td>
<td>626,000</td>
</tr>
</tbody>
</table>

* Put and take capacity assumed under a 5 percent SWP Table A Allocation  
** Exchanges up to 216,000 acre-feet of Colorado River water with MWD’s SWP water; however, in any year, MWD may recall up to 100,000 acre-feet of SWP Table A allocated water  
*** Total WSDM Storage level is subject to change based on accounting adjustments

6 As part of the Monterey Agreement, MWD gained access to 219,000 acre-feet of “flexible” storage on the SWP system, which MWD may utilize at any time; MWD is required to return the water within five years. 
7 Desert Water Agency and Coachella Valley Water District are SWP contractors that do not have a physical connection to the SWP. In lieu of a SWP connection, the two agencies have an agreement with MWD to exchange a like amount of their SWP supplies with MWD’s Colorado River water. MWD also has an advance delivery agreement with the two agencies that allows MWD to deliver water in advance (store) in its account. MWD’s access to the water, similar to its programs in the Central Valley, is limited by available SWP Table A allocation.
Ingredients of Successful Storage Programs

The success of any storage program depends not just on the capacity of the program, but also on the operational and financial capability to fill the storage space when water is available and operational capability to withdraw and deliver water to where and when it is needed. A comprehensive storage strategy would address all these components including fill, put, and funding sources. Although MWD was able to increase its storage, it was not without challenges. It did not always fully take advantage of excess supplies and store water in its programs. Filling the storage while its sales were down tested MWD’s ability to manage finances; during the recent three “fill” years (2010 and 2012), MWD expenses exceeded revenues two out of three years because it does not have a funding strategy.

Issues

While MWD’s dependence on storage has evolved, the MWD board has not reviewed its storage policy comprehensively in recent years. For example, it is unclear how MWD’s storage practice has changed – or not – as a result of less surplus SWP supplies being available. It is also unclear how the fill strategy distinguishes local or regional priorities, nor is its withdrawal strategy clear on how quickly and deeply storage may be used before engaging the board on policy discussions. MWD also does not have a comprehensive funding strategy for storage management. Without a comprehensive policy that ties resource management, operational priorities and funding strategy, the MWD board may make decisions that conflict with a sound overall strategy. In 2011 for example, in part due to cash flow concerns, MWD sold water at a discount for member agencies to replenish their own storage, while its own storage was not full and could have benefitted from placing more water in its own regional storage. Similarly, this year, MWD finds itself potentially diminishing storage reserves close to the levels when MWD last began implementing an allocation in 2009, but neither its board nor its member agencies have yet seen any scenario planning on how its storage reserves may be impacted if dry conditions continue beyond 2014. Equally unclear is what plans are in place should 2015 turn out to be a wet year. Last year, faced with having excess unrestricted reserves beyond maximum limit, MWD moved some of the excess unrestricted reserves to establish a restricted Water Management Fund. The board however has not developed a policy regarding what activities this fund should be used for and how the fund is to be maintained. This month, money from the fund was used to pay for programs associated with increased conservation efforts.

Calendar Year 2014

MWD’s SWP contract allows for the purchase of up to 1.9 million acre-feet of water per year. MWD currently is allocated 5 percent of its SWP contract amount. Including other SWP supplies, MWD anticipates receiving about 103,000 acre-feet of from SWP in 2014, and about 755,000 acre-feet from the Colorado River, totaling about 858,000 acre-feet for its use. MWD estimates member agency demand, including its system losses, to be approximately 1.94 million acre-feet. It plans on meeting all demand by drawing down its storage. A summary of MWD’s 2014 projected water

---

8 In contrast, the Water Authority’s Urban Water Management Plan describes the guidelines for storage use and how water balance is developed, and the Facilities Master Plan describes the approach to storage utilization. In anticipation of the filling of San Vicente dry-year storage, the Water Authority also established a Stored Water Fund to prefund filling to avoid a spike in rates in years when supplies are purchased for storage.

9 In June 2013, MWD created a restricted reserve fund – Water Management Fund (replacing the existing Water Transfer Fund) – for water transfers and costs associated with storage replenishment and drought response activities. However, MWD does not have any prescribed parameters on how this account is funded or how the funds may be utilized. Should the Fund be replenished with excess reserves only? Should the fund be used to purchase water supply or should it be used for any water management purposes?
supply and demand balance is found in Table 2. If demand continues at the current trend, MWD reported it will need to withdraw about 1.08 million acre-feet of its storage reserves, unless it could augment with additional supplies. In May, staff reported that although it had participated in transfer discussions, it had not purchased any supplies due to high costs. By end of 2014, MWD’s dry-year storage could drop to 1.245 million acre-feet (as low as the pre-2010 levels).

In response to Governor Brown’s call for Californians to conserve water, the MWD board took several actions in early 2014 to increase its conservation spending and intensify conservation messaging. It is unclear how the region may ultimately respond. Due to hotter than normal weather, demands for MWD water continue to increase more than MWD’s projection as recent as May.

**Looking Ahead**

Table 3 provides estimated potential MWD WSDM storage levels in 2015, based on an evaluation by Water Authority staff of current supply and demand trends, and storage take limitations.

---

10 It was reported at the Colorado River Board that Senior Water Users are trending to use more Colorado River supplies, which may increase MWD’s storage withdrawal to about 1.18 million acre-feet. As reported in by MWD, it assumes assumed zero adjustment as a result of increased senior water use in its WSDM report.
Agencies more critically impacted from continued low SWP allocation are Las Virgenes and Calleguas municipal water districts. Because their limited access to the CRA system and MWD’s access to the Central valley storage programs due to take limits, these agencies may find themselves facing unique challenges not shared in other areas, should 2015 SWP allocation repeats 2014.

If 2015 turns out to be dry, the MWD board would most likely need to take additional actions. For example, if 2015 turns out to be a repeat of 2014’s dry-year—assuming MWD demands drop by 10 percent due to increased conservation messaging, and it has the same imported supplies from the SWP and CRA as 2014, storage levels will decline significantly to meet demand. Under this scenario, MWD may have only about 240,000 acre-feet of water from the SWP system, assuming similar take levels.

Historically on the SWP, there has never been two consecutive years with a 5 percent allocation.
limitations exist from its Central Valley storage programs (see Table 3). On the other hand, MWD would avoid taking water from storage in 2015 entirely, if it has a SWP allocation of 55 percent or higher and it reduces demand by 10 percent and CRA supplies remain the same as 2014. Using the same demand and CRA assumptions, with SWP allocation at 30 percent, MWD would need to withdraw about 407,850 acre-feet, about one-third of dry-year storage reserves.

Table 4 illustrates potential withdrawals under a 5-, 30-, and 50-percent SWP allocation scenarios – all scenarios assume that the region has been successful in reducing the demand by 10 percent.

<table>
<thead>
<tr>
<th></th>
<th>5% SWP (AF)</th>
<th>30% SWP (AF)</th>
<th>55% SWP (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential Storage Reserves, January 2015</td>
<td>1,245,000</td>
<td>1,245,000</td>
<td>1,245,000</td>
</tr>
<tr>
<td>SWP Supply</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SWP Total</td>
<td>103,000</td>
<td>580,450</td>
<td>1,058,325</td>
</tr>
<tr>
<td>CRA Supply</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRA Total</td>
<td>755,000</td>
<td>755,000</td>
<td>755,000</td>
</tr>
<tr>
<td>2015 Demands, Obligations, and Losses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MWD demands and losses</td>
<td>1,743,300</td>
<td>1,743,500</td>
<td>1,743,300</td>
</tr>
<tr>
<td>Net Water Supply and Demand Balance</td>
<td>-885,300(^{12})</td>
<td>-407,850</td>
<td>70,025</td>
</tr>
<tr>
<td>Potential Storage Reserves, December 2015</td>
<td>359,700</td>
<td>837,150</td>
<td>1,315,025</td>
</tr>
</tbody>
</table>

Clearly SWP allocation will drive storage and allocation discussion in 2015. If 2014 continues to be dry, especially if it enters the fall being dry and system reservoirs are low, DWR will begin 2015 with a low initial SWP allocation. Although no one can predict where 2015 will end up, it is clear member agencies will benefit as MWD conducts scenario planning and provides guidance on potential options available to manage demands if dry conditions continue for 2015 and beyond.

After repeated requests by the Water Authority’s MWD delegates to review MWD’s storage policy and conduct scenario planning, MWD staff this month indicated it will begin a member agency process to review the WSAP this summer and in the fall make potential adjustments to the WSAP. As MWD conducts the review process, it would be helpful for it to develop a multi-year storage use plan that looks beyond just 2015, in the event of continued dry conditions. Conversely, it would also be useful for MWD to develop a fill plan to it could capture as much supplies for storage as possible should 2015 turn out to be wet.

\(^{12}\) Assumes MWD could deliver CRA water to previously SWP exclusive areas without limitations.
February 18, 2015

Attention: Imported Water Committee

Metropolitan Water District Program Report (Information)

Purpose
This report summarizes activities associated with the Metropolitan Water District of Southern California and other imported water related agencies and organizations.

Discussion

Metropolitan Water District (MWD). This section provides a summary of key actions at the February 9 and 10 meetings of the MWD Board of Directors. A companion report, included in the board supplemental materials – the MWD Delegates Report – provides information on discussions that occurred at the MWD Board and committee meetings as well as the Water Authority Delegates’ positions. The next committee and Board meetings will take place March 9 and 10.

Authorized an Agreement for State Water Project Transfer Supplies.
The MWD Board authorized a two-year agreement with the Department of Water Resources (DWR) to purchase State Water Project (SWP) supplies from other SWP contractors through the Multi-Year Water Pool Demonstration Program, to help improve MWD’s supply conditions in 2015 and 2016. The agreement authorizes the use of up to $46 million from MWD’s Water Management Fund, created in 2013 using a portion of the excess revenues collected in fiscal years 2013 and 2014 that exceeded MWD’s maximum unrestricted reserve levels. The Water Pool requires a participating SWP contractor to make a two-year commitment to buy or sell allocated SWP supplies. The price of the water is dependent upon the June 1 SWP allocation. The $46 million is equivalent to 200,000 acre-feet of supplies at a price of $230 per acre-foot, which is the Program’s price for a SWP allocation between 36 percent and 40 percent. Available Water Pool supplies are allocated in an amount proportional to the participating SWP contractors’ relative shares of their respective Table A supplies. MWD participated in the 2013 and 2014 Water Pool, and secured 30,000 acre-feet of supplies at $253 per acre-foot in 2013; none was obtained in 2014.

Potential Turf Removal Program Modifications.
The Water Planning and Stewardship Committee explored potential modifications to MWD’s Turf Removal Program, with action sought in later months. Previously, it was reported that MWD’s recent Water Awareness and Conservation Outreach Campaign has been highly effective at directing people to MWD’s rebate webpage, causing reservation requests for the Turf Removal Program to reach unprecedented highs. Following several budget increases, MWD’s current budget for fiscal years 2015 and 2016 totals $100 million, in particular to accommodate the surge in the Turf Removal Program participation. However, when the budget was recently increased in December, staff indicated that the revised funding would only carry the program through the end of fiscal year 2015, leaving no budget for conservation funding in the following year. Staff said that the purpose of considering possible modifications now is to maximize water savings, promote market transformation, and ensure the program is managed sustainably. MWD staff’s potential changes included:

- Setting a maximum annual funding limit per participating property;
Reducing the subsidy amount to $1 per square-foot (from the current level of $2 per acre-foot);

Creating a tiered subsidy system (for example, the first 10,000 square-feet of a project would be eligible for a $2 per acre-foot subsidy and any additional square-feet of turf replacement would receive a lower subsidy amount); and

Setting a firm cap on the Turf Replacement Program budget and fulfilling customers’ requests on a “first come, first served” basis.

Expressed Opposition to SB 143 (Stone, R-Indio).
The MWD Board expressed opposition to SB 143 (Stone, R-Indio) – Diamond Valley Reservoir: Recreational Use. This legislation proposes to allow body contact at Diamond Valley Lake (DVL). DVL is MWD’s, and Southern California’s, largest reservoir with a capacity of 810,000 acre-feet, and stores dry-year supplies and a portion of MWD’s six-month emergency storage reserves. Currently, recreation on the lake consists of boating and fishing, but excludes activities that would involve body contact with the water. MWD opposed the bill due to concerns that allowing body contact would degrade water quality, increase treatment and infrastructure costs, and potentially cause operational and physical constraints.

The MWD Committees and Board also:
- Inducted Director Leticia Vasquez from Central Basin Municipal Water District;
- Approved committee appointments and waiver of Administrative Code Section 2401(b) relating to Directors serving for more than two 2-year terms as Chairman of standing committees;
- Nominated and elected nonofficer members of the Executive Committee (Directors Camacho (Inland Empire Utilities Agency) and Hogan) for two-year term effective February 10, 2015;
- Received a report on Water Surplus and Drought Management Plan and discussed the status of MWD’s storage reserves and scenarios that could require MWD to impose water supply allocations if supply conditions do not improve;
- Received a presentation by outside investment manager on “Navigating the Risks and Opportunities in the Bond Market;”
- Received a report on MWD’s State Water Project Statement of Charges Audit;
- Received a report on the Status of In-Region Groundwater;
- Appropriated $450,000, and authorized replacement of protection relays at Intake and Gene Pumping Plants (Approp. 15384);
- Appropriated $1.35 million, and authorized design to replace discharge valves at Copper Basin and Gene Wash Reservoirs (Approp. 15373);
- Received Capital Investment Plan (CIP) quarterly report for the period ending December 2014;
- Heard a report on 2015/16 Inspection Trips;
- Received a presentation on Voices 2014 Employee Survey; and
- Heard a closed session report on San Diego County Water Authority v. Metropolitan Water District of Southern California, et al., San Francisco County Superior Court Case No. CPF-10-510830, No. CPF-12-512466, and No. CPF-14-514004.

MWD Member Agencies.
West Basin Municipal Water District (West Basin).
At West Basin’s February 4 MWD Caucus meeting, MWD staff provided a report on MWD’s Water Surplus and Drought Management. The presentation offered three scenarios based on varying SWP Table A allocations of 20, 30, and 40 percent, representing the latest modeling results of
potential SWP allocation under dry and median conditions. Each scenario explored the potential required allocation levels in managing demands without utilizing storage as well as with using 200,000 and 250,000 of stored water. MWD staff projected that the highest supply cutback (of about 35 percent) would occur if the final SWP allocation is 20 percent and no storage supplies are utilized.

In response to questions about MWD’s ability to supply its SWP exclusive area, MWD staff reported that it projects to have enough supplies to meet this area’s demands, including replenishment water sales to Central Basin, which cannot take Colorado River water because of quagga mussel concerns. Under a 20 percent SWP allocation, MWD anticipates having 602,000 acre-feet of SWP supplies made up of its Table A allocation, transfers, exchanges, carryover storage, and groundwater storage. MWD staff said that last year it delivered around 550,000 acre-feet of supplies to its SWP exclusive area. However, deliveries to this area are “normally” 700,000 acre-feet, but last year MWD took “drought actions” that included operational changes to deliver Colorado River water deeper into its service area. MWD plans to continue these operational changes this year.

Prepared by: Liz Mendelson, Water Resources Specialist
Reviewed by: Amy Chen, Director of MWD Program
February 18, 2015

Attention: Imported Water Committee

CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: SDCWA v Metropolitan Water District of Southern California;
Case Nos. CPF-10-510830; CPF-12-512466; and CPF-14-514004

Purpose
This memorandum is to recommend a closed session, pursuant to Government
Code §54956.9(d)(1), to discuss the above-referenced matters at the February 26, 2015 meeting.

A closed session has also been included on the agenda of the formal Board of Directors’
meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for a
closed session with the full Board at that time, but staff may request action to confirm directions
given or action recommended by the committee.

Prepared by: Daniel S. Hentschke, General Counsel
February 18, 2015

Attention: Imported Water Committee

CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: State Water Resources Control Board
Petition of Imperial Irrigation District for
Modification of Revised Water Rights Order 2002-0013

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(1), to discuss the above-referenced matter at the February 26, 2015 meeting.

A closed session has also been included on the agenda of the formal Board of Directors’ meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for a closed session with the full Board at that time, but staff may request action to confirm directions given or action recommended by the committee.

Prepared by: Daniel S. Hentschke, General Counsel
WATER PLANNING COMMITTEE

AGENDA FOR

FEBRUARY 26, 2015

Yen Tu – Chair
Betty Evans – Vice Chair
Brian Brady – Vice Chair
Jimmy Ayala
Brian Boyle
Matt Hall
Tom Kennedy
Keith Lewinger
John Linden
Marty Miller
Jim Murtland
Jose Preciado
John Simpson
Tom Wornham

1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).

3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4. Chair’s report.
   4-A Directors’ comments.
   4-B Water Planning Committee Draft Work Plan for calendar years 2015 and 2016.

I. CONSENT CALENDAR

1. Professional services contract with RMC Water and Environment for Integrated Regional Water Management Program services. Staff recommendation: Award a professional services contract to RMC Water and Environment for IRWM support services in the amount of $1,674,275 for a contract period from April 1, 2015 to June 30, 2019. (Action)  

   Mark Stadler

II. ACTION/DISCUSSION

1. Contracts with Carlsbad Municipal Water District and Vallecitos Water District for Member Agency Purchase of Treated Water from the Water Authority-Carlsbad Desalination Project. Staff recommendation: Authorize the General Manager to enter into individual contracts with Carlsbad Municipal Water District and Vallecitos Water District for the purchase of treated water from the

   Ken Weinberg
Carlsbad Desalination Project, substantially in the form as presented to the Board. (Action)

III. INFORMATION

1. Presentation on Water Supply and Drought Management Update. Alexi Schnell


IV. CLOSED SESSION

V. ADJOURNMENT

NOTE: This meeting is called as a Water Planning Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
February 18, 2015

Attention: Water Planning Committee

Water Planning Committee Draft Work Plan for calendar years 2015 and 2016.

Purpose
This report provides the Water Planning Committee Draft Work Plan for calendar years 2015 and 2016.

Background
The Water Planning Committee is responsible for developing policies relative to long range water resources planning and local supply development including: the Urban Water Management Plan, Integrated Regional Water Management Plan, Regional Water Facilities Optimization and Master Plan, regional and member agency sponsored local water supply development, water shortage and drought management planning, assisting member agencies on local projects, annexation, other planning matters, environmental compliance interests of the Water Authority, and overseeing the implementation of those policies. During the next two years, the committee expects to review, discuss, and make decisions pertaining to these matters.

Discussion
Attached for your review is the Water Planning Committee Draft Work Plan for calendar years 2015 and 2016. The work plan was prepared by staff under the direction of the Water Planning Committee Chair and Vice Chairs. Comments from committee members are welcome and appreciated. The finalized work plan will be adopted at the March 26, 2015 Board meeting.

Prepared by: Ken Weinberg, Director of Water Resources
Reviewed by: Yen Tu, Chair, Water Planning Committee

Attachment: Draft Water Planning Committee Work Plan for calendar years 2015 and 2016
DRAFT
Water Planning Committee Work Plan
for calendar years 2015 and 2016

**Business Plan Items**

**Environmental Management**

1. Review, convene a public hearing, and consider certification of California Environmental Quality Act/National Environmental Policy Act document for Carlsbad Seawater Desalination Plant intake modifications. (September 2015 – Goal #3)

2. Review, convene a public hearing, and consider adoption of California Environmental Quality Act document for use by the Water Authority and multiple member agencies to obtain Aquatic Weed Control Pesticide Permits. (August 2016 – Goal #5)

3. Review, convene a public hearing, and consider certification of California Environmental Quality Act document for Kendall wetlands mitigation site. (December 2016 – Goal #6)

**IRWM and Grants Administration**

1. Consider and approve an extension of the memorandum of understanding for the Tri-County Funding Area Coordinating Committee to incorporate the proportional division of Proposition 1 funding among the San Diego, South Orange County and Upper Santa Margarita planning regions. (January 2016 – Goal #1)

2. Consider and approve a new memorandum of understanding for the Water Authority, City of San Diego, and County of San Diego to continue the San Diego Regional Water Management Group. (March 2016 – Goal #3)

3. Consider and approve an application for the San Diego IRWM planning region’s remaining share of IRWM grant funding from the Department of Water Resources’ Proposition 84 program. (August 2016 – Goal #4)

**Member Agency Local Supply**

1. Consider a plan for surface water storage and groundwater banking that addresses seasonal operations and carryover storage needs as part of the 2015 UWMP. (June 2016 – Goal #2)

2. Support member agencies’ efforts to secure funding for development and implementation of local water supply projects through the Integrated Regional Water Management Program and other funding sources. (December 2019 – Goal #4)
3. Support member agencies in achieving an annual distribution and beneficial reuse of approximately 39,000 acre-feet of recycled water. (December 2019 – Goal #5)

4. Support member agencies in achieving an annual production of approximately 11,000 acre-feet of water from brackish groundwater desalination. (December 2019 – Goal #6)

**Potable Reuse**

1. Provide input and support for implementation of member agencies’ potable reuse projects through strategies that encourage public acceptance of potable reuse. (June 2015 – Goal #1)

2. Provide policy level guidance and support to the Water Authority and Potable Reuse Coordinating Committee’s regional strategies to engage with regulatory agencies to develop potable reuse criteria that support member agency projects. (June 2015 – Goal #2)

**Regulatory Policy Support**

1. Support regional requests for Water Board Basin Plan amendments to support Water Authority and member agency interests. (December 2015 – Goal #2)

2. Provide policy input to Water Authority staff on issues with the California Public Utilities Commission related to the Water-Energy Nexus Proceeding, and on the Long-Term Procurement Plan proceeding to support a pathway for large-scale hydro pumped storage procurement. This could include support or sponsoring of legislation. (March 2016 – Goals #3 & #4)

3. Provide policy input and support Water Authority and member agency efforts to engage with the Regional Water Board, funding agencies and stakeholders to encourage broad investments and solutions that will result improvements in water quality in the Hodges Reservoir using an Integrated Regional Water Management approach. (December 2016 – Goal #6)

**Seawater Desalination**

1. Consider approval of member agency purchase contracts with City of Carlsbad and Vallecitos Water District. (February 2015 – Goal #1)

2. Review and consider support for reasonable California Ocean Plan amendments for desalination intake and discharge. (July 2015 – Goal #2)

3. Review facility planning for the Carlsbad Desalination Project intake/discharge system upgrade. (September 2015 – Goal #3)

4. Consider approval of site preservation agreement with MCB Camp Pendleton for a potential future Camp Pendleton Desalination Project. (June 2015 – Goal #4)
5. Review annual supply and demand commitments/targets for the Carlsbad Desalination Project per the Water Purchase Agreement. (June 2015 – Goal #5)

6. Review progress and consider support for Otay Water District efforts to work with the federal government to authorize the construction, connection, operation, and maintenance of a United States and Mexico cross-border pipeline facility for the importation of desalinated water from the proposed Rosarito desalination facility. (June 2016 – Goal #7)

**Water Resources Planning**

1. Review and provide input on the water demand forecast model update, taking into account potential climate change impacts. (June 2016 – Goal #3)

2. Consider and approve the 2015 Urban Water Management Plan to comply with California Water Code Sections 10610 – 10656 (June 2016 – Goal #4)

**Water Shortage & Drought Response Management**

1. Review reports on current water supply, storage and demand conditions along with other drought activities. (June 2016 – Goal #5)

2. Provide direction, review work in progress, and consider and approve shortage management actions under the Water Shortage and Drought Response Plan based on water supply and demand conditions. (May 2015 – Goal #1)

3. Consider and approve member agency supply allocations, if necessary. (June 2015 – Goal #2)

**Other Items**

**Water Resources Planning**

1. Consider requests for annexations in a manner consistent with Board adopted policies and taking into account current water supply constraints. (Ongoing)

**Environmental Management**

1. Review, convene a public hearing, and consider certification of California Environmental Quality Act document for Pipeline 3 Relining Project (Lake Murray to Sweetwater Reservoir Segment). (September 2016)

2. Review, convene a public hearing, and consider adoption of California Environmental Quality Act document for Pipeline 4 Relining Project (Lake Murray Segment). (November 2015)

**IRWM and Grants Administration**

1. Support Water Authority coordination with Department of Water Resources and Tribes to meet CEQA requirements for funding.
February 18, 2015

Attention: Water Planning Committee

Professional services contract with RMC Water and Environment for Integrated Regional Water Management Program services. (Action)

Staff recommendation
Award a professional services contract to RMC Water and Environment for IRWM support services in the amount of $1,674,275 for a contract period from April 1, 2015 to June 30, 2019.

Alternative
Do not award a professional services agreement to RMC Water and Environment and direct staff to issue another RFP.

Fiscal Impact
Proposition 84 and Proposition 1 grant funding awarded to the San Diego Integrated Regional Water Management (IRWM) Planning Region will provide up to $416,000 of the total recommended services contract amount of $1,674,275. This grant funding may only be used to offset the Water Authority’s costs of administering the San Diego Region’s IRWM grants on behalf of the San Diego Regional Water Management Group (RWMG). The remaining funds of $1,258,275 will be provided in equal amounts by the Water Authority, the city of San Diego (City) and the county of San Diego (County). There are sufficient funds in the adopted Water Resources Fiscal Years 2014 and 2015 Operating Budget to support the Water Authority portion of the staff recommendation for the period between April 1 and June 30, 2015. Future funding will depend on Board approval of the proposed Operating Budgets for subsequent years. The related rate category is Customer Service.

Background
IRWM planning is an innovative and inclusive way to increase reliable water supplies, improve water quality and protect natural resources through cooperation among public agencies with different jurisdictions and non-profit public interest organizations. It strives to coordinate and integrate the various water-related activities that occur across a region to maximize benefits and resolve existing or potential conflicts between governmental and non-governmental stakeholders. The state of California has made IRWM planning a high-priority initiative through three statewide bond initiatives, three gubernatorial administrations and three State Water Plan updates. Since voter approval of Proposition 50 in 2002, IRWM has been a key tool in California to ensure bond funds are awarded to the most beneficial and cost-effective projects. IRWM also serves as an excellent vehicle for regional and watershed cooperation and shared problem-solving.

The San Diego Regional Water Management Group (RWMG), composed of the City, the County and the Water Authority, was organized in 2005 to coordinate IRWM planning in the San Diego Planning Region, which comprises the 11 watersheds in San Diego County that flow west to the
ocean. The Water Authority is the lead RWMG agency for hiring consultants to prepare plan updates, prepare grant applications and implement IRWM planning on behalf of the RWMG. Since its inception, the RWMG has achieved a number of milestones, including adoption of the 2007 and 2013 San Diego IRWM plans and the award of $59.5 million in grant funding from DWR to support 44 essential projects in the region and development of the 2013 plan. Specifically, the RWMG:

- Formed an IRWM Regional Advisory Committee (RAC) to provide recommendations on IRWM planning and grant applications.
- Wrote the first San Diego IRWM Plan, which was adopted by the Board in 2007.
- Applied successfully for a $25 million Proposition 50 grant from DWR in 2008. The funding supports 19 water-related projects in the San Diego region, including three by the Water Authority and nine by Water Authority member agencies.
- Worked with the South Orange County and Upper Santa Margarita RWMGs to develop the Tri-County MOU, which among other things established a formula for dividing the IRWM funds available to the San Diego Funding Area from Proposition 84. Under this formula, the San Diego region stands to receive 78 percent – or approximately $67 million – of the funding available from Proposition 84. The Board approved the MOU in 2009.
- DWR formally accepted the San Diego IRWM Planning Region in 2009.
- Applied successfully for a $1 million Proposition 84 planning grant from DWR in 2011 that represents partial funding for the IRWM Plan Update.
- Applied successfully in 2011 for a Proposition 84, round 1, implementation grant of $7.9 million from DWR that is supporting 11 water-related projects in the San Diego region, including two by the Water Authority and two by Water Authority member agencies.
- Applied successfully in 2013 for a Proposition 84, round 2, implementation grant of $7.9 million from DWR that is supporting seven water-related projects in the San Diego region, including one by the Water Authority and one by a Water Authority member agency.
- Updated and expanded the 2007 San Diego IRWM Plan. The revised plan was adopted by the Board in 2013 and approved by DWR in 2014.
- Applied successfully in 2014 for a Proposition 84, drought solicitation round, grant of $15.1 million from DWR that will support seven water-related projects in the San Diego region, including one by the Water Authority and six by Water Authority member agencies.

With DWR’s approval of the 2013 San Diego IRWM Plan and its acceptance of the San Diego Planning Region, San Diego is in an excellent position to gain its share of upcoming available grant funding – approximately $31 million remaining from Proposition 84 and $40 million from Proposition 1.

**Discussion**

On December 15, 2014, the Water Authority issued a request for proposals (RFP) for IRWM support services, including support for the RWMG and RAC, development of up to two grant applications, public outreach and coordination with disadvantaged communities. A consultant is necessary to provide these services as a supplement to the work performed by staff from the three RWMG agencies. An RFP for IRWM support services was published in The San Diego Daily Transcript,
and was emailed directly to 741 relevant firms via the Water Authority’s online vendor database (The Network). A pre-proposal meeting for the project was held at the Water Authority on December 22, 2014. Six firms attended the pre-proposal meeting. One proposal was submitted, by RMC Water and Environment. Given the sparse response to the RFP, staff will reach out to qualified firms to discern how it may increase the response rate and ensure greater competition in the future.

Based on an evaluation of its written proposals and an oral interview and with the concurrence of the City and County, staff selected RMC as the best qualified firm to perform the required work. The three RWMG agencies reviewed RMC’s cost proposal and decided it was appropriate for the services that RMC will provide.

RMC has significant experience and a proven track record of success in IRWM planning and implementation throughout California. It has received two previous professional services contracts to support the San Diego IRWM Program, one in 2007 for $1.26 million and one in 2011 for $1.68 million. The 2011 contract expires on March 31, 2015. RMC supported the San Diego RWMG in development of the original IRWM plan and its update and five successful grant applications worth $59.5 million. It assisted the RWMG as it gained DWR approval of the San Diego Planning Region and the 2013 IRWM Plan Update, as well as development of the Tri-County MOU.

For this project, RMC put forth a team that includes its own staff as well as personnel from five subcontractors. Among the key factors in the selection of RMC were the level of experience and capabilities of its team members, its deep understanding of integrated regional water management, its performance on projects of similar size and scope and its experience, the statewide perspective it has gained through its work with 25 planning regions across the state and its working relationship with the RWMG and RAC. The project manager and key support staff have proven capabilities related to IRWM, and, in particular, to the San Diego IRWM Program.

The RMC team includes five subcontractors with expertise specific to the tasks they will perform. Three of the sub-consultants are small businesses, one of which is a woman-owned business. This information is provided for informational purposes.

Prepared by: Mark Stadler, Principal Water Resources Specialist
Reviewed by: Ken Weinberg, Director of Water Resources
Approved by: Sandra L. Kerl, Deputy General Manager
Attachment: San Diego IRWM Contractor Tasks (April 1, 2015-June 30, 2019)
San Diego IRWM Contractor Tasks (April 1, 2015 – June 30, 2019)

Program support
Support the Regional Water Management Group (RWMG), the Regional Advisory Committee (RAC) and the Tri-County Funding Area Coordinating Committee.

IRWM grant funding applications
Develop up to two applications for implementation grant funding from DWR.

Analysis of alternative funding sources
Identification and evaluation of alternative funding sources, beyond DWR water bond dollars, for program support and project funding.

Public outreach
Assist the RWMG and RAC in informing the public – including San Diego tribes – and receiving input about the IRWM Program, commemorate program milestones, increase involvement in the program and improve awareness about the program among decision-makers and the general public.

Outreach to disadvantaged communities (DACs) and environmental justice (EJ) communities
Refine the program’s list of DAC and EJ contacts in the San Diego region and coordinate meetings in disadvantaged communities to identify major community issues and priorities and promote participation in the program, including submittal of projects for potential funding.

IRWM website maintenance
Regular updates to the San Diego IRWM website to maintain current meeting information and post project updates, press releases, meeting materials, and other items of interest.

2013 IRWM Plan report card
Work with the RWMG to prepare a “report card” that assesses progress made toward achieving the goals, objectives, targets and action items identified in the 2013 Plan.

IRWM Program Oversight for DWR Grant Implementation
Provide daily support to the Water Authority Grant Administration Program, which administers the San Diego IRWM grants on behalf of the RWMG. (This task is funded by a portion of each IRWM grant received by the San Diego program.)
February 18, 2015

Attention: Water Planning Committee

Contracts with Carlsbad Municipal Water District and Vallecitos Water District for Member Agency Purchase of Treated Water from the Water Authority-Carlsbad Desalination Project (Action)

Staff Recommendation
Authorize the General Manager to enter into individual contracts with Carlsbad Municipal Water District and Vallecitos Water District for the purchase of treated water from the Carlsbad Desalination Project, substantially in the form as presented to the Board.

Alternatives
Do not authorize the General Manager to enter into agreements with Carlsbad Municipal Water District and Vallecitos Water District.

Fiscal Impact
All Water Authority incurred costs related to these agreements will be paid for in full by Carlsbad Municipal Water District and Vallecitos Water District at full cost recovery to the Water Authority through the purchase of desalinated seawater from the Carlsbad Desalination Project. The contracts provide for a total of 6,000 acre-feet – Carlsbad MWD 2,500 acre-feet and Vallecitos 3,500 acre-feet – out of a minimum annual Water Authority commitment of 48,000 acre-feet. Any water purchased above the annual minimum will be charged the full variable cost of the supply.

Background
On September 27, 2012, the Water Purchase Agreement (WPA) between the Water Authority and Poseidon Resources for production and purchase of Carlsbad Desalination Project supplies was released for public review. On October 25, 2012, the Board approved a uniform contract for member agency purchase of Carlsbad Desalination Project supplies from the Water Authority at full cost recovery. In November 2012 the Board approved entering into a 30 year WPA with Poseidon for up to 56,000 acre feet per year of desalinated seawater.

In 2011, the Board directed staff to provide member agencies an opportunity to purchase a local “drought-proof” supply that could provide additional reliability in shortage situations and diversify the member agency’s supply portfolio. For the Water Authority, the sale of Water Authority-owned supplies to member agencies at its full cost would provide a revenue stream and reduce the amount of project costs that need to be recovered through Water Authority rates and charges. The Carlsbad Desalination Project consists of the 50 Million Gallon per Day (MGD) seawater desalination production facility, the new 10-mile, 54-inch Desalinated Water Conveyance Pipeline, and improvements to and connections with existing Water Authority facilities – specifically Pipeline 3, other appurtenant facilities related to the Second Aqueduct, and the Twin Oaks Valley Water Treatment Plant.
A uniform purchase contract (Uniform Contract) was developed in coordination with the member agencies and based on guiding principles adopted by the Board on June 23, 2011. The following provides a summary of the principles:

- The member agency will commit to purchase an annual fixed amount of Carlsbad Desalination Project supplies from the Water Authority
- The member agencies will pay a price that reflects the full costs of the contracted amount of desalinated water
- Contract water would be classified as treated local water supply
- A member agency will be obligated to pay for its contracted supplies if produced by Poseidon

The principles also included a requirement that member agencies have 60 days from public release of the WPA to provide a resolution of intent to the Water Authority for purchase of a specific quantity of the local supply. The Carlsbad Municipal Water District (Carlsbad) and Vallecitos Water District (Vallecitos) provided the resolution of intent from their governing bodies to annually purchase 2,500 and 3,500 acre-feet respectively at full cost recovery to the Water Authority. Supplies purchased under these contracts would be treated as a member agency local supply as it relates to drought allocation and Water Authority rates and charges. The terms of the member agency contracts are consistent with the Principles adopted by the Board and the Water Authority’s obligations to Poseidon under the Carlsbad WPA.

**Discussion**

With the impending entry of the Carlsbad Desalination Project into commercial operation this fall, it is necessary to finalize and approve the water purchase agreements with Carlsbad and Vallecitos, both of whom will be purchasing desalinated water from the Water Authority as a local treated water supply. The Board previously approved a Uniform Contract for purchases by member agencies of Carlsbad Desalinated Water that was developed in cooperation with the member agencies. The Uniform Contract set consistent terms and conditions for any agency purchasing Carlsbad Desalination Project water from the Water Authority and aligned the member agency obligations with those of the Water Authority under the WPA. Some of the major terms of the member agency agreement are:

- Commensurate commitment by member agency to purchase a minimum annual amount of desalinated water as part of the Water Authority’s minimum annual demand commitment to Poseidon of 48,000 acre feet
- The term of the member agency agreement will match the term of the Water Authority’s agreement with Poseidon (30 years)
- Payment by the member agency of the full unit cost due to Poseidon for Desalinated Water Production under the WPA and full unit cost of the Conveyance Pipeline under the financing documents for the pipeline (including debt service and pipeline operation and maintenance)
- Payment by the member agency of a proportionate share of Water Authority oversight and management costs during design and construction of the Carlsbad Desalination Plant and Desalinated Water Conveyance Pipeline
• Payment by member agency for Water Authority administrative costs associated with the on-going management of the WPA.

Additionally:

• If the Water Authority purchases water from Poseidon above the minimum annual demand commitment of 48,000 acre-feet, the member agency will have the right to a pro-rata portion of that additional delivered water at the variable price paid by the Water Authority.

• If the Water Authority acquires the Carlsbad Desalination Project, the member agency will have the discretion to continue to purchase desalinated water or can request to purchase an increased amount of desalinated water from the Water Authority.

• The member agencies will share in any penalty payments made by Poseidon to the Water Authority for lack of performance under the WPA.

• The Water Authority will calculate a credit to its Transportation Charge for local desalinated water delivered from the Aqueduct system in a manner that excludes the proportionate amount paid by Carlsbad and Vallecitos for the Desalinated Water Conveyance Pipeline and avoids double payment by those agencies for the pipeline.

The Uniform Contract for Carlsbad and Vallecitos include provisions reflecting the construction of turn-out facilities that will enable both agencies to individually take delivery of desalinated water directly from the Desalinated Water Conveyance Pipeline. When those facilities are completed and operational, Carlsbad and Vallecitos generally will not pay the Water Authority’s Transportation Charge for delivery of local desalinated water to those connections, since existing Water Authority aqueduct facilities will not be used. However, there may be times when Water Authority transportation facilities are used to make contract deliveries. For example, when direct delivery is precluded because of circumstances within the member agency, then Carlsbad and Vallecitos will be charged the Transportation Charge then in effect, which, as noted above, excludes the amount paid by the two member agencies for the full cost of the Desalinated Water Conveyance Pipeline. (See Appendix B of the Agreement for the calculation of the credit to the Transportation Charge.)

The full cost recovery charges to be paid by Carlsbad and Vallecitos to the Water Authority include both fixed capital and Operations & Maintenance (O&M) charges and variable O&M charges related to the Desalination Project (Plant and Pipeline). Additionally, there are capital charges to pay a proportionate share of the Water Authority oversight and management costs during the construction of the desalination plant and desalinated water conveyance pipeline. These are referred to in the contract as Desalination Project Costs. There is also an administrative charge.

Finalization of certain components of these costs is dependent on several factors. The WPA requires that the charges related to desalination plant operations be adjusted to account for index linked inflation for the last six months of FY 2015. That data will not be available until mid August of 2015 at which time all WPA related charges will be finalized for FY 2016. Additionally, charges calculated to recover Water Authority operational costs related to WPA administration and facility O&M costs will not be finalized until the Board approves the FY
2016 and FY 2017 Operating Budget. The estimates for the costs that are known have been shared with both Carlsbad and Vallecitos for the initial contract year of FY 2015-2016. The basis of the more detailed cost components are displayed in Exhibit A to the Agreement. It is expected that the final costs related to the WPA and the Water Authority cost recovery will be provided to Carlsbad and Vallecitos by approximately September 2015. Consistent with the WPA, in future contract year’s prices will be finalized for Carlsbad and Vallecitos through submission of an invoice in September to the Water Authority by Poseidon.

Prepared and Reviewed by: Ken Weinberg, Director of Water Resources
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments:

1. Uniform contract for member agency purchase of treated water from the San Diego County Water Authority – Carlsbad Desalination Project – Carlsbad Municipal Water District

2. Uniform contract for member agency purchase of treated water from the San Diego County Water Authority – Carlsbad Desalination Project – Vallecitos Water District
1. Purpose and Intent.

The San Diego County Water Authority ("Water Authority") has entered into an agreement titled "Carlsbad Seawater Desalination Project Water Purchase Agreement between the San Diego County Water Authority and Poseidon Resources (Channelside) LP dated December 20, 2012" ("Poseidon WPA"). The Water Authority also has entered into an agreement titled "Design Build Agreement for Product Water Pipeline Improvements Relating to the Carlsbad Seawater Desalination Project between the San Diego County Water Authority and Poseidon Resources (Channelside) LP dated December 20, 2012" ("Poseidon DBA"). Together the Poseidon WPA and the Poseidon DBA will provide new facilities for the production and conveyance of desalinated water to the Water Authority and for the purposes of this contract constitute and are referred to as the "Carlsbad Desalination Project." The Water Authority has entered into long term financing agreements in conjunction with the Carlsbad Desalination Project, and it also has undertaken improvements and modifications to its aqueduct system and the Twin Oaks Valley Water Treatment Plant for purposes of taking delivery of and incorporating desalinated water into its treated water supply system.

Under the Poseidon WPA the Water Authority has made a Minimum Annual Demand Commitment, as defined in the Poseidon WPA, of 48,000 acre-feet and is required to take delivery of, purchase, and pay for that amount of desalinated water to the extent it is produced and made available for delivery according to the terms of that agreement. In June 2011, the Water Authority board of directors adopted guiding principles for the Water Authority to make available to its member agencies up to 49 percent of the Minimum Annual Demand Commitment and provide the opportunity for member agencies to enter into uniform contracts to make firm commitments to individually purchase from the Water Authority treated water in designated amounts that represent a portion of the Minimum Annual Demand Commitment. In addition, the Water Authority has the option to take Additional Product Water Deliveries under the Poseidon WPA and has provided the member agencies the opportunity to acquire a portion of the additional water as it is acquired by the Water Authority up to a total quantity for all participating member agencies of 49 percent of the additional water. Pursuant to the guiding principles, the Water Authority working in cooperation with its member agencies has developed this and the other uniform contracts for member agency purchase of treated water in connection with the Carlsbad Desalination Project.

The parties intend that the purchase and payment obligations of the member agencies under the uniform contracts reasonably match the purchase and payment obligations of the Water Authority under the Poseidon WPA. Thus, for example, the parties intend that a contracting member agency will be responsible for payment if a member agency fails to take delivery of all or a portion of its Contract Quantity because of a reason other than a condition of its facilities.
that would come within the definition of an Excused Demand Shortfall under the Poseidon WPA in a manner similar to the Water Authority’s obligations for such payments. Similarly, contracting member agencies will share the benefit of Drought Shortfall Payments, if any, made under the Poseidon WPA should a failure to make deliveries occur in times of a water supply shortage. The parties acknowledge that the water provided by the Water Authority under the uniform contracts will be treated water from any source determined by the Water Authority at its sole discretion, and may be a blend of desalinated water and other treated water of the Water Authority, other treated water of the Water Authority without blending with desalinated water or, in some limited cases, direct delivery of desalinated water, and that such water will be delivered in equal monthly amounts.

2. **Parties.**

The parties to this contract are the Water Authority and the Carlsbad Municipal Water District (“Member Agency”).

3. **Initial Term and Option to Extend.**

   (a) This contract is effective on the date it is fully executed and will continue for an Initial Term until the earlier of either (a) 30 years following Commercial Operation as defined in the Poseidon WPA or the Expiration Date of the Poseidon WPA as defined therein, whichever is later, or (b) the date of early termination of this contract pursuant to section 10.

   (b) If the Water Authority chooses to exercise its option to acquire the Carlsbad Desalination Plant pursuant to the provisions of the Poseidon WPA for transfer upon expiration of the term of that agreement, the Water Authority will offer to each Member Agency that has an unexpired contract on that date a new uniform contract for the Contract Quantity. At the request of a Member Agency the Water Authority may also consider in its sole discretion renegotiating an increase in a Member Agency’s Contract Quantity. It is the intent of the parties that the new contract will have a term of twenty years and provide price and water supply benefits to participating member agencies in recognition of their proportional contribution to the financing of the Plant during the Initial Term.

4. **Condition Precedent.**

Attainment of the Commercial Operation Date under the Poseidon WPA is a condition precedent to the obligations of the parties under this contract.

5. **Contract Quantity.**

   (a) The Member Agency’s Contract Quantity is 2,500 acre feet of treated water per Contract Year, subject to paragraph (d) of this section and adjustment pursuant to paragraph (d) of section 6. In the event of an adjustment pursuant to section 6, Contract Quantity means the Adjusted Contract Quantity for the duration of the adjustment. As used in this contract, Contract Year has the same meaning as in the Poseidon WPA.
(b) The Total Contracted Quantity of water subject to uniform contracts, including this contract, is 6,000 acre-feet of treated water per Contract Year. If a member agency having executed a uniform contract subsequently chooses to early terminate its contract pursuant to section 10 or a member agency contract is terminated as a consequence of breach by the member agency, the Total Contracted Quantity will be reduced in the amount of that member agency’s Contract Quantity after making the contracted amount available in part or in whole, at the Water Authority’s sole discretion, to any other member agency having executed a uniform contract. The Total Contracted Quantity will be reduced in the amount of that member agency’s Contract Quantity less the amount committed to other contracted member(s) pursuant to this section.

c) The Member Agency’s Contract Quantity and the Total Contracted Quantity are part of the Minimum Annual Demand Commitment of the Water Authority under the Poseidon WPA. In addition, under the Poseidon WPA the Water Authority has the option to take Additional Product Water Deliveries. With respect to Additional Product Water Deliveries, the Member Agency: will purchase Additional Product Water made available by the Water Authority according to the provisions of section 9: YES / NO; waives any participation in the purchase of Additional Product Water: YES / NO.

d) Under the Poseidon WPA, the Water Authority has a right to make an elective decrease in the Minimum Annual Demand Commitment based on the performance testing prior to Commercial Operation of the desalination plant. If the Water Authority elects to reduce the Minimum Annual Demand Commitment pursuant to the Poseidon WPA, the Total Contracted Quantity will be reduced so that the reduced Total Contracted Quantity bears the same ratio to the reduced Minimum Annual Demand Commitment as the amount specified in subparagraph (b) of this section bears to 48,000 acre-feet, and the Contract Quantity of each member agency having a uniform contract will be reduced to maintain the ratios of their respective Contract Quantities and the Total Contracted Quantity. The Water Authority will give notice to each member agency of the reductions, and once given, the reduced quantities will be used for all purposes of this contract and the other uniform contracts.

6. Purchase and Delivery.

(a) The Member Agency will purchase and the Water Authority will deliver the Contract Quantity as monthly deliveries of treated water equal to one-twelfth of the Contract Quantity.

(b) Purchase and delivery of the Contract Quantity will commence on the first day of the calendar month following Commercial Operation of the Carlsbad Desalination Plan pursuant to the Poseidon WPA. For the first Contract Year of Commercial Operation the Contract Quantity will be one-twelfth of the Contract Quantity times the number of full months following Commercial Operation remaining in the Contract Year.

(c) Daily water orders will be subject to the Water Authority’s rules and regulations generally applicable to the ordering and delivery of treated water.
(d) If at any time the Water Authority reasonably determines that it will receive desalinated water pursuant to the Poseidon WPA in an amount less than the Minimum Annual Demand Commitment for a Contract Year based on the existence of an Uncontrollable Circumstance, Event of Default, breach, or other failure of performance of the Project Company under the Poseidon WPA, the Member Agency will purchase from the Water Authority and the Water Authority will deliver to the Member Agency an Adjusted Contract Quantity for that year in an amount determined by the following formula: $x = \frac{a}{b} \times \left( \frac{\frac{d}{a} \times c}{d} \right)$; where $a$ is the Member Agency’s Contract Quantity, $b$ is the Total Contracted Quantity, $c$ is the amount of desalinated water the Water Authority reasonably expects to actually receive pursuant to the Poseidon WPA in that Contract Year, $d$ is the Minimum Annual Demand Commitment and $x$ is the Adjusted Contract Quantity. The purchase and delivery will be in monthly deliveries of treated water equal to one-twelfth of the Adjusted Contract Quantity. If an adjustment is made after the commencement of a Contract Year, the Adjusted Contract Quantity for the remainder of the Contract Year will take effect at the beginning of the next month following the Water Authority’s notice to the Member Agency of the adjustment under this paragraph.

(e) If at any time the Water Authority reasonably determines that it will receive less than the Total Contract Quantity or the sum of the Adjusted Contract Quantities in a Contract Year under the Poseidon WPA because of a relief from performance due to the existence of an Uncontrollable Circumstance, or because of a Project Company default, breach, or other failure of performance under the Poseidon WPA, the Water Authority’s obligation to deliver water will be reduced until deliveries to the Water Authority under the Poseidon WPA resume and the Water Authority reasonably determines that the basis for suspension no longer exists. To the extent water is delivered to it, the Water Authority will deliver and the Member Agency will purchase a reduced monthly quantity determined by the Water Authority based on the amount of desalinated water it receives and the proportion that the Member Agency’s Contract Quantity bears to the Total Contract Quantity or the sum of the Adjusted Contract Quantities.

(f) The Member Agency and the Water Authority have entered into a separate agreement for the design, construction, and operation of new connection facilities to the pipeline described in the Poseidon DBA that will allow for the direct delivery of desalinated water to the Member Agency. If the Water Authority is unable to directly deliver desalinated water to the Member Agency due to a shutdown of Water Authority facilities, the Water Authority is excused from performance of its delivery obligations for the duration of the shutdown; however, the Water Authority will provide make-up water during the Contract Year, or at a later period as agreed between the Water Authority and the Member Agency, in amounts equal to the quantity of desalinated water that would have been delivered had the shutdown not occurred. Also, the Water Authority, at its discretion, may deliver treated water through other connections to the Member Agency in lieu of interrupting delivery of desalinated water, which treated water deliveries will be deemed to be deliveries of desalinated water for all purposes under this agreement and for which payment will be made in the same manner as for direct delivery. Further, if desalinated water is available but the Member Agency is unable to accept direct delivery of desalinated water through the new facilities, it will accept delivery of treated water by the Water Authority through other connections to the Member Agency in lieu of direct delivery of desalinated water; in addition to payment of the amount applicable to direct delivery of desalinated water, such delivery will be subject to payment of the Transportation Charge, or an
equivalent charge, under the Water Authority rate structure in effect at the time of the delivery subject to the adjustments described in Section 8, paragraph (a)(2) and Exhibit B.

(g) The Water Authority’s obligation to deliver water will be relieved and the Member Agency’s obligation to purchase will be suspended for the duration of a Product Water Purchase Relief Event as defined in the Poseidon WPA.

(h) The Member Agency’s obligation to purchase water will be relieved and the Water Authority’s obligation to deliver water to the Member Agency will be suspended during the period of a Member Agency Water Purchase Relief Event, which for the purposes of this contract means the formal declaration by the Member Agency’s board of directors based upon the existence of a sudden, unpredictable event resulting in a condition closing all or a portion of the Member Agency’s treated water facility system and preventing the Member Agency from taking all or a portion of the Contract Quantity.

7. **Characterization of Contract Quantity as Local Supply.**

(a) The Contract Quantity will be considered as a source and supply of water independently owned and managed by the Member Agency in the application of all Water Authority ordinances, plans, programs, rules, and regulations.

(b) The Contract Quantity will be treated as a “local supply” pursuant to the Water Authority’s Water Shortage and Drought Response Plan and will be eligible for the Local Projects Development Adjustment under the Water Authority’s Supply Allocation Methodology, as either may be amended from time-to-time.

(c) For purposes of administering the ordinances, plans, programs, rules, and regulations described in paragraphs (a) or (b) of this section, to the extent that a Member Agency receives less than its Contract Quantity in an applicable yearly accounting period because of an authorized suspension of deliveries by the Water Authority under this contract, the Water Authority will apply the same considerations as for other local supplies that would be produced by other Member Agency projects, programs, or rights.

(d) Nothing in this subdivision is intended to limit the ability of the Water Authority to amend, replace, repeal, adopt, or re-adopt either the Plan or the Methodology, or another plan or methodology to allocate supplies in time of shortage or otherwise, provided that the Water Authority complies with paragraph (a) of this section. If the Water Authority amends, replaces, or repeals the Plan or the Methodology to eliminate or materially reduce the local supply benefit, the Member Agency may terminate this Contract as provided in paragraph (b) of section 10.

8. **Price and Payment for the Contract Quantity.**

(a) The price for the Member Agency Contract Quantity will be the sum of the Desalination Project Costs described in paragraph (1)(A) and (B). When payment of an adjusted Transportation Charge is required under paragraph (f) of section 6, the adjustments to Transportation Charge will be made as described in paragraph (2).
(1) Unless the circumstance described in paragraph (b) of this section has occurred, the portion of the unit price attributable to Desalination Project Costs will be determined and apportioned by the Water Authority on a per-acre foot unit price basis:

(A) For each acre-foot of the Contract Quantity delivered in a month the Member Agency will pay the Fixed Unit Price and the Variable Unit Price, plus any Direct Payments, determined for that month pursuant to Article 17 of the Poseidon WPA. For each Unexcused Demand Shortfall Unit attributed to the Member Agency the Member Agency will pay the Fixed Unit Price determined for that month pursuant to Article 17 of the Poseidon WPA. As used in this contract, an Unexcused Demand Shortfall Unit attributed to the Member Agency means any failure to take treated water equal to one-twelfth the Member Agency’s Contract Quantity unless the failure is due to a Member Agency Water Purchase Relief Event as defined in paragraph (g) of section 6.

(B) For each acre-foot of the Contract Quantity delivered in a month and for each Unexcused Demand Shortfall Unit attributed to the Member Agency the Member Agency will pay a unit price equal to (a) the monthly debt service payment amounts and amounts set aside in reserves pursuant to agreements made by the Water Authority for financing of the obligations of the Water Authority under the Poseidon DBA, including refinancing agreements, apportioned on a per acre foot basis over the Minimum Annual Demand Commitment under the Poseidon WPA; plus (b) the operation and maintenance costs (including without limitation reasonable reserves for repair or replacement) for the facilities that are the subject of the Poseidon DBA determined according to the Water Authority’s adopted budget for the fiscal year in which the price is to be paid apportioned on a per acre foot basis over the Minimum Annual Demand Commitment under the Poseidon WPA.

(C) For each acre-foot of the Contract Quantity delivered in a month and for each Unexcused Demand Shortfall Unit attributed to the Member Agency the Member Agency will pay for the reimbursement of its proportionate share of the Water Authority’s project oversight costs during the design, construction and commissioning of the Carlsbad Desalination Project prior to the date of Commercial Operation as described in Exhibit A.

(D) The components of the unit price for the Desalination Project Costs and for the Water Authority capital and operating costs related to the Carlsbad Desalination Project are shown on Exhibit A.

(2) When the Member Agency is required to pay transportation costs for treated water delivered in lieu of direct delivery of desalinated water pursuant to paragraph (f) of section 6, then in addition to the charges paid under paragraph (a)(1), for each acre-foot of the Contract Quantity delivered in a month the Member Agency will pay a unit price determined by the Water Authority based on an adjusted Transportation Charge, or an equivalent charge, under the Water Authority rate structure in effect at the time of the delivery, which will be calculated in such a manner to reflect only the proportion of costs of the desalinated water conveyance pipeline attributable to the Water Authority’s proportion of desalinated water deliveries after subtracting the amounts determined under paragraph (1)(B) paid by the all member agencies.
having uniform contracts as part of the unit price attributable to Desalination Project Costs. The adjustments will include an appropriate additional reduction to the account for the Member Agency’s payments under paragraph (1)(B) and an increase to account for chemical injection at the Twin Oaks Valley Water Treatment Plant to boost chloramines residual. The components of the adjustments to the Transportation Charge are shown on Exhibit B. Because the Member Agency pays the Desalination Project Costs in connection with treated water deliveries in lieu of direct deliveries of desalinated water, the Water Authority will not charge any other supply or treatment costs for those supplies.

(b) If the Water Authority acquires the Carlsbad Desalination Plant in accordance with the Poseidon WPA, the portion of the Carlsbad Desalination Project Costs that are determined under paragraph (1)(A) of paragraph (a) will be redetermined by the Water Authority board of directors based upon the full cost (including without limitation, capital, debt service, acquisition, operation, maintenance, administrative overhead, depreciation, reserves) of the Water Authority’s ownership, operation, and maintenance of the plant.

(c) In addition to the unit price determined according to subsections (a), (b), and (c), the Member Agency will pay an annual Administration Charge calculated in the Initial Contract Year. The Administrative Charge components are described in Exhibit A. The Administrative Charge will be Index Linked as defined in Article 1 of the Poseidon WPA and will be adjusted each Contract Year after the first full Contract Year. The Administration Charge will be apportioned and collected as an additional unit charge for each acre-foot of the Contract Quantity delivered in a month and for each Unexcused Demand Shortfall Unit attributed to the Member Agency.

(d) The Water Authority will rebate to the Member Agency a share of any Drought Shortfall Payments received by the Water Authority pursuant to the Poseidon WPA based on the ratio of the Member Agency’s Contract Quantity to the Minimum Annual Demand Commitment.

(e) If the amount of water received by the Water Authority pursuant to the Poseidon WPA is less than its Minimum Monthly Demand Commitment under that agreement, then the Member Agency’s Contract Quantity deemed delivered in that month will be reduced to reflect the ratio of the Member Agency’s Contract Quantity to the Minimum Annual Demand Commitment times the amount of desalinated water delivered to the Water Authority in that month.

(f) The administrative charge may include additional charges to recover additional costs paid by the Water Authority for Base Product Water Deliveries pursuant to the Poseidon WPA for the prior fiscal year that were not recovered in the cumulative payments of the unit price for that prior year, or credits to allocate the benefit of payments received by the Water Authority pursuant to the Poseidon WPA for the prior fiscal year.

(g) Nothing in this contract precludes the Water Authority from establishing or excuses the Member Agency from paying any other non-discriminatory fee or charge generally applicable to Water Authority member agencies, except that the Contract Quantity will not be used to calculate the Member Agency’s customer service or storage charges under the Water Authority.
Authority rate structure in existence on the date of this contract or any similar future rate structure of the Water Authority.

(h) The Water Authority will determine and give written notice to the Member Agency of the actual unit price for the Contract Year of the Commercial Operation Date as soon as reasonably feasible after the Water Authority determines the prices in accordance with paragraphs (a) and (c) of this section. At the time of the written notice, the Water Authority will provide the Member Agency with a written description of the basis of the determination, including budget data and information. Within fifteen days thereafter, the Member Agency may dispute the determination by giving written notice to the Water Authority of the grounds for the dispute. The Water Authority and the Member Agency will meet in good faith to resolve the dispute within thirty days. The Member Agency will pay the price determined by the Water Authority until the dispute is resolved, and if a different price is mutually agreed as a result of the dispute process, the Member Agency may claim a refund. For each Contract Year following the Initial Contract Year, the Water Authority will determine and give notice to the Member Agency of the unit price for a Contract Year on or before September 1 of each year. The notice will be given in writing and include a brief description of the basis of determination consistent with paragraphs (a) and (c).

(i) The unit price for water deemed delivered in a calendar month is due on the 15th day of the following month in accordance with the Water Authority’s billing practices applicable to water delivery generally. The Administrative Charge is payable in twelve equal monthly installments due on the 15th day of each month. Delinquent payments are subject to the same policies, including provisions or payment of interest and penalties, established by the Water Authority for billing and collection of fees, rates, and charges generally.


Additional Product Water will be made available to each member agency that has agreed to participate in the purchase of Additional Product Water according to paragraph (c) of section 5 in proportion to its Contract Quantity to the total Minimum Annual Demand Commitment if and when the Water Authority determines to take Additional Product Water pursuant to the Poseidon WPA. As it is received, the Additional Product Water will be delivered to each participating member agency as treated water at the same price paid by the Water Authority for that water under the Poseidon WPA; in addition the Member Agency will pay the Aqueduct Cost pursuant to paragraph (a)(2) of section 8 for each acre-foot of water delivered. Additional Product Water made available to the Member Agency will be treated as a local supply as provided in section 7.

10. Early Termination.

(a) If the Water Authority acquires the Carlsbad Desalination Plant pursuant to the Poseidon WPA, other than pursuant to the provisions for transfer upon expiration of the term of that agreement, the Member Agency will have 90 days after the date of such acquisition to terminate this contract by giving written notice to the Water Authority. The Member Agency will be deemed to have waived the provisions of this section if it does not deliver the written notice to the Water Authority within 90 after the date of acquisition.
(b) If the Water Authority amends, replaces, or repeals the Water Shortage and Drought Response Plan or Supply Allocation Methodology to eliminate or materially reduce the local supply benefit, the Member Agency will have 90 days after notice of the amendment, replacement, or repeal to terminate this contract by giving written notice to the Water Authority. The Member Agency will be deemed to have waived the provisions of this section if it does not deliver the written notice to the Water Authority within 90 days.

11. Entire Agreement.

This contract constitutes the entire understanding among the parties with respect to the matters set forth herein, and supersedes all prior or contemporaneous understandings or agreements among the parties with respect to the subject matter hereof, whether oral or written.


The covenants and obligations of each party constitute consideration for the covenants and obligations of the other parties and that the provisions of this contract cannot be severed one from the other without affecting the respective and mutual benefits to be obtained by the parties from enforcement of the contract as a whole.

13. Amendment.

Neither this contract nor any of its provisions may be waived, modified, amended, discharged, or terminated except by an instrument in writing signed by the party against which the enforcement of such waiver, modification, amendment, discharge or termination is sought, and then only to the extent set forth in such writing. However, for purposes of this contract, the Poseidon WPA, the Poseidon DBA, and any agreements relating to the financing, construction, reconstruction, operation, or maintenance of the Carlsbad Desalination Project includes any amendments to those agreements approved and executed by the Water Authority, and no amendment of any of those agreements will be considered an amendment to this or any of the uniform contracts.


This contract constitutes a fully-negotiated agreement among commercially sophisticated parties, each assisted by legal counsel, and the terms of this contract shall not be construed or interpreted for or against any party hereto because that party or its legal representative drafted or prepared such provision. Headings, titles and captions are for convenience only and shall not be used for the interpretation of the provisions of this contract.

15. Controlling Law.

This contract shall be governed by, and construed and interpreted in accordance with, the laws of the State of California, without giving effect to any choice-of-law or conflicts-of-laws rule or principle that would result in the application of any other laws.
16. **Notices.**

Any notice, approval, consent, waiver or other communication required or permitted to be given or to be served upon any party in connection with this contract shall be in writing. Such notice shall be personally served, sent by facsimile, sent prepaid by registered or certified mail with return receipt requested, or sent by reputable overnight delivery service, such as Federal Express, and shall be deemed given: (a) if personally served, when delivered to the Party to whom such notice is addressed; (b) if given by facsimile, when sent, provided that the confirmation sheet from the sending fax machine confirms that the total number of pages were successfully transmitted; (c) if given by prepaid or certified mail with return receipt requested, on the date of execution of the return receipt; or (d) if sent by reputable overnight delivery service, such as Federal Express, when received. Such notices shall be addressed to the party to whom such notice is to be given at the address specified below or as such party shall otherwise direct in writing to the other parties delivered or sent in accordance with this paragraph. The "copy to" notice to be given as set forth below is a courtesy copy only; a notice given to such person is not sufficient to effect giving a notice to the principal party, and a failure to give such a courtesy copy of a notice does not constitute a failure to give notice to the principal party.

To the Water Authority:  
San Diego County Water Authority  
4677 Overland Avenue  
San Diego, CA 92123  
ATTN: General Manager

With a copy to:  
San Diego County Water Authority  
4677 Overland Avenue  
San Diego, CA 92123  
ATTN: General Counsel

To the Member Agency:  
Carlsbad Municipal Water District

With a copy to:  
Carlsbad Municipal Water District

17. **Cumulative Rights; Waiver.**

The rights created under this contract, or by law or equity, shall be cumulative and may be exercised at any time and from time to time. Except as otherwise expressly provided in this contract or except passage of time specified by statute for limitation of actions, a failure, delay, or omission by any party in exercising any right, shall not be construed or deemed to be, or operate as a waiver of that right, and no single or partial exercise by any party of a right preclude
any other or future exercise thereof or the exercise of any other right. No party may waive any right and no non-defaulting party may waive any breach by the defaulting party of any provision of this contract unless the waiver is in writing, and any waiver by any non-defaulting party of any breach by a defaulting party of any provision of this contract shall not operate as or be construed to be a waiver of any other breach of that provision or of any breach of any other provision of this contract. The failure of any party to insist upon strict adherence to any term of this contract on one or more occasions shall not be considered a waiver of any provision or any breach of any provision of this contract or deprive that party of the right thereafter to insist upon strict adherence to that provision or any other provision of this contract.

16. **No Third Party Beneficiaries.**

   This contract does not create, and shall not be construed to create, any rights enforceable by any person, partnership, corporation, joint venture, limited liability company or other form of organization or association of any kind that is not a party to this contract. Nothing in this contract shall be construed to make the Member Agency a third party beneficiary of the Poseidon WPA.

17. **Execution in Counterparts; Facsimile Signatures.**

   This contract may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon, provided such signature page is attached to any other counterpart identical thereto except for having an additional signature page executed by the other party. Each party agrees that the other parties may rely upon the facsimile signature of a party on this contract as constituting a duly authorized, irrevocable, actual, current delivery of this contract as fully as if this contract contained the original ink signature of the party supplying a facsimile signature.

18. **Time of the Essence.**

   Time is of the essence of each and every provision of this contract.

19. **Proof of Authority.**

   Each party shall deliver to the other party copies of such resolutions, certificates or written assurances evidencing authorization to execute, deliver, and perform this contract.

20. **Number, Gender.**

   Where a word or phrase is defined in this contract, its other grammatical forms have a corresponding meaning. As used herein, and as the circumstances require, the plural term shall include the singular, the singular shall include the plural, the neuter term shall include the masculine and feminine genders, the masculine term shall include the neuter and the feminine genders, and the feminine term shall include the neuter and the masculine genders.
21. **Relationship.**

Nothing in this contract shall be deemed to constitute either party a partner, agent or legal representative of the other party. No liability or benefits, such as workers' compensation, pension rights or liabilities, other provisions or liabilities arising out of or related to a contract for hire or employer/employee relationship, shall arise or accrue to any party's agent or employee as a result of this contract or its performance. Each party is responsible for own acts and omissions, and the acts or omissions of its respective officers, employees and agents.

22. **Defense.**

The parties agree to cooperate to defend this contract by any person or entity that is not a party to this contract, provided, however, that each party shall bear its own attorneys’ fees and costs, unless the parties otherwise agree.

23. **Assignment.**

Neither the Member Agency nor the Water Authority will assign any of its rights, interests, or obligations under this contract, except that upon a governmental reorganization the obligations of a party under this contract will be transferred to the successor agency.

24. **Limitation of Liability.**

The Water Authority shall not be liable to the Member Agency for any monetary damages of any kind or nature whatsoever, whether based on contract, warranty, tort (including negligence or strict liability), or otherwise, resulting from the failure to deliver the Contract Quantity. The Member Agency’s exclusive remedy for the Water Authority’s breach of this contract is a reduction in the payment of the unit price to the extent of the shortfall in delivery of the Contract Quantity.

25. **Force Majeure**

The performance of the Water Authority’s obligation to deliver and the Member Agency’s obligation to purchase the Contract Quantity is excused to the extent and for the duration that the performance is prevented by: acts or failure to act by any government agency or authority (other than the Water Authority or the Member Agency); natural disaster such as earthquake, fire, or flood; war; labor strike or lockout; riots, insurrection, rebellion, acts of the public enemy, acts of terrorism and sabotage; or other cause beyond the control of the party claiming the prevention of performance. A reduction of the Member Agency’s treated water demand due to weather, consumer consumption, availability of alternate supplies, or similar reason will not be grounds for relief under this section. In the event the performance of a party is prevented under this section, the performance of both parties will be excused until the performance is no longer prevented. The parties will reasonably cooperate to seek a restoration of the performance, however, neither party is obliged to expend resources to restore, repair, or replace facilities or services of the other party the damage or interruption of which is the cause of
the prevention of performance. This section does not apply to circumstances within the scope of relief under section 6 of this contract.

26. **Execution and Effective Date.**

This contract is effective as of the last date of execution by the parties as shown below:

Water Authority

By: ____________________  Date: ____________________

Carlsbad Municipal Water District

By: ____________________  Date: ____________________
EXHIBIT A

Basis and Method for Carlsbad Desalination Project Costs

Plant Costs [Section 8, paragraph (a)(1)(A)]

WPA Article 17.4 Capital Charges

(Debt Service Charge + Equity Return Charge)

WPA Article 17.5 Operating Charge

(Fixed Operating Charge + Variable Operating Charge)

WPA Article 17.6 Electricity Charge

(Fixed Electricity Charge + Variable Electricity Charge)

WPA Article 8.14 Poseidon Management Fee

(Annual Management Fee)

Pipeline Costs [Section 8, paragraph (a)(1)(B)]

WPA Article 9.11 Pipeline Debt Payment

(Annual Contracted Shortfall Payment WPA Appendix 10 Table 1.3)

Pipeline Operation and Maintenance

(Approved Water Authority Operating budget attributable to Desalinated Water Conveyance Pipeline maintenance)

Capital Oversight Costs [Section 8, paragraph (a)(1)(C)]

Amortized capital cost of Water Authority construction management and design review related to WPA Article 7 Appendix 3, 4 and 5 and the Pipeline Design Build Agreement divided by 48,000 acre feet. (Annual cost spread over total WPA minimum annual commitment Article 9.4 (a).)

Administrative Charge [Section 8, paragraph (c)]

Total cost attributable to WPA administration and member agency purchase contract administration according to the approved Water Authority budget, divided by 48,000 acre feet.
UNIFORM CONTRACT FOR MEMBER AGENCY PURCHASE OF TREATED WATER FROM THE SAN DIEGO COUNTY WATER AUTHORITY – CARLSBAD DESALINATION PROJECT

Vallecitos Water District

1. Purpose and Intent.

The San Diego County Water Authority (“Water Authority”) has entered into an agreement titled “Carlsbad Seawater Desalination Project Water Purchase Agreement between the San Diego County Water Authority and Poseidon Resources (Channelside) LP dated December 20, 2012” (“Poseidon WPA”). The Water Authority also has entered into an agreement titled “Design Build Agreement for Product Water Pipeline Improvements Relating to the Carlsbad Seawater Desalination Project between the San Diego County Water Authority and Poseidon Resources (Channelside) LP dated December 20, 2012” (“Poseidon DBA”). Together the Poseidon WPA and the Poseidon DBA will provide new facilities for the production and conveyance of desalinated water to the Water Authority and for the purposes of this contract constitute and are referred to as the “Carlsbad Desalination Project.” The Water Authority has entered into long term financing agreements in conjunction with the Carlsbad Desalination Project, and it also has undertaken improvements and modifications to its aqueduct system and the Twin Oaks Valley Water Treatment Plant for purposes of taking delivery of and incorporating desalinated water into its treated water supply system.

Under the Poseidon WPA the Water Authority has made a Minimum Annual Demand Commitment, as defined in the Poseidon WPA, of 48,000 acre-feet and is required to take delivery of, purchase, and pay for that amount of desalinated water to the extent it is produced and made available for delivery according to the terms of that agreement. In June 2011, the Water Authority board of directors adopted guiding principles for the Water Authority to make available to its member agencies up to 49 percent of the Minimum Annual Demand Commitment and provide the opportunity for member agencies to enter into uniform contracts to make firm commitments to individually purchase from the Water Authority treated water in designated amounts that represent a portion of the Minimum Annual Demand Commitment. In addition, the Water Authority has the option to take Additional Product Water Deliveries under the Poseidon WPA and has provided the member agencies the opportunity to acquire a portion of the additional water as it is acquired by the Water Authority up to a total quantity for all participating member agencies of 49 percent of the additional water. Pursuant to the guiding principles, the Water Authority working in cooperation with its member agencies has developed this and the other uniform contracts for member agency purchase of treated water in connection with the Carlsbad Desalination Project.

The parties intend that the purchase and payment obligations of the member agencies under the uniform contracts reasonably match the purchase and payment obligations of the Water Authority under the Poseidon WPA. Thus, for example, the parties intend that a contracting member agency will be responsible for payment if a member agency fails to take delivery of all or a portion of its Contract Quantity because of a reason other than a condition of its facilities
that would come within the definition of an Excused Demand Shortfall under the Poseidon WPA in a manner similar to the Water Authority’s obligations for such payments. Similarly, contracting member agencies will share the benefit of Drought Shortfall Payments, if any, made under the Poseidon WPA should a failure to make deliveries occur in times of a water supply shortage. The parties acknowledge that the water provided by the Water Authority under the uniform contracts will be treated water from any source determined by the Water Authority at its sole discretion, and may be a blend of desalinated water and other treated water of the Water Authority, other treated water of the Water Authority without blending with desalinated water or, in some limited cases, direct delivery of desalinated water, and that such water will deemed to be delivered in equal monthly amounts.

2. **Parties.**

The parties to this contract are the Water Authority and the Vallecitos Water District (“Member Agency”).

3. **Initial Term and Option to Extend.**

   (a) This contract is effective on the date it is fully executed and will continue for an Initial Term until the earlier of either (a) 30 years following Commercial Operation as defined in the Poseidon WPA or the Expiration Date of the Poseidon WPA as defined therein, whichever is later, or (b) the date of early termination of this contract pursuant to section 10.

   (b) If the Water Authority chooses to exercise its option to acquire the Carlsbad Desalination Plant pursuant to the provisions of the Poseidon WPA for transfer upon expiration of the term of that agreement, the Water Authority will offer to each Member Agency that has an unexpired contract on that date a new uniform contract for the Contract Quantity. At the request of a Member Agency the Water Authority may also consider in its sole discretion renegotiating an increase in a Member Agency’s Contract Quantity. It is the intent of the parties that the new contract will have a term of twenty years and provide price and water supply benefits to participating member agencies in recognition of their proportional contribution to the financing of the Plant during the Initial Term.

4. **Condition Precedent.**

   Attainment of the Commercial Operation Date under the Poseidon WPA is a condition precedent to the obligations of the parties under this contract.

5. **Contract Quantity.**

   (a) The Member Agency’s Contract Quantity is 3,500 acre feet of treated water per Contract Year, subject to paragraph (d) of this section and adjustment pursuant to paragraph (d) of section 6. In the event of an adjustment pursuant to section 6, Contract Quantity means the Adjusted Contract Quantity for the duration of the adjustment. As used in this contract, Contract Year has the same meaning as in the Poseidon WPA.
(b) The Total Contracted Quantity of water subject to uniform contracts, including this contract, is 6,000 acre-feet of treated water per Contract Year. If a member agency having executed a uniform contract subsequently chooses to early terminate its contract pursuant to section 10 or a member agency contract is terminated as a consequence of breach by the member agency, the Total Contracted Quantity will be reduced in the amount of that member agency’s Contract Quantity after making the contracted amount available in part or in whole, at the Water Authority’s sole discretion, to any other member agency having executed a uniform contract. The Total Contracted Quantity will be reduced in the amount of that member agency’s Contract Quantity less the amount committed to other contracted member(s) pursuant to this section.

(c) The Member Agency’s Contract Quantity and the Total Contracted Quantity are part of the Minimum Annual Demand Commitment of the Water Authority under the Poseidon WPA. In addition, under the Poseidon WPA the Water Authority has the option to take Additional Product Water Deliveries. With respect to Additional Product Water Deliveries, the Member Agency will purchase Additional Product Water made available by the Water Authority according to the provisions of section 9: YES ____ / NO ____; waives any participation in the purchase of Additional Product Water: YES ____ / NO ____.

(d) Under the Poseidon WPA, the Water Authority has a right to make an elective decrease in the Minimum Annual Demand Commitment based on the performance testing prior to Commercial Operation of the desalination plant. If the Water Authority elects to reduce the Minimum Annual Demand Commitment pursuant to the Poseidon WPA, the Total Contracted Quantity will be reduced so that the reduced Total Contracted Quantity bears the same ratio to the reduced Minimum Annual Demand Commitment as the amount specified in subparagraph (b) of this section bears to 48,000 acre-feet, and the Contract Quantity of each member agency having a uniform contract will be reduced to maintain the ratios of their respective Contract Quantities and the Total Contracted Quantity. The Water Authority will give notice to each member agency of the reductions, and once given, the reduced quantities will be used for all purposes of this contract and the other uniform contracts.

6. Purchase and Delivery.

(a) The Member Agency will purchase and the Water Authority will deliver the Contract Quantity as monthly deliveries of treated water equal to one-twelfth of the Contract Quantity.

(b) Purchase and delivery of the Contract Quantity will commence on the first day of the calendar month following Commercial Operation of the Carlsbad Desalination Plan pursuant to the Poseidon WPA. For the first Contract Year of Commercial Operation the Contract Quantity will be one-twelfth of the Contract Quantity times the number of full months following Commercial Operation remaining in the Contract Year.

(c) Daily water orders will be subject to the Water Authority’s rules and regulations generally applicable to the ordering and delivery of treated water.
(d) If at any time the Water Authority reasonably determines that it will receive desalinated water pursuant to the Poseidon WPA in an amount less than the Minimum Annual Demand Commitment for a Contract Year based on the existence of an Uncontrollable Circumstance, Event of Default, breach, or other failure of performance of the Project Company under the Poseidon WPA, the Member Agency will purchase from the Water Authority and the Water Authority will deliver to the Member Agency an Adjusted Contract Quantity for that year in an amount determined by the following formula: 
\[ x = \frac{a}{b} \times \left[ \frac{c}{d} \right] \]; where 
- \( a \) is the Member Agency’s Contract Quantity,
- \( b \) is the Total Contracted Quantity,
- \( c \) is the amount of desalinated water the Water Authority reasonably expects to actually receive pursuant to the Poseidon WPA in that Contract Year, 
- \( d \) is the Minimum Annual Demand Commitment and 
- \( x \) is the Adjusted Contract Quantity. The purchase and delivery will be in monthly deliveries of treated water equal to one-twelfth of the Adjusted Contract Quantity. If an adjustment is made after the commencement of a Contract Year, the Adjusted Contract Quantity for the remainder of the Contract Year will take effect at the beginning of the next month following the Water Authority’s notice to the Member Agency of the adjustment under this paragraph.

(e) If at any time the Water Authority reasonably determines that it will receive less than the Total Contract Quantity or the sum of the Adjusted Contract Quantities in a Contract Year under the Poseidon WPA because of a relief from performance due to the existence of an Uncontrollable Circumstance, or because of a Project Company default, breach, or other failure of performance under the Poseidon WPA, the Water Authority’s obligation to deliver water will be reduced until deliveries to the Water Authority under the Poseidon WPA resume and the Water Authority reasonably determines that the basis for suspension no longer exists. To the extent water is delivered to it, the Water Authority will deliver and the Member Agency will purchase a reduced monthly quantity determined by the Water Authority based on the amount of desalinated water it receives and the proportion that the Member Agency’s Contract Quantity bears to the Total Contract Quantity or the sum of the Adjusted Contract Quantities.

(f) The Member Agency and the Water Authority have entered into a separate agreement for the design, construction, and operation of new connection facilities to the pipeline described in the Poseidon DBA that will allow for the direct delivery of desalinated water to the Member Agency. If the Water Authority is unable to directly deliver desalinated water to the Member Agency due to a shutdown of Water Authority facilities, the Water Authority is excused from performance of its delivery obligations for the duration of the shutdown; however, the Water Authority will provide make-up water during the Contract Year, or at a later period as agreed between the Water Authority and the Member Agency, in amounts equal to the quantity of desalinated water that would have been delivered had the shutdown not occurred. Also, the Water Authority, at its discretion, may deliver treated water through other connections to the Member Agency in lieu of interrupting delivery of desalinated water, which treated water deliveries will be deemed to be deliveries of desalinated water for all purposes under this agreement and for which payment will be made in the same manner as for direct delivery. Further, if desalinated water is available but the Member Agency is unable to accept direct delivery of desalinated water through the new facilities, it will accept delivery of treated water by the Water Authority through other connections to the Member Agency in lieu of direct delivery of desalinated water; in addition to payment of the amount applicable to direct delivery of desalinated water, such delivery will be subject to payment of the Transportation Charge, or an
equivalent charge, under the Water Authority rate structure in effect at the time of the delivery subject to the adjustments described in Section 8, paragraph (a)(2) and Exhibit B.

(g) The Water Authority’s obligation to deliver water will be relieved and the Member Agency’s obligation to purchase will be suspended for the duration of a Product Water Purchase Relief Event as defined in the Poseidon WPA.

(h) The Member Agency’s obligation to purchase water will be relieved and the Water Authority’s obligation to deliver water to the Member Agency will be suspended during the period of a Member Agency Water Purchase Relief Event, which for the purposes of this contract means the formal declaration by the Member Agency’s board of directors based upon the existence of a sudden, unpredictable event resulting in a condition closing all or a portion of the Member Agency’s treated water facility system and preventing the Member Agency from taking all or a portion of the Contract Quantity.

7. **Characterization of Contract Quantity as Local Supply.**

(a) The Contract Quantity will be considered as a source and supply of water independently owned and managed by the Member Agency in the application of all Water Authority ordinances, plans, programs, rules, and regulations.

(b) The Contract Quantity will be treated as a “local supply” pursuant to the Water Authority’s Water Shortage and Drought Response Plan and will be eligible for the Local Projects Development Adjustment under the Water Authority’s Supply Allocation Methodology, as either may be amended from time-to-time.

(c) For purposes of administering the ordinances, plans, programs, rules, and regulations described in paragraphs (a) or (b) of this section, to the extent that a Member Agency receives less than its Contract Quantity in an applicable yearly accounting period because of an authorized suspension of deliveries by the Water Authority under this contract, the Water Authority will apply the same considerations as for other local supplies that would be produced by other Member Agency projects, programs, or rights.

(d) Nothing in this subdivision is intended to limit the ability of the Water Authority to amend, replace, repeal, adopt, or re-adopt either the Plan or the Methodology, or another plan or methodology to allocate supplies in time of shortage or otherwise, provided that the Water Authority complies with paragraph (a) of this section. If the Water Authority amends, replaces, or repeals the Plan or the Methodology to eliminate or materially reduce the local supply benefit, the Member Agency may terminate this Contract as provided in paragraph (b) of section 10.

8. **Price and Payment for the Contract Quantity.**

(a) The price for the Member Agency Contract Quantity will be the sum of the Desalination Project Costs described in paragraph (1)(A) and (B). When payment of an adjusted Transportation Charge is required under paragraph (f) of section 6, the adjustments to Transportation Charge will be made as described in paragraph (2).
(1) Unless the circumstance described in paragraph (b) of this section has occurred, the portion of the unit price attributable to Desalination Project Costs will be determined and apportioned by the Water Authority on a per-acre foot unit price basis:

(A) For each acre-foot of the Contract Quantity delivered in a month the Member Agency will pay the Fixed Unit Price and the Variable Unit Price, plus any Direct Payments, determined for that month pursuant to Article 17 of the Poseidon WPA. For each Unexcused Demand Shortfall Unit attributed to the Member Agency the Member Agency will pay the Fixed Unit Price determined for that month pursuant to Article 17 of the Poseidon WPA. As used in this contract, an Unexcused Demand Shortfall Unit attributed to the Member Agency means any failure to take treated water equal to one-twelfth the Member Agency’s Contract Quantity unless the failure is due to a Member Agency Water Purchase Relief Event as defined in paragraph (g) of section 6.

(B) For each acre-foot of the Contract Quantity delivered in a month and for each Unexcused Demand Shortfall Unit attributed to the Member Agency the Member Agency will pay a unit price equal to (a) the monthly debt service payment amounts and amounts set aside in reserves pursuant to agreements made by the Water Authority for financing of the obligations of the Water Authority under the Poseidon DBA, including refinancing agreements, apportioned on a per acre foot basis over the Minimum Annual Demand Commitment under the Poseidon WPA; plus (b) the operation and maintenance costs (including without limitation reasonable reserves for repair or replacement) for the facilities that are the subject of the Poseidon DBA determined according to the Water Authority’s adopted budget for the fiscal year in which the price is to be paid apportioned on a per acre foot basis over the Minimum Annual Demand Commitment under the Poseidon WPA.

(C) For each acre-foot of the Contract Quantity delivered in a month and for each Unexcused Demand Shortfall Unit attributed to the Member Agency the Member Agency will pay for the reimbursement of its proportionate share of the Water Authority’s project oversight costs during the design, construction and commissioning of the Carlsbad Desalination Project prior to the date of Commercial Operation as described in Exhibit A.

(D) The components of the unit price for the Desalination Project Costs and for the Water Authority capital and operating costs related to the Carlsbad Desalination Project are shown on Exhibit A.

(2) When the Member Agency is required to pay transportation costs for treated water delivered in lieu of direct delivery of desalinated water pursuant to paragraph (f) of section 6, then in addition to the charges paid under paragraph (a)(1), for each acre-foot of the Contract Quantity delivered in a month the Member Agency will pay a unit price determined by the Water Authority based on an adjusted Transportation Charge, or an equivalent charge, under the Water Authority rate structure in effect at the time of the delivery, which will be calculated in such a manner to reflect only the proportion of costs of the desalinated water conveyance pipeline attributable to the Water Authority’s proportion of desalinated water deliveries after subtracting the amounts determined under paragraph (1)(B) paid by the all member agencies.
having uniform contracts as part of the unit price attributable to Desalination Project Costs. The adjustments will include an appropriate additional reduction to the account for the Member Agency’s payments under paragraph (1)(B) and an increase to account for chemical injection at the Twin Oaks Valley Water Treatment Plant to boost chloramines residual. The components of the adjustments to the Transportation Charge are shown on Exhibit B. Because the Member Agency pays the Desalination Project Costs in connection with treated water deliveries in lieu of direct deliveries of desalinated water, the Water Authority will not charge any other supply or treatment costs for those supplies.

(b) If the Water Authority acquires the Carlsbad Desalination Plant in accordance with the Poseidon WPA, the portion of the Carlsbad Desalination Project Costs that are determined under paragraph (1)(A) of paragraph (a) will be redetermined by the Water Authority board of directors based upon the full cost (including without limitation, capital, debt service, acquisition, operation, maintenance, administrative overhead, depreciation, reserves) of the Water Authority’s ownership, operation, and maintenance of the plant.

(c) In addition to the unit price determined according to subsections (a), (b), and (c), the Member Agency will pay an annual Administration Charge calculated in the Initial Contract Year. The Administrative Charge components are described in Exhibit A. The Administrative Charge will be Index Linked as defined in Article 1 of the Poseidon WPA and will be adjusted each Contract Year after the first full Contract Year. The Administration Charge will be apportioned and collected as an additional unit charge for each acre-foot of the Contract Quantity delivered in a month and for each Unexcused Demand Shortfall Unit attributed to the Member Agency.

(d) The Water Authority will rebate to the Member Agency a share of any Drought Shortfall Payments received by the Water Authority pursuant to the Poseidon WPA based on the ratio of the Member Agency’s Contract Quantity to the Minimum Annual Demand Commitment.

(e) If the amount of water received by the Water Authority pursuant to the Poseidon WPA is less than its Minimum Monthly Demand Commitment under that agreement, then the Member Agency’s Contract Quantity deemed delivered in that month will be reduced to reflect the ratio of the Member Agency’s Contract Quantity to the Minimum Annual Demand Commitment times the amount of desalinated water delivered to the Water Authority in that month.

(f) The administrative charge may include additional charges to recover additional costs paid by the Water Authority for Base Product Water Deliveries pursuant to the Poseidon WPA for the prior fiscal year that were not recovered in the cumulative payments of the unit price for that prior year, or credits to allocate the benefit of payments received by the Water Authority pursuant to the Poseidon WPA for the prior fiscal year.

(g) Nothing in this contract precludes the Water Authority from establishing or excuses the Member Agency from paying any other non-discriminatory fee or charge generally applicable to Water Authority member agencies, except that the Contract Quantity will not be used to calculate the Member Agency’s customer service or storage charges under the Water Authority.
Authority rate structure in existence on the date of this contract or any similar future rate structure of the Water Authority.

(h) The Water Authority will determine and give written notice to the Member Agency of the actual unit price for the Contract Year of the Commercial Operation Date as soon as reasonably feasible after the Water Authority determines the prices in accordance with paragraphs (a) and (c) of this section. At the time of the written notice, the Water Authority will provide the Member Agency with a written description of the basis of the determination, including budget data and information. Within fifteen days thereafter, the Member Agency may dispute the determination by giving written notice to the Water Authority of the grounds for the dispute. The Water Authority and the Member Agency will meet in good faith to resolve the dispute within thirty days. The Member Agency will pay the price determined by the Water Authority until the dispute is resolved, and if a different price is mutually agreed as a result of the dispute process, the Member Agency may claim a refund. For each Contract Year following the Initial Contract Year, the Water Authority will determine and give notice to the Member Agency of the unit price for a Contract Year on or before September 1 of each year. The notice will be given in writing and include a brief description of the basis of determination consistent with paragraphs (a) and (c).

(i) The unit price for water deemed delivered in a calendar month is due on the 15th day of the following month in accordance with the Water Authority’s billing practices applicable to water delivery generally. The Administrative Charge is payable in twelve equal monthly installments due on the 15th day of each month. Delinquent payments are subject to the same policies, including provisions or payment of interest and penalties, established by the Water Authority for billing and collection of fees, rates, and charges generally.


Additional Product Water will be made available to each member agency that has agreed to participate in the purchase of Additional Product Water according to paragraph (c) of section 5 in proportion to its Contract Quantity to the total Minimum Annual Demand Commitment if and when the Water Authority determines to take Additional Product Water pursuant to the Poseidon WPA. As it is received, the Additional Product Water will be delivered to each participating member agency as treated water at the same price paid by the Water Authority for that water under the Poseidon WPA; in addition the Member Agency will pay the Aqueduct Cost pursuant to paragraph (a)(2) of section 8 for each acre-foot of water delivered. Additional Product Water made available to the Member Agency will be treated as a local supply as provided in section 7.

10. Early Termination.

(a) If the Water Authority acquires the Carlsbad Desalination Plant pursuant to the Poseidon WPA, other than pursuant to the provisions for transfer upon expiration of the term of that agreement, the Member Agency will have 90 days after the date of such acquisition to terminate this contract by giving written notice to the Water Authority. The Member Agency will be deemed to have waived the provisions of this section if it does not deliver the written notice to the Water Authority within 90 after the date of acquisition.
(b) If the Water Authority amends, replaces, or repeals the Water Shortage and Drought Response Plan or Supply Allocation Methodology to eliminate or materially reduce the local supply benefit, the Member Agency will have 90 days after notice of the amendment, replacement, or repeal to terminate this contract by giving written notice to the Water Authority. The Member Agency will be deemed to have waived the provisions of this section if it does not deliver the written notice to the Water Authority within 90 days.

11. Entire Agreement.

This contract constitutes the entire understanding among the parties with respect to the matters set forth herein, and supersedes all prior or contemporaneous understandings or agreements among the parties with respect to the subject matter hereof, whether oral or written.


The covenants and obligations of each party constitute consideration for the covenants and obligations of the other parties and that the provisions of this contract cannot be severed one from the other without affecting the respective and mutual benefits to be obtained by the parties from enforcement of the contract as a whole.

13. Amendment.

Neither this contract nor any of its provisions may be waived, modified, amended, discharged, or terminated except by an instrument in writing signed by the party against which the enforcement of such waiver, modification, amendment, discharge or termination is sought, and then only to the extent set forth in such writing. However, for purposes of this contract, the Poseidon WPA, the Poseidon DBA, and any agreements relating to the financing, construction, reconstruction, operation, or maintenance of the Carlsbad Desalination Project includes any amendments to those agreements approved and executed by the Water Authority, and no amendment of any of those agreements will be considered an amendment to this or any of the uniform contracts.


This contract constitutes a fully-negotiated agreement among commercially sophisticated parties, each assisted by legal counsel, and the terms of this contract shall not be construed or interpreted for or against any party hereto because that party or its legal representative drafted or prepared such provision. Headings, titles and captions are for convenience only and shall not be used for the interpretation of the provisions of this contract.

15. Controlling Law.

This contract shall be governed by, and construed and interpreted in accordance with, the laws of the State of California, without giving effect to any choice-of-law or conflicts-of-laws rule or principle that would result in the application of any other laws.
16. **Notices.**

Any notice, approval, consent, waiver or other communication required or permitted to be given or to be served upon any party in connection with this contract shall be in writing. Such notice shall be personally served, sent by facsimile, sent prepaid by registered or certified mail with return receipt requested, or sent by reputable overnight delivery service, such as Federal Express, and shall be deemed given: (a) if personally served, when delivered to the Party to whom such notice is addressed; (b) if given by facsimile, when sent, provided that the confirmation sheet from the sending fax machine confirms that the total number of pages were successfully transmitted; (c) if given by prepaid or certified mail with return receipt requested, on the date of execution of the return receipt; or (d) if sent by reputable overnight delivery service, such as Federal Express, when received. Such notices shall be addressed to the party to whom such notice is to be given at the address specified below or as such party shall otherwise direct in writing to the other parties delivered or sent in accordance with this paragraph. The "copy to" notice to be given as set forth below is a courtesy copy only; a notice given to such person is not sufficient to effect giving a notice to the principal party, and a failure to give such a courtesy copy of a notice does not constitute a failure to give notice to the principal party.

To the Water Authority:  
San Diego County Water Authority  
4677 Overland Avenue  
San Diego, CA 92123  
ATTN: General Manager

With a copy to:  
San Diego County Water Authority  
4677 Overland Avenue  
San Diego, CA 92123  
ATTN: General Counsel

To the Member Agency:  
Vallecitos Water District

With a copy to:  
Vallecitos Water District

17. **Cumulative Rights; Waiver.**

The rights created under this contract, or by law or equity, shall be cumulative and may be exercised at any time and from time to time. Except as otherwise expressly provided in this contract or except passage of time specified by statute for limitation of actions, a failure, delay, or omission by any party in exercising any right, shall not be construed or deemed to be, or operate as a waiver of that right, and no single or partial exercise by any party of a right preclude
any other or future exercise thereof or the exercise of any other right. No party may waive any
right and no non-defaulting party may waive any breach by the defaulting party of any provision
of this contract unless the waiver is in writing, and any waiver by any non-defaulting party of
any breach by a defaulting party of any provision of this contract shall not operate as or be
construed to be a waiver of any other breach of that provision or of any breach of any other
provision of this contract. The failure of any party to insist upon strict adherence to any term of
this contract on one or more occasions shall not be considered a waiver of any provision or any
breach of any provision of this contract or deprive that party of the right thereafter to insist upon
strict adherence to that provision or any other provision of this contract.

16. **No Third Party Beneficiaries.**

This contract does not create, and shall not be construed to create, any rights enforceable
by any person, partnership, corporation, joint venture, limited liability company or other form of
organization or association of any kind that is not a party to this contract. Nothing in this
contract shall be construed to make the Member Agency a third party beneficiary of the Poseidon
WPA.

17. **Execution in Counterparts; Facsimile Signatures.**

This contract may be executed in counterparts, each of which shall be deemed an
original, but all of which together shall constitute one and the same instrument. The signature
page of any counterpart may be detached therefrom without impairing the legal effect of the
signature(s) thereon, provided such signature page is attached to any other counterpart identical
thereto except for having an additional signature page executed by the other party. Each party
agrees that the other parties may rely upon the facsimile signature of a party on this contract as
constituting a duly authorized, irrevocable, actual, current delivery of this contract as fully as if
this contract contained the original ink signature of the party supplying a facsimile signature.

18. **Time of the Essence.**

Time is of the essence of each and every provision of this contract.

19. **Proof of Authority.**

Each party shall deliver to the other party copies of such resolutions, certificates or
written assurances evidencing authorization to execute, deliver, and perform this contract.

20. **Number, Gender.**

Where a word or phrase is defined in this contract, its other grammatical forms have a
corresponding meaning. As used herein, and as the circumstances require, the plural term shall
include the singular, the singular shall include the plural, the neuter term shall include the
masculine and feminine genders, the masculine term shall include the neuter and the feminine
genders, and the feminine term shall include the neuter and the masculine genders.
21. **Relationship.**

Nothing in this contract shall be deemed to constitute either party a partner, agent or legal representative of the other party. No liability or benefits, such as workers’ compensation, pension rights or liabilities, other provisions or liabilities arising out of or related to a contract for hire or employer/employee relationship, shall arise or accrue to any party's agent or employee as a result of this contract or its performance. Each party is responsible for own acts and omissions, and the acts or omissions of its respective officers, employees and agents.

22. **Defense.**

The parties agree to cooperate to defend this contract by any person or entity that is not a party to this contract, provided, however, that each party shall bear its own attorneys’ fees and costs, unless the parties otherwise agree.

23. **Assignment.**

Neither the Member Agency nor the Water Authority will assign any of its rights, interests, or obligations under this contract, except that upon a governmental reorganization the obligations of a party under this contract will be transferred to the successor agency.

24. **Limitation of Liability.**

The Water Authority shall not be liable to the Member Agency for any monetary damages of any kind or nature whatsoever, whether based on contract, warranty, tort (including negligence or strict liability), or otherwise, resulting from the failure to deliver the Contract Quantity. The Member Agency’s exclusive remedy for the Water Authority’s breach of this contract is a reduction in the payment of the unit price to the extent of the shortfall in delivery of the Contract Quantity.

25. **Force Majeure**

The performance of the Water Authority’s obligation to deliver and the Member Agency’s obligation to purchase the Contract Quantity is excused to the extent and for the duration that the performance is prevented by: acts or failure to act by any government agency or authority (other than the Water Authority or the Member Agency); natural disaster such as earthquake, fire, or flood; war; labor strike or lockout; riots, insurrection, rebellion, acts of the public enemy, acts of terrorism and sabotage; or other cause beyond the control of the party claiming the prevention of performance. A reduction of the Member Agency’s treated water demand due to weather, consumer consumption, availability of alternate supplies, or similar reason will not be grounds for relief under this section. In the event the performance of a party is prevented under this section, the performance of both parties will be excused until the performance is no longer prevented. The parties will reasonably cooperate to seek a restoration of the performance, however, neither party is obliged to expend resources to restore, repair, or replace facilities or services of the other party the damage or interruption of which is the cause of
the prevention of performance. This section does not apply to circumstances within the scope of relief under section 6 of this contract.

26. **Execution and Effective Date.**

This contract is effective as of the last date of execution by the parties as shown below:

Water Authority

By:____________________  Date: ______________________

Vallecitos Water District

By:___________________  Date: _______________________

13
EXHIBIT A

Basis and Method for Carlsbad Desalination Project Costs

Plant Costs [Section 8, paragraph (a)(1)(A)]

WPA Article 17.4 Capital Charges
   *(Debt Service Charge + Equity Return Charge)*
WPA Article 17.5 Operating Charge
   *(Fixed Operating Charge + Variable Operating Charge)*
WPA Article 17.6 Electricity Charge
   *(Fixed Electricity Charge + Variable Electricity Charge)*
WPA Article 8.14 Poseidon Management Fee
   *(Annual Management Fee)*

Pipeline Costs [Section 8, paragraph (a)(1)(B)]

WPA Article 9.11 Pipeline Debt Payment
   *(Annual Contracted Shortfall Payment WPA Appendix 10 Table 1.3)*

Pipeline Operation and Maintenance
   *(Approved Water Authority Operating budget attributable to Desalinated Water Conveyance Pipeline maintenance)*

Capital Oversight Costs [Section 8, paragraph (a)(1)(C)]

Amortized capital cost of Water Authority construction management and design review related to WPA Article 7 Appendix 3, 4 and 5 and the Pipeline Design Build Agreement divided by 48,000 acre feet. *(Annual cost spread over total WPA minimum annual commitment Article 9.4 (a).)*

Administrative Charge [Section 8, paragraph (c)]

Total cost attributable to WPA administration and member agency purchase contract administration according to the approved Water Authority budget, divided by 48,000 acre feet.
Calculation of Aqueduct Cost Transportation Charge Adjustment
[Section 8, paragraph (a)(2)]

Credit for Payment of WPA Article 9.11 Debt Payment:  \( \frac{\text{($/AF)}}{} \)
(Annual Desalinated Conveyance Pipeline Debt Service Divided by Projected Total Member Agency Deliveries)

Credit for Payment of Water Authority Capital Oversight  \( \frac{\text{($/AF)}}{} \)
(Annual amortized cost divided by Total Member Agency Deliveries)

Credit for Payment of Pipeline Maintenance Charge  \( \frac{\text{($/AF)}}{} \)
(Annual O&M Budget attributed to Desalinated Water Conveyance Pipeline Divided by Total Member Agency Deliveries)

Cost for Chemical Injection to Boost Chloramines Residual  \( \frac{\text{($/AF)}}{} \)
(Annual operating cost divided by 56,000 Acre Feet maximum annual desalinated water production)

NOTES
1. “Projected Total Member Agency Deliveries” means the total deliveries of Water Authority water to all Water Authority member agencies, except deliveries to member agencies through direct connections to MWD owned pipelines.

2. Amounts shown in parenthesis ($/AF) are credits against the Transportation Charge. Amounts shown without parenthesis are additions to the Transportation Charge.
February 18, 2015

Attention: Water Planning Committee

Water supply and drought management update. (Information)

Purpose
To monitor water supply, demand and storage conditions, and to provide an update on drought management activities in accordance with the Water Authority’s Water Shortage and Drought Response Plan.

Background
California is currently facing its fourth year of a significant statewide drought resulting in severe impacts to California’s water supplies and its ability to meet all of the water demands in the state. Due to the critically dry conditions and resulting low storage levels, the Department of Water Resources (DWR) took the unprecedented action of allocating only five percent of the State Water Contractors delivery requests in 2014. In July 2014, the State Water Resources Control Board (SWRCB) took action to adopt emergency regulations for statewide urban water conservation to help preserve the state’s supplies throughout the continuing drought.

On July 24, 2014, the Board notified the member agencies of a Drought Alert condition, which includes mandatory water use restrictions; and declared implementation of Supply Enhancement Stage of the Water Authority’s Water Shortage and Drought Response Plan. The actions were based on the need to increase conservation efforts in order to preserve water supplies in storage and assist member agencies in compliance with the SWRCB emergency regulations.

Discussion
State Water Project (SWP)
On January 15, 2015, after a series of storms in December and the resulting runoff, DWR announced a revised SWP allocation of 15 percent. The initial allocation of 10 percent was announced on December 1, 2014. Initial SWP allocations tend to be conservative estimates that are adjusted upward as hydrologic conditions develop throughout the winter.

DWR conducted its second manual snow survey for the season on January 29, 2015, which showed that the state’s snowpack’s water content was only 25 percent of average for that date. This was down significantly from the previous measurement taken on December 30, 2014, when DWR conducted the winter’s first manual survey, which had registered at 50 percent of average for that time of year. The absence of precipitation in January, normally California’s wettest month, combined with warmer-than-average temperatures, resulted in a snow water equivalent statewide that remains far below average. DWR will conduct its next manual survey around March 1, 2015.
While drought conditions persist following extremely dry conditions in January, improvements were seen after a series of strong storms produced substantial rainfall in northern California in early February. These storms produced the first significant precipitation in northern California since mid-December. However, the majority of the precipitation fell as rain, as snowfall was restricted to the higher elevations. Overall, the storms had little impact on the well-below-normal snowpack conditions across the Sierra Nevada. As of February 11, 2015, the northern California snow water equivalent was 23 percent of normal. Precipitation at the Northern Sierra 8-station index measured 30.3 inches, or 100 percent of seasonal average to date. While storage levels have continued to improve, key reservoir storage on the State Water Project remains below average, as shown in Table 1.

### Table 1. Reservoir Storage Levels on February 11, 2015

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Storage in MAF</th>
<th>Percent of Capacity</th>
<th>Percent of Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oroville</td>
<td>1.63</td>
<td>46%</td>
<td>69%</td>
</tr>
<tr>
<td>San Luis*</td>
<td>1.17</td>
<td>57%</td>
<td>70%</td>
</tr>
<tr>
<td>Combined</td>
<td>2.80</td>
<td>50.1%</td>
<td>69%</td>
</tr>
</tbody>
</table>

*San Luis storage includes SWP and Central Valley Project. SWP share in San Luis was approximately 756 TAF.

### Colorado River

On the Upper Colorado River Basin, precipitation for water year 2015 through February 9, 2015 is approximately 81 percent of average, and the basin snowpack is at 85 percent of average. With the past 11 out of 15 years dry on the Colorado River Basin, reservoir storage in Lake Mead and Lake Powell remains low, as shown in Table 2. Taking into account current conditions, a shortage declaration is not expected on the Colorado River for 2015. There is however a 27 percent probability of a shortage declaration in 2016.

### Table 2. Reservoir Storage Levels on January 31, 2014

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Storage in MAF</th>
<th>Percent of Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Powell</td>
<td>11.2</td>
<td>46%</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>10.7</td>
<td>41%</td>
</tr>
<tr>
<td>Combined</td>
<td>21.9</td>
<td>43%</td>
</tr>
</tbody>
</table>

### Local Supply and Demand Conditions

Locally, precipitation in San Diego County for water year 2015 is below average. Following above average precipitation in December, dry conditions returned in January. Accumulated total precipitation for two stations in San Diego County is shown in Table 3.
Total local reservoir storage on February 2, 2015 was approximately 244,956 AF (42 percent of capacity). In addition, the Water Authority’s Semitropic groundwater storage bank has 16,100 AF in storage.

**Total Potable Water Use**

Figure 1 shows a comparison of Water Authority member agencies’ total monthly water use, excluding recycled water use, for FY 2014 and FY 2015. Member agencies’ total potable use in January 2015 was approximately 30,936 AF. This represents a 28 percent decrease from the same period a year ago, and was accomplished despite dry conditions in January. As shown in Figure 2, the average daily maximum temperature in January 2015 was 4.3 degrees above normal, compared with 5.4 degrees above normal in January 2014. This continued the trend of above average temperatures experienced in San Diego through all of 2014, and now into 2015.

<table>
<thead>
<tr>
<th>Station</th>
<th>Inches</th>
<th>Percent Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lindberg Field</td>
<td>5.29</td>
<td>90%</td>
</tr>
<tr>
<td>Ramona Airport</td>
<td>5.39</td>
<td>64%</td>
</tr>
</tbody>
</table>

**Table 3. Water Year 2015 Rainfall through Feb. 11, 2015**
SWRCB Emergency Water Conservation Regulations
The SWRCB emergency conservation regulations are set to expire in April 2014. At its February 17, 2015 meeting, the SWRCB will discuss recommendations received at a December 2014 workshop, along with subsequent comments, regarding potential refinements to the regulations, and will discuss potential next steps. Staff will report on the outcome of that meeting at the February 26th Water Planning Committee meeting. Taking into account the continuing drought conditions statewide, staff anticipates that the SWRCB will take action in March to extend the regulations. The SWRCB could also take action in March to modify the regulations. Staff is closely monitoring the SWRCB actions regarding the regulations and providing input as a member of the California Urban Water Agencies (CUWA).

Metropolitan Water District of Southern California (MWD)
At the February 9, 2015 MWD Water Planning & Stewardship Committee, MWD staff provided an oral update on current water supply conditions and presented various water management scenarios for 2015. MWD staff also mentioned that the MWD Board, at its April 2015 meeting, is expected to consider possible supply allocations. If allocations are enacted, cutbacks would take effect July 1, 2015.

As part of the supply conditions update at the February 9th meeting, MWD staff provided forecasts for 2015 SWP allocations from DWR’s January 21, 2015 Operations Study Update. Under projected dry conditions, DWR is forecasting an 18 percent SWP allocation, and under projected median conditions, a 27 to 39 percent allocation. MWD staff presented water management scenarios under a 20, 30 and 40 percent SWP allocation, taking into account various storage withdrawal options. Under a 40 percent SWP allocation, assuming 2015 demands are the same as 2014, MWD staff presented a scenario that required no cutbacks in 2015, by using some of the available storage to augment the supply gap. Under the 20 percent and 30 percent SWP allocation scenarios, the cutback would vary between 10 percent and 35 percent, depending upon the amount of water drawn from storage. Detailed information on MWD’s storage reserves and use is contained in a staff report, “Metropolitan Water District Storage Programs Update“, included on the February 2015 Imported Water Committee agenda.
It is critical that the Water Authority be prepared to allocate supplies to its member agencies should MWD implement supply cutbacks in 2015. Table 4 contains the major steps in implementing the allocation methodology contained in the WSDRP. The steps are consistent with Board Resolution 2008-11, establishing procedures and policies for administration of the allocation methodology. Working with the member agencies, staff has collected the necessary data to initially populate the allocation model. A critical remaining piece to finalizing the recommended supply allocations will be the cutback level from MWD.

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 16, 2014</td>
<td>Member Agency Drought Advisory Team convened to provide input to staff on drought management and supply allocations</td>
</tr>
<tr>
<td>Jan 22, 2015</td>
<td>Board approved modifications to allocation methodology</td>
</tr>
<tr>
<td>Feb – April 2015</td>
<td>Staff coordinates with Member Agency Drought Advisory Team to prepare recommended supply allocations</td>
</tr>
<tr>
<td>Feb - April 2015</td>
<td>Board receives monthly updates on supply conditions, drought management activities and potential MWD cutbacks</td>
</tr>
<tr>
<td>April 14, 2015</td>
<td>MWD Board expected to set cutback level</td>
</tr>
<tr>
<td>April 23, 2015</td>
<td>Board considers approval of recommended member agency allocations (predicated on MWD taking action in April)</td>
</tr>
<tr>
<td>July 1, 2015</td>
<td>If allocations enacted, cutbacks would begin.</td>
</tr>
</tbody>
</table>

Outlook
The National Weather Service’s Climate Prediction Center (CPC) has predicted above average temperatures to continue in February through April for the western states, based on its most recent forecast. Figure 3 depicts all of California projected to have above-normal temperatures, indicated with the “A” symbol and corresponding shaded area (the deeper shading indicates an increased probability over those areas with lighter color shading). Figure 4 shows the three-month outlook for precipitation. While Southern and Central California are expected to have above average precipitation between February and April, Northern California is falling under the “equal chance” category, meaning there is not a strong enough climate signal at this time to make a prediction for this area.
The National Weather Service’s U.S. Seasonal Drought Outlook (covering the period of mid-January through April 2015) favors the persistence of drought in California. While drought is expected to persist or intensify in northern and central California, drought conditions in Southern California are expected to remain, but improve.

Staff will continue to closely track hydrologic conditions, and will monitor and regularly report to the Board on supply, demand and storage levels.

Prepared by: Alexi Schnell, Water Resources Specialist
Prepared by: Dana Friehauf, Acting Water Resources Manager
Reviewed by: Ken Weinberg, Director of Water Resources
February 18, 2015

Attention: Water Planning Committee

Water Resources Report

Purpose
This report includes the following exhibits for January 2015:

- Rainfall totals for the month and water year to date
- Deliveries to Member Agencies (Exhibit A)
- Water Use by Member Agencies (Exhibit B)
- Storage Available to Member Agencies (Exhibit C)
- Firm Water Deliveries to Member Agencies (Exhibit D)
- Summary of Water Authority Member Agency Operations (Exhibit E)

<table>
<thead>
<tr>
<th></th>
<th>January 2015</th>
<th>2014-2015 WATER YEAR</th>
<th>% Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Normal</td>
<td>Actual</td>
</tr>
<tr>
<td>Lindbergh Field (N.O.A.A.)</td>
<td>0.42</td>
<td>1.98</td>
<td>5.29</td>
</tr>
<tr>
<td>Lake Cuyamaca (Helix W.D.)</td>
<td>0.83</td>
<td>5.54</td>
<td>7.10</td>
</tr>
<tr>
<td>Lake Henshaw (Vista I.D.)</td>
<td>0.74</td>
<td>5.42</td>
<td>7.02</td>
</tr>
</tbody>
</table>

Sources: National Weather Service, Helix Water District, Vista Irrigation District.
## MONTHLY WATER RESOURCES REPORT
### Water Deliveries to Member Agencies
(aacre-feet)

#### JANUARY 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>1,021.7</td>
<td>1,242.6</td>
<td>17,486.3</td>
<td>17,808.0</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>54.3</td>
<td>74.8</td>
<td>987.1</td>
<td>1,123.7</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>1,452.0</td>
<td>2,100.5</td>
<td>22,966.9</td>
<td>22,910.1</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>598.0</td>
<td>1,032.4</td>
<td>12,651.6</td>
<td>12,514.2</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>2,111.2</td>
<td>2,658.0</td>
<td>33,187.2</td>
<td>34,557.2</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>148.2</td>
<td>301.4</td>
<td>3,368.1</td>
<td>3,624.7</td>
</tr>
<tr>
<td>National City, City of</td>
<td>253.9</td>
<td>423.2</td>
<td>3,417.0</td>
<td>3,588.3</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>1,201.3</td>
<td>1,986.9</td>
<td>24,469.8</td>
<td>24,619.4</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>1,022.3</td>
<td>1,591.6</td>
<td>21,210.7</td>
<td>21,602.9</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>1,816.8</td>
<td>2,503.4</td>
<td>32,340.3</td>
<td>32,800.0</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>602.4</td>
<td>923.5</td>
<td>11,318.3</td>
<td>11,899.5</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>3.1</td>
<td>4.1</td>
<td>57.4</td>
<td>43.4</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>523.7</td>
<td>999.7</td>
<td>11,832.2</td>
<td>12,860.9</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>787.6</td>
<td>1,860.4</td>
<td>21,551.8</td>
<td>22,669.8</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>465.3</td>
<td>533.7</td>
<td>6,870.0</td>
<td>6,876.8</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>293.2</td>
<td>519.9</td>
<td>6,350.4</td>
<td>6,956.9</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>18,023.7</td>
<td>12,625.1</td>
<td>244,012.1</td>
<td>188,994.3</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>313.8</td>
<td>368.0</td>
<td>5,795.2</td>
<td>4,879.2</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>402.5</td>
<td>731.3</td>
<td>10,758.6</td>
<td>9,524.7</td>
</tr>
<tr>
<td>South Bay I.D.</td>
<td>617.5</td>
<td>837.9</td>
<td>12,021.0</td>
<td>4,556.4</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>877.1</td>
<td>1,381.1</td>
<td>16,647.0</td>
<td>17,781.3</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>1,124.1</td>
<td>2,369.7</td>
<td>27,927.3</td>
<td>29,012.9</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>1,080.3</td>
<td>1,486.1</td>
<td>17,704.8</td>
<td>17,670.0</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>102.6</td>
<td>314.6</td>
<td>4,749.1</td>
<td>3,515.4</td>
</tr>
<tr>
<td><strong>Deliveries To SDCWA Agencies</strong></td>
<td>34,896.6</td>
<td>38,869.9</td>
<td>569,680.2</td>
<td>510,380.0</td>
</tr>
<tr>
<td>Less: Deliveries to SDCWA Storage †</td>
<td>4,613.3</td>
<td>180.4</td>
<td>51,937.1</td>
<td>2,834.2</td>
</tr>
<tr>
<td><strong>TOTAL MEMBER AGENCY DELIVERIES</strong></td>
<td>30,283.3</td>
<td>38,689.5</td>
<td>517,743.1</td>
<td>507,545.8</td>
</tr>
<tr>
<td>Deliveries to South Coast Water District</td>
<td>11.6</td>
<td>12.1</td>
<td>167.4</td>
<td>335.4</td>
</tr>
<tr>
<td>Deliveries From SDCWA Storage</td>
<td>-</td>
<td>13.4</td>
<td>8,078.1</td>
<td>7,121.1</td>
</tr>
</tbody>
</table>

† January 2015 storage account deliveries totaled 32 AF and 4,581 AF to City of San Diego Lower Otay and San Vicente Reservoirs, respectively.
## JANUARY 2015

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>Imported Source S.D.C.W.A.</th>
<th>Local Sources</th>
<th>January Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>1,017.7</td>
<td>1,252.7</td>
<td>-</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>54.3</td>
<td>74.8</td>
<td>-</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>1,327.9</td>
<td>1,949.0</td>
<td>-</td>
</tr>
<tr>
<td>Fallbrook P.U.D. ¹</td>
<td>516.1</td>
<td>1,032.4</td>
<td>-</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>2,027.1</td>
<td>2,595.7</td>
<td>0.6</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>148.2</td>
<td>301.4</td>
<td>-</td>
</tr>
<tr>
<td>National City of ²</td>
<td>243.1</td>
<td>394.4</td>
<td>-</td>
</tr>
<tr>
<td>Oceanside, City of ²</td>
<td>1,201.3</td>
<td>1,986.9</td>
<td>-</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>1,022.3</td>
<td>1,591.6</td>
<td>-</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>1,816.8</td>
<td>2,503.4</td>
<td>-</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>606.1</td>
<td>905.8</td>
<td>-</td>
</tr>
<tr>
<td>Pendleton M.C.B. ³</td>
<td>14.7</td>
<td>16.2</td>
<td>-</td>
</tr>
<tr>
<td>Poway, City of ⁴</td>
<td>505.3</td>
<td>863.8</td>
<td>5.3</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>810.6</td>
<td>1,833.4</td>
<td>-</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>298.4</td>
<td>425.1</td>
<td>-</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>293.2</td>
<td>519.9</td>
<td>-</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>12,851.5</td>
<td>12,560.3</td>
<td>0.6</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>313.8</td>
<td>368.1</td>
<td>78.3</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>402.5</td>
<td>732.7</td>
<td>105.3</td>
</tr>
<tr>
<td>South Bay I.D. ²</td>
<td>591.2</td>
<td>780.8</td>
<td>-</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>873.8</td>
<td>1,381.6</td>
<td>-</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>1,124.1</td>
<td>2,369.7</td>
<td>-</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>1,080.3</td>
<td>1,486.1</td>
<td>-</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>102.6</td>
<td>314.7</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL USE</strong></td>
<td>29,242.9</td>
<td>38,240.5</td>
<td>190.1</td>
</tr>
<tr>
<td><strong>PERCENT CHANGE</strong></td>
<td>-24%</td>
<td>-94%</td>
<td>11%</td>
</tr>
</tbody>
</table>
### Exhibit C

**MONTHLY WATER RESOURCES REPORT**

**Reservoir Storage (acre-feet)**

**JANUARY 2015**

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Reservoir</th>
<th>Capacity JANUARY 2015</th>
<th>% of JANUARY 2015</th>
<th>Capacity JANUARY 2014</th>
<th>% of JANUARY 2014</th>
<th>Change During Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>Maerklie</td>
<td>600</td>
<td>271</td>
<td>45%</td>
<td>140</td>
<td>23%</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>Dixon</td>
<td>2,606</td>
<td>2,413</td>
<td>93%</td>
<td>2,468</td>
<td>95%</td>
</tr>
<tr>
<td></td>
<td>Wohlford</td>
<td>6,506</td>
<td>2,278</td>
<td>35%</td>
<td>2,006</td>
<td>31%</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>9,112</td>
<td>4,681</td>
<td>51%</td>
<td>4,474</td>
<td>49%</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>Red Mountain</td>
<td>1,335</td>
<td>402</td>
<td>30%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>Guymasca</td>
<td>8,195</td>
<td>423</td>
<td>5%</td>
<td>588</td>
<td>7%</td>
</tr>
<tr>
<td></td>
<td>Jennings</td>
<td>9,790</td>
<td>9,029</td>
<td>92%</td>
<td>9,024</td>
<td>92%</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>17,985</td>
<td>9,452</td>
<td>51%</td>
<td>9,474</td>
<td>51%</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>Poway</td>
<td>3,330</td>
<td>3,018</td>
<td>91%</td>
<td>3,138</td>
<td>94%</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>Beck</td>
<td>625</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Morro Hill</td>
<td>465</td>
<td>197</td>
<td>42%</td>
<td>156</td>
<td>34%</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>1,090</td>
<td>197</td>
<td>18%</td>
<td>156</td>
<td>14%</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>Ramona</td>
<td>12,000</td>
<td>2,642</td>
<td>22%</td>
<td>2,499</td>
<td>21%</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>Barrett</td>
<td>34,806</td>
<td>3,976</td>
<td>11%</td>
<td>11,364</td>
<td>33%</td>
</tr>
<tr>
<td></td>
<td>El Capitan</td>
<td>112,807</td>
<td>32,505</td>
<td>29%</td>
<td>42,106</td>
<td>37%</td>
</tr>
<tr>
<td></td>
<td>Hodges</td>
<td>30,251</td>
<td>3,186</td>
<td>11%</td>
<td>4,506</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>Lower Otay</td>
<td>49,849</td>
<td>33,679</td>
<td>68%</td>
<td>35,215</td>
<td>71%</td>
</tr>
<tr>
<td></td>
<td>Miramar</td>
<td>6,682</td>
<td>5,356</td>
<td>80%</td>
<td>5,563</td>
<td>83%</td>
</tr>
<tr>
<td></td>
<td>Morena</td>
<td>50,694</td>
<td>1,630</td>
<td>3%</td>
<td>2,752</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Murray</td>
<td>4,684</td>
<td>3,928</td>
<td>84%</td>
<td>4,106</td>
<td>88%</td>
</tr>
<tr>
<td></td>
<td>San Vicente</td>
<td>89,312</td>
<td>51,812</td>
<td>58%</td>
<td>43,119</td>
<td>48%</td>
</tr>
<tr>
<td></td>
<td>Sutherland</td>
<td>29,508</td>
<td>2,525</td>
<td>9%</td>
<td>2,946</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>408,593</td>
<td>138,597</td>
<td>34%</td>
<td>151,676</td>
<td>37%</td>
</tr>
<tr>
<td>San Diego W/D/Santa Fe ID</td>
<td>San Dieguito</td>
<td>883</td>
<td>398</td>
<td>45%</td>
<td>434</td>
<td>49%</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>Loveland</td>
<td>25,400</td>
<td>7,744</td>
<td>30%</td>
<td>8,440</td>
<td>33%</td>
</tr>
<tr>
<td></td>
<td>Sweetwater</td>
<td>28,079</td>
<td>3,584</td>
<td>13%</td>
<td>3,789</td>
<td>13%</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>53,479</td>
<td>11,328</td>
<td>21%</td>
<td>12,229</td>
<td>23%</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>Turner</td>
<td>1,612</td>
<td>1,125</td>
<td>70%</td>
<td>1,312</td>
<td>81%</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>Henshaw</td>
<td>51,774</td>
<td>4,297</td>
<td>8%</td>
<td>4,173</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>561,793</td>
<td>176,417</td>
<td>31%</td>
<td>189,843</td>
<td>34%</td>
</tr>
<tr>
<td>SDCWA Accounts (city evap/seepage losses estimated)</td>
<td>El Capitan</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>1,238</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Hodges</td>
<td>8,484</td>
<td>6,009</td>
<td>77%</td>
<td>6,009</td>
<td>(118)</td>
</tr>
<tr>
<td></td>
<td>Olivenhain</td>
<td>24,789</td>
<td>20,552</td>
<td>80%</td>
<td>17,940</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Lower Otay</td>
<td>37,447</td>
<td>2,420</td>
<td>6%</td>
<td>344</td>
<td></td>
</tr>
<tr>
<td></td>
<td>San Vicente</td>
<td>398</td>
<td>2</td>
<td>9</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sweetwater</td>
<td>11</td>
<td>2</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>67,297</td>
<td>27,622</td>
<td>23%</td>
<td>235</td>
<td></td>
</tr>
<tr>
<td>TOTAL WATER IN STORAGE</td>
<td>586,582</td>
<td>243,713</td>
<td>42%</td>
<td>217,464</td>
<td>37%</td>
<td>6,094</td>
</tr>
<tr>
<td>OTHER AGENCIES</td>
<td>Metropolitan Water District</td>
<td>44,264</td>
<td>34,063</td>
<td>77%</td>
<td>38,064</td>
<td>86%</td>
</tr>
<tr>
<td></td>
<td>Diamond Valley</td>
<td>810,000</td>
<td>393,373</td>
<td>49%</td>
<td>583,380</td>
<td>72%</td>
</tr>
<tr>
<td>State Water Project</td>
<td>Oroville</td>
<td>3,537,600</td>
<td>1,443,927</td>
<td>41%</td>
<td>1,262,949</td>
<td>36%</td>
</tr>
<tr>
<td>TOTAL OTHER WATER IN STORAGE</td>
<td>4,391,864</td>
<td>1,871,393</td>
<td>43%</td>
<td>1,883,493</td>
<td>43%</td>
<td>99,980</td>
</tr>
</tbody>
</table>

1. Excludes storage allocated to Escondido Mutual Water Co. or its rights to a portion of the unallocated water in Lake Henshaw.
2. Includes reserves subject to city’s outstanding commitments to San Dieguito WD, and California American Mutual Water Co. (Cal-Am)
3. SDCWA has storage contracts in City of San Diego reservoirs in the amount of 40,000 AF, if available capacity exists.
## Tier 1 Estimated Deliveries to Member Agencies

### Calendar Year 2015 (January)

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>CY2015 Tier 1 Threshold</th>
<th>CYTD Firm Deliveries</th>
<th>% of Tier 1 Threshold (Pre-QSA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>12,376.0</td>
<td>1,021.7</td>
<td>8.3%</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>935.0</td>
<td>54.3</td>
<td>5.8%</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>17,859.0</td>
<td>1,452.0</td>
<td>8.1%</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>10,325.0</td>
<td>598.0</td>
<td>5.8%</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>25,519.0</td>
<td>2,111.2</td>
<td>8.3%</td>
</tr>
<tr>
<td>Lakeside M.W.D.</td>
<td>3,168.0</td>
<td>148.2</td>
<td>4.7%</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>19,383.0</td>
<td>1,201.3</td>
<td>6.2%</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>13,071.0</td>
<td>1,022.3</td>
<td>7.8%</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>21,390.0</td>
<td>1,816.8</td>
<td>8.5%</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>9,939.0</td>
<td>602.4</td>
<td>6.1%</td>
</tr>
<tr>
<td>Pendleton M.C.B./South Coast W.D.</td>
<td>758.0</td>
<td>14.7</td>
<td>1.9%</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>9,348.0</td>
<td>523.7</td>
<td>5.6%</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>19,018.0</td>
<td>787.6</td>
<td>4.1%</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>8,052.0</td>
<td>465.3</td>
<td>5.8%</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>5,482.0</td>
<td>293.2</td>
<td>5.3%</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>144,555.0</td>
<td>13,410.4</td>
<td>9.3%</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>3,116.0</td>
<td>313.8</td>
<td>10.1%</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>5,226.0</td>
<td>402.5</td>
<td>7.7%</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>9,650.0</td>
<td>871.4</td>
<td>9.0%</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>10,557.0</td>
<td>877.1</td>
<td>8.3%</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>29,774.0</td>
<td>1,124.1</td>
<td>3.8%</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>11,876.0</td>
<td>1,080.3</td>
<td>9.1%</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>2,165.0</td>
<td>102.6</td>
<td>4.7%</td>
</tr>
<tr>
<td><strong>MEMBER AGENCY TOTALS</strong></td>
<td><strong>393,542.0</strong></td>
<td><strong>30,294.9</strong></td>
<td><strong>7.7%</strong></td>
</tr>
</tbody>
</table>

Less: ESP deliveries calendar year to date

| Less: ESP deliveries calendar year to date | 0.0 | 0.0 |
| Deliveries to CWA storage year to date | 5,113.7 |
| Deliveries from CWA storage year to date | 0.0 |

Estimated Tier 1 deliveries calendar year to date

| Estimated Tier 1 deliveries calendar year to date | 20,600.3 | 5.2% |
| Invoiced Tier 1 deliveries calendar year to date | 21,103.8 | 5.4% |

---

1 Tier 1 threshold is 60% of a member agency’s historic maximum year firm demand.

2 Emergency Storage Program (ESP) deliveries under Metropolitan’s program designated by city of San Diego.

3 Includes forced deliveries and deliveries made through temporary carryover storage agreements and to Olivenhain Reservoir.

4 Includes sales from Water Authority storage accounts.

5 Estimated Tier 1 deliveries are based on member agency deliveries net of QSA deliveries and storage puts/takes. Invoiced deliveries are as reported on Metropolitan’s invoice. Difference between Estimated and Invoiced Deliveries is explained by deliveries stored in Twin Oaks Valley Water Treatment Plant (TOVWTP) or other treatment plants, and not yet sold to member agencies.

---

Generated:

2/10/15 8:16 AM
MONTHLY WATER RESOURCES REPORT
Summary of Water Authority Member Agency Operations

JANUARY 2015

Member Agency Deliveries (AF)

January

Previous 12 Months

Member Agency Water Use

January 2015

Previous 12 Months

Member Agency Storage (AF)

January

12 Month Average

EXHIBIT E

Generated:
2/10/15 9:08 AM
FORMAL BOARD OF DIRECTORS’ MEETING

The mission of the San Diego County Water Authority is to provide a safe and reliable supply of water to its member agencies serving the San Diego region.

FEBRUARY 26, 2015

3:00 p.m.

1. Call to Order.

2. Salute to the flag.

3. Roll call, determination of quorum.
   3-A Report on proxies received.

4. Additions to Agenda. (Government code Sec. 54954.2(b)).

5. Approve the Minutes of the Formal Board of Directors’ meeting of January 22, 2015.

6. Opportunity for members of the public who wish to address the Board on matters within the Board’s jurisdiction.

7. PRESENTATIONS & PUBLIC HEARINGS

   7-B Appointment of Director. Appointment of Tom Kennedy representing the Rainbow Municipal Water District. Term ending February 16, 2021.
   7-C Appointment of Director. Appointment of Brian Boyle representing the City of Oceanside. Term ending July 15, 2016.
   7-D City of San Diego Overview – Halla Razak

8. REPORTS BY CHAIRS

   8-A Chair’s Report: Chair Weston

   8-B Report by Committee Chairs
   Administrative and Finance Committee  Director Arant
   Legislation, Conservation and Outreach Committee  Director Croucher
   Engineering and Operations Committee  Director Williams
   Imported Water Committee  Director Watton
   Water Planning Committee  Director Tu
9. **CONSENT CALENDAR**

9-1 Treasurer’s Report.
Note and file the monthly Treasurer’s report.

Adopt Resolution 2015-___ authorizing and directing the General Manager to apply to the Bureau of Reclamation for water and energy efficiency grant funding and to commit the Water Authority to the financial and legal obligations associated with the receipt of grant funds.

9-3 Adopt positions of various state bills.
1. Adopt a position of Support if Amended on AB 88 (Gomez).
2. Adopt a position of Oppose on SB 143 (Stone).

9-4 Adopt Federal Legislative Priorities for 2015.

9-5 Amendment 2 to service contract with Co’s Traffic Control for traffic control services.
Authorize the General Manager to approve Amendment 2 with Co’s Traffic Control for $150,000 to provide additional traffic control services, increasing the contract amount from $150,000 to $300,000.

9-6 San Vicente Pumped Storage Study.
Approve moving forward in Phase 1 work of the San Vicente Pumped Storage Study including the following actions:

A. Approve the expenditure of the remaining $525,000 previously appropriated by the Board to complete the work needed to fulfill the Federal Energy Regulatory Commission (FERC) requirements. The $525,000 includes funding for items (i) and (ii) below, as well as for project administration costs; and

   i. Authorize the General Manager to award a professional services contract to Harvey Consulting Group, LLC, for $150,000, to prepare the FERC license Preliminary Application Document (PAD), and provide environmental studies and support for the San Vicente Pumped Storage Study; and

   ii. Approve Amendment 4 to the Black & Veatch Corporation to provide engineering studies and support to Harvey Consulting Group, LLC for the San Vicente Pumped Storage Study, increasing the contract amount from $579,920 to $829,920; and
B. Approve the staff-agreed upon principles of the partnership agreement with the City of San Diego for the San Vicente Pumped Storage Study; and

C. With the approval of Items A and B, authorize the addition of the City of San Diego as co-applicant to the FERC Preliminary Permit application.

9-7 Proposed 2015-2016 Bay-Delta Workplan.
Adopt the proposed 2015-2016 Bay-Delta workplan.

9-8 Professional services contract with RMC Water and Environment for Integrated Regional Water Management Program services.
Award a professional services contract to RMC Water and Environment for IRWM support services in the amount of $1,674,275 for a contract period from April 1, 2015 to June 30, 2019.

9-9 Contracts with Carlsbad Municipal Water District and Vallecitos Water District for Member Agency Purchase of Treated Water from the Water Authority-Carlsbad Desalination Project.
Authorize the General Manager to enter into individual contracts with Carlsbad Municipal Water District and Vallecitos Water District for the purchase of treated water from the Carlsbad Desalination Project, substantially in the form as presented to the Board.

10. ACTION / DISCUSSION

11. SPECIAL REPORTS
   11-A GENERAL MANAGER’S REPORT – Ms. Stapleton
   11-B GENERAL COUNSEL’S REPORT – Mr. Hentschke
   11-C SANDAG REPORT – Vice Chair Muir
      SANDAG Subcommittee: Borders/Regional Planning Committee – Director Saxod
   11-D AB 1234 Compliance Reports – Directors

12. CLOSED SESSION(S)

12-A CLOSED SESSION:
Conference with Labor Negotiator
Government Code §54957.6
Agency Designated Representatives: Frank Belock, Sandra Kerl, Gretchen Spaniol, Lisa Celaya, Rick Bolanos
Employee Negotiator: Teamsters Local 911
12-B  CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: SDCWA v Metropolitan Water District of Southern California;
Case Nos. CPF-10-510830; CPF-12-512466; and CPF-14-514004

12-C  CLOSED SESSION:
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: State Water Resources Control Board
Petition of Imperial Irrigation District for Modification of Revised Water Rights
Order 2002-0013

12-D  CLOSED SESSION:
Public Employee Performance Evaluation
Government Code §54957 - Title: General Counsel
Conference with Labor Negotiators, Government Code §54957.6
Designated Board Representatives: Chair, Vice-Chair, Secretary
Unrepresented Employee: General Counsel

13.  Action following Closed Session

14.  OTHER COMMUNICATIONS

15.  ADJOURNMENT

Linda A. Troyan, MMC
Clerk of the Board

NOTE: The agendas for the Formal Board meeting and the meetings of the Standing Committees
held on the day of the regular Board meeting are considered a single agenda. All information or
possible action items on the agenda of committees or the Board may be deliberated by and become
subject to consideration and action by the Board.
WATER PLANNING COMMITTEE
CALL TO ORDER/ROLL CALL
Vice Chair Brady called the Water Planning Committee Meeting to order at 9:00 a.m. Committee members present were Vice Chair Brady, Vice Chair Evans, and Directors Ayala, Hall, Lewinger, Linden, Miller, Murtland, Preciado*, Sanford and Simpson. Chair Wight, and Directors Sanchez, Tu, and Wornham were absent. Also present were Directors Arant, Barnum, Guerin, Hogan, Olson, Saunders, Saxod, Verbeke, Watton, Weston, Williams and Wilson. At that time, there was a quorum of the committee.

Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Water Resources Director Weinberg, Acting Water Resources Manager Friehauf and Water Resources Specialist Schnell.

PUBLIC COMMENT
There were no public comments.

CHAIR’S REPORT
Vice Chair Brady chaired the meeting and reported that the next two years would see a lot of activity for the committee, including drought management activities and supply allocations, development and adoption of the 2015 Urban Water Management Plan, Proposition 84 and Proposition 1 grant funding opportunities, and environmental compliance activities for intake at the Carlsbad Desalination Plant. He advised the order of the agenda would be revised to allow staff to report on water supply and demand conditions prior to the Action Item on modifications to the Water Authority’s Water Shortage and Drought Response Plan Allocation Methodology.

DIRECTORS’ COMMENTS
There were no comments made by Directors.

I. CONSENT CALENDAR
1. Resolution approving Rainbow Municipal Water District’s Proposed Campus Park West Annexation.
Staff recommendation: Adopt Resolution No. 2015-_____ (Attached) that:
   a) Resolves that the Final Environmental Impact Report (EIR) certified by the County of San Diego as Lead Agency complies with California Environmental Quality Act 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 Rainbow Municipal Water District’s proposed Campus Park West 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.

2. Professional Services Contract for environmental consulting services for the Pipeline 3 Reline - Lake Murray to Sweetwater Reservoir Segment.
   Staff recommendation: Authorize the General Manager to award a professional services contract to Helix Environmental Planning, Inc., in an amount not-to-exceed $323,000 to provide environmental consulting services for the Pipeline 3 Relining – Lake Murray to Sweetwater Reservoir project for a term of two years.

   Director Lewinger moved, Director Murtland seconded, and the motion to approve staff recommendations for all Consent Calendar items passed unanimously. Director Ayala recused himself from Item I-1.

II. ACTION/DISCUSSION
   1. Approve Modifications to the Water Authority’s Water Shortage and Drought Response Plan Allocation Methodology.
      Staff recommendation: Approve the following modifications to the Water Authority’s Water Shortage and Drought Response Plan allocation methodology:
      1. Temporarily alter the methodology to allow use of water demands in fiscal years 2013 and 2014 as the base period for potential allocations during the current shortage period; and
      2. Include an additional adjustment pertaining to mandatory use restrictions in place during the base period.

      Ms. Friehauf provided a report on timing and factors surrounding potential Metropolitan supply cutbacks and background on the Water Authority’s municipal and industrial allocation methodology, including coordination involved with implementing the Water Shortage and Drought Response Plan, work of the member agency drought advisory team, determining base period demands, adjustment for mandatory use restrictions, and a tentative timeline for preparing for potential allocations in 2015.

      Director Lewinger moved and Director Murtland seconded a motion to approve the staff recommendation. Director Lewinger requested staff provide a graphic in the upcoming Imported Water Committee meeting that would show scenarios of State Water Project supplies and potential shortfalls. Staff responded to questions and comments by Director Saunders, after which the motion passed unanimously.

*Director Preciado arrived at 9:20 a.m.

III. INFORMATION

      Ms. Schnell gave a presentation that included State Water Project allocation historical figures and current updates; Northern Sierra precipitation figures and Sierra snowpack
conditions; Lake Oroville reservoir conditions; a three-month view of state drought conditions; Colorado River hydrologic and local service reservoir conditions; potable water use in the Water Authority service area and average local daily temperature for fiscal years 2014 and 2015; and a three-month look ahead at projected precipitation, temperatures and seasonal drought.

The following report was received and filed:

IV. CLOSED SESSION
There were no Closed Session items.

V. ADJOURNMENT
Vice Chair Brady adjourned the meeting at 9:28 a.m.

LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE
CALL TO ORDER/ROLL CALL
Vice Chair Guerin called the Legislation, Conservation and Outreach Committee to order at 9:38 a.m. Committee members present were Chair Croucher*, Vice Chairs Guerin and Steiner*, and Directors Barnum, Gallo, Hall, Muir*, Preciado, Saxod and Tu*. Committee members absent were Directors Hilliker, Madaffer, Morrison, and Representative Roberts. Other Board members present were Directors Arant, Ayala, Brady, Evans, Hogan, Lewinger, Linden, Miller, Murtland, Olson, Simpson, Verbeke, Watkins, Watton, Weston, Williams, Wilson and Wornham. At that time there was not a quorum of the committee. Vice Chair Guerin appointed Directors Hogan, Watton and Weston as members of the committee and established a quorum of the committee.

Staff present were General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Director of Public Outreach and Conservation Foster, Government Relations Manager Farrel, Principal Water Resources Specialist Stephenson and Public Affairs Representative II Otero. Also present were legislative representatives Ken Carpi and V. John White.

* Chair Croucher and Director Tu arrived at 9:44 a.m., and Vice Chair Steiner arrived at 9:49 a.m. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no members of the public who wished to address the Committee.
CHAIR’S REPORT

Chair Croucher reported there had been substantial organizational work undertaken during the first few weeks of Republican control of both Houses of Congress. He also reported that the President held his State of the Union address on January 20, 2015.

He announced that the Water Authority had received a 2014 Landscape Design Award of Merit from the local chapter of the American Society of Landscape Architects for the WaterSmart Landscape Makeover Series. He reported that four water conservation videos created by the Water Authority were being featured in a new video library hosted by the California Urban Water Conservation Council. He also stated that the Water Authority’s partnership with San Diego Zoo Global had caught the attention of the California Special District magazine and the magazine would run a feature on the partnership in February of 2015.

* Director Muir arrived at 10:02 a.m.

I. CONSENT CALENDAR

1. Amendment to the Partnership Agreement with San Diego Gas & Electric Company for Water and Energy Efficiency Programs.
   Staff recommendation: Authorize the General Manager to execute an amendment to the Partnership Agreement with San Diego Gas & Electric Company (SDG&E) to increase the agreement amount by $339,640, and extend the agreement by one year. The amended agreement would terminate on December 31, 2015.

   Director Barnum moved, Director Preciado seconded, and the motion to approve staff’s recommendation passed unanimously.

II. ACTION/DISCUSSION

1. Legislative Issues.

   Ken Carpi provided a Washington D.C. update. He announced that Republicans controlled both houses of Congress, and also reported that Senator Feinstein had restarted her efforts on a California drought bill.


   Mr. Farrel provided a Sacramento update including an update on the San Diego delegation committee assignments. He also provided an update on Governor Brown’s proposed state budget.


   Mr. Farrel presented a federal legislative work plan for the coming year.

Mr. Stephenson provided an update on the WaterSmart Turf Replacement Program and Pilot Artificial Turf Discount Program. He reported that the WaterSmart Turf Replacement Program had exhausted all grant funding and was no longer accepting applications. He also introduced a new Artificial Turf Discount Pilot Program and described how the program would work. He explained that the program would offer customers a 10 percent discount on products and services from participating artificial turf companies. The Water Authority would market the program, and the discounts were being provided at no cost to the Water Authority.

III. INFORMATION

1. Drought Response Communications and Outreach Update.

Mr. Foster provided an update on drought response communications and outreach efforts and highlighted recent activities of the “When in Drought” campaign. He introduced the new message transition of “How Low Can You Go?” to the Board stating that the objective of the message was to reduce water use as much as possible this winter.

He stated that staff continued work on pursuing partnerships, and announced a partnership with U-T San Diego to have a weekly feature in the Home and Garden section which would begin February 7, 2015. He added that staff continued spreading the campaign messaging by attending events and distributing campaign materials, as well as pursuing social media and other advertising platforms.

Ms. Otero concluded the presentation by describing how the drought response campaign was using online and social media outreach and advertising.

The committee received and filed the following items:

2. Government Relations Update.

IV. ADJOURNMENT

There being no further business to come before the Legislation, Conservation and Outreach Committee, Chair Croucher adjourned the meeting at 10:37 a.m.

IMPORTED WATER COMMITTEE

CALL TO ORDER / ROLL CALL

Chair Watton called the Imported Water Committee meeting to order at 10:45 a.m. Committee members present were Chair Watton, Vice Chairs Verbeke and Saxod, Directors Barnum, Evans, Guerin, Hogan, Madaffer, Murtland, Olson, Saunders, Steiner, Weston, and Wilson. Director Roberts was absent. Also present were Directors Arant, Ayala, Brady, Croucher, Gallo, Lewinger, Linden, Miller, Muir, Preciado, Simpson, Tu, Watkins, Williams, and Wornham. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.
Staff present included General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, MWD Program Director Chen, Colorado River Program Director Denham, and Acting Water Resources Manager Friehauf.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no public comments.

CHAIR’S REPORT
Chair Watton announced that the Committee work plan for the next two years was in process and requested input from all Committee members. He stated that a draft plan would be ready for Committee members’ review and input next month.

He reported that Department of Water Resources had increased the 2015 State Water Project allocation from 10 to 15 percent due to precipitation from early December 2014 storms, and the subsequent increase in reservoir storage from runoff. The final SWP allocation would be set later in the spring.

He also reported that Water Authority Board Chair Weston had established a Colorado River Subcommittee of the Imported Water Committee. The subcommittee would meet on an Ad Hoc basis to discuss Colorado River issues, including Water Authority’s QSA supplies, Basin State issues, and binational water opportunities. He announced that the subcommittee members included himself and Directors Madaffer, Steiner, Verbeke, Weston, and Wilson.

DIRECTORS’ COMMENTS
There were no comments by Directors.

I. CONSENT CALENDAR
1. Amend Agreement for Consulting Services with M Strategic Communications.
   Staff recommendation: Amend the agreement with M Strategic Communications for continued consulting services to the Water Authority through December 31, 2015, for a period of 11 additional months, and increasing total contract funding to an amount not to exceed $326,000.

   Chair Saxod requested to pull item I-1 off consent to action/discussion.

2. Canal Lining Mitigation – Notice of Completion for the Wister Sport Fishery Project.
   Staff recommendation: Authorize the General Manager to accept the Wister Sport Fishery Project as complete, record the Notice of Completion, and release all funds held in retention to Four M Contracting, Inc., following expiration of the notice of completion period.
Director Steiner moved, Director Murtland seconded, and the motion to approve staff’s recommendation passed unanimously.

II. ACTION/DISCUSSION
   1. Amend Agreement for Consulting Services with M Strategic Communications.
      Staff recommendation: Amend the agreement with M Strategic Communications for continued consulting services to the Water Authority through December 31, 2015, for a period of 11 additional months, and increasing total contract funding to an amount not to exceed $326,000.

      Consent Item I-1 was moved to action/discussion on the agenda. Ms. Chen discussed the services provided by M Strategic Communications and the benefit for continuing the services. Following the presentation, Directors asked questions and made comments.

      Director Steiner moved, Director Verbeke seconded, and the motion to approve staff’s recommendation passed unanimously.

      1. Metropolitan Water District Issues and Activities update.
         1-A Metropolitan Water District Delegates report.

         The delegates reported on discussion and actions taken at the recent MWD board meetings.

      2. Colorado River Programs.
         2-A Colorado River Board Representative’s report.

         Director Wilson reported on discussions at the December 2014 and January 2015 Colorado River Board meetings.

III. INFORMATION
   1. Metropolitan Water District Program report.

      Per Director Lewinger’s request in the Water Planning Committee, Ms. Friehauf provided a brief presentation on how a MWD cutback might influence San Diego County.

      Mr. Hentschke took the Committee into Closed Session at 11:23 a.m.

IV. CLOSED SESSION
   1. CLOSED SESSION:
      Conference with Legal Counsel – Existing Litigation
      Government Code §54956.9(d)(1)
      SDCWA v Metropolitan Water District of Southern California;
      Case Nos. CPF-10-510830; CPF-12-512466; and CPF-14-514004
2. CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: State Water Resources Control Board
Petition of Imperial Irrigations District for Modification of Revised Water Rights Order 2002-0013

Mr. Hentschke brought the Committee out of Closed Session at 12:27 p.m. and stated there was no reportable action.

V. ADJOURNMENT
There being no further business to come before the Imported Water Committee, Chair Watton adjourned the meeting at 12:28 p.m.
Mr. Hentschke brought the committee out of closed session at 1:30 p.m. and reported that the committee took unanimous action to authorize the General Manager to execute a settlement agreement, as recommended by the General Counsel, with L.H. Woods & Sons, Inc., in the amount of $283,140.11, to resolve all issues associated with the claim. That recommendation would be on the Consent Calendar at the Formal Board meeting.

PUBLIC COMMENT

There were no members of the public who wished to speak.

DIRECTORS’ COMMENTS

There were no Directors’ comments.

I. CONSENT CALENDAR

1. Professional services contract for Pipeline 3 Relining – Lake Murray to Sweetwater Reservoir.
   Staff recommendation:
   Authorize the General Manager to award a professional services contract to Dokken Engineering, in an amount not-to-exceed $267,972, to provide traffic engineering services for the Pipeline 3 Relining – Lake Murray to Sweetwater Reservoir. (Action)

   Director Saunders moved, Director Brady seconded and the motion to approve staff recommendation passed unanimously.

II. ACTION/DISCUSSION

1. Carlsbad Desalination Project
   1-A Presentation – Carlsbad Desalination Project Update.
   (Information)
   Mr. Belock gave a presentation regarding the Carlsbad Desalination project including project elements, Pipeline 3 Relining, Twin Oaks Water Treatment Plant Modifications, Conveyance Pipeline progress, Desalination Plant progress, plant construction, contract administration memoranda, project budget summary, intake upgrade status and schedule, commissioning approach, Water Authority role in commissioning, schedule, and plant and full system commissioning activities.

III. INFORMATION

There were no Information items.
V. ADJOURNMENT

There being no further business to come before the Engineering and Operations Committee, Chair Williams adjourned the meeting at 2:00 p.m.

ADMINISTRATIVE AND FINANCE COMMITTEE
CALL TO ORDER / ROLL CALL

Chair Arant called the Administrative and Finance Committee meeting to order at 2:01 p.m. Committee members present were Chair Arant, Vice Chair Wilson, Directors Gallo, Hilliker, Lewinger, Muir, Sanford, Watkins, Watton, Weston, Williams, and Wornham. Committee members absent were Vice Chair Razak, and Directors Verbeke and Wight. Also present was Directors Ayala, Barnum, Brady, Croucher, Evans, Guerin, Hall, Hogan, Miller, Morrison, Murtland, Olson, Saunders, Saxod, and Steiner. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Finance/Treasurer Harris, Director of Water Resources Weinberg, Director of Administrative Services Brown, Financial Planning Manager Shank, Financial Resources Manager Celaya, and Controller Greek.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to speak.

CHAIR’S REPORT

There was no Chair’s report.

DIRECTORS’ COMMENTS

There were no Directors’ comments.

I. CONSENT CALENDAR

1. Treasurer’s Report.

   Staff recommendation: Note and file the monthly Treasurer’s report.

   Director Muir moved, Director Watton seconded, and the motion to approve staff’s recommendations passed unanimously.
II. ACTION/DISCUSSION

1. Investment Policy.

1-A. Presentation on Supranational Securities Investment.

1-B. Adopt Annual Statement of Investment Policy, as amended, and continue to delegate authority to the Treasurer to invest Water Authority funds for calendar year 2015.

Staff recommendation: Adopt the Annual Statement of Investment Policy, as amended, and continue to delegate authority to the Treasurer to invest Water Authority funds for calendar year 2015.

Ms. Harris provided a presentation which addressed Supranational Securities Investments. The presentation included key points, one to five year indices performance, security for the debt, and Supranationals’ uses of funds.

Directors made recommendations and asked questions. Staff provided answers to directors’ questions. Director Wornham requested staff notify the Board when the portfolio allocation reached five percent.

Vice Chair Wilson moved, Director Weston seconded, and the motion to approve staff’s recommendations passed unanimously.


Ms. Harris and Mr. Weinberg provided a presentation on the progress of the Fiscal Sustainability process which included highlights of the November 20, 2014 Administrative and Finance Committee discussion, alternatives under consideration, and upcoming discussions.

Directors made recommendations and asked questions. Staff provided answers to directors’ questions. Director Lewinger requested analysis into methods to fund the proposed higher reserve levels. Ms. Stapleton responded that the information would be provided.

3. Development of the upcoming Fiscal Years 2016 and 2017 Recommended Budget.

Ms. Stapleton provided a presentation on the upcoming budget. The presentation included a review of the framework of the current budget, highlights of accomplishments to date, identification of key factors impacting the upcoming budget, review of the budget schedule, and a request soliciting Board feedback by mid-February.

III. INFORMATION

The following items were noted and filed:

2. Board of Directors’ Fourth Quarter 2014 Expenses and Attendance, and
3. Board Calendar.
IV. CLOSED SESSION
There were no closed session items.

V. ADJOURNMENT
There being no further business to come before the Administrative and Finance Committee, Chair Arant adjourned the meeting at 3:10 p.m.

FORMAL BOARD OF DIRECTORS’ MEETING OF JANUARY 22, 2015
1. CALL TO ORDER Chair Weston called the Formal Board of Directors’ meeting to order at 3:20 p.m.

2. SALUTE TO THE FLAG Director Saunders led the salute to the flag.

3. ROLL CALL, DETERMINATION OF QUORUM
Vice Chair Muir called the roll. Directors present were Arant, Ayala, Barnum, Brady, Croucher, Evans, Gallo, Guerin, Hall, Hilliker, Hogan, Lewinger, Miller, Muir, Murtland, Olson, Sanford, Saunders, Saxod, Steiner, Verbeke, Watkins, Watton, Weston, Williams, Wilson and Wornham. Directors absent were Linden (p), Madaffer, Morrison, Preciado, Razak, Simpson, Tu, Wight and Representative Roberts.

3-A Report on proxies received. Director Verbeke was the proxy for Director Linden.

4. ADDITIONS TO AGENDA
There were no additions to the agenda.

5. APPROVAL OF MINUTES
Director Lewinger moved, Director Murtland seconded, and the motion carried at 92.58% of the vote to approve the Minutes of the Formal Board of Directors’ meeting of November 20, 2014. Director Hall abstained.

6. OPPORTUNITY FOR MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS THE BOARD ON MATTERS WITHIN THE BOARD’S JURISDICTION
There were no members of the public that wished to speak.

7. PRESENTATIONS AND PUBLIC HEARINGS
7-A Retirement of Director. Adopt Resolution honoring Jerry Kern upon his retirement from the Board of Directors.

Chair Weston thanked Director Kern for his service to the Water Authority.

Director Arant moved, Director Wornham seconded and the motion carried at 92.58% of the vote to adopt Resolution No. 2015-02 honoring Jerry Kern on his retirement from the Board of Directors.
7-B Retirement of Director. Adopt Resolution honoring Dennis Sanford upon his retirement from the Board of Directors.

Chair Weston thanked Director Sanford for his service to the Water Authority. Director Sanford accepted his retirement award and thanked Board Members and Staff.

Director Brady moved, Director Wilson seconded and the motion carried at 92.58% of the vote to adopt Resolution No. 2015-03 honoring Dennis Sanford on his retirement from the Board of Directors.

7-C Appointment of Director. Appointment of Jimmy Ayala representing the City of San Diego. Term ending January 2, 2016.


7-E Appointment of Director. Appointment of Jose Preciado representing South Bay Irrigation District. Term ending September 8, 2018.

7-F Appointment of Director. Appointment of Matt Hall representing City of Carlsbad. Term ending January 22, 2021. (Supplemental Materials)

Chair Weston announced the appointments of Director Ayala representing the City of San Diego, Director Sanchez representing the City of Oceanside, Director Preciado representing South Bay Irrigation District, and Director Hall representing the City of Carlsbad.

7-G Lakeside Water District Overview – Brett Sanders, General Manager

Chair Weston introduced Brett Sanders, General Manager of Lakeside Water District. Mr. Sanders provided a presentation that included a brief history of the district, service boundaries and demands, customer base, and operated facilities and storage. He concluded his presentation with a review of the issues and challenges facing the district.

8. REPORTS BY CHAIRS

8-A Chairs report: Chair Weston reported on the newly selected Committees. He also announced the upcoming departure of City of San Diego Director Wight.

Chair Weston reported that a Labor Negotiations Work Group had been established and consisted of the Board Officers, Administrative & Finance Committee Chair Arant, and Director Wornham.

He also announced that he had attended the Fall ACWA Board Meeting in December 2014, as well as the ACWA Water Management Committee. He mentioned the attendance and interactions with a large delegation from Australia and briefly reviewed conversation that took place regarding the 10 year Drought in Australia and the Desalination efforts taken as a result. He also mentioned the significant difference in how Australia markets and owns water rights, compared
to California. Chair Weston also reported meeting with representatives from the Building Industry Association to discuss growth and the impact of the Drought.

He stated that the Board had been issued new tablets to access the SDCWA Board Packets and related materials, which replaced previous netbooks and advised Board Members that staff were there to assist with any problems or issues with the tablets.

Chair Weston reported that following the success of the Citizens Water Academy, a second Citizens Water Academy would begin March 5, 2015.

8-B Report by Committee Chairs.
Water Planning Committee. Director Brady reviewed the meeting and actions taken.
Legislation, Conservation and Outreach Committee. Director Croucher reviewed the meeting and the actions taken.
Imported Water Committee. Director Watton reviewed the meeting and the actions taken.
Engineering and Operations Committee. Director Williams reviewed the meeting and the actions taken.
Administrative and Finance Committee. Director Arant reviewed the meeting and the actions taken.

9. CONSENT CALENDAR
Director Lewinger moved, Director Murtland seconded, and the motion carried at 92.58% of the vote to approve the consent calendar. Directors voting no or abstaining are listed under the item number.

9-1. Resolution approving Rainbow Municipal Water District’s Proposed Campus Park West Annexation.
The Board adopted Resolution No. 2015-01 that:
a) Resolves that the Final Environmental Impact Report (EIR) certified by the County of San Diego as Lead Agency complies with California Environmental Quality Act 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 Rainbow Municipal Water District’s proposed Campus Park West 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.

Director Ayala recused himself from item 9-1.
9-2. Professional Services Contract for environmental consulting services for the Pipeline 3 Reline - Lake Murray to Sweetwater Reservoir Segment.
The Board authorized the General Manager to award a professional services contract to Helix Environmental Planning, Inc., in an amount not-to-exceed $323,000 to provide environmental consulting services for the Pipeline 3 Relining – Lake Murray to Sweetwater Reservoir project for a term of two years.

9-3. Approve Modifications to Water Authority’s Water Shortage and Drought Response Plan Allocation Methodology.
The Board approved the following modifications to the Water Authority’s Water Shortage and Drought Response Plan allocation methodology: Temporarily alter the methodology to allow use of water demands in fiscal years 2013 and 2014 as the base period for potential allocations during the current shortage period; and include an additional adjustment pertaining to mandatory use restrictions in place during the base period.

The Board authorized the General Manager to execute an amendment to the Partnership Agreement with San Diego Gas & Electric Company (SDG&E) to increase the agreement amount by $339,640, and extend the agreement by one year. The amended agreement would terminate on December 31, 2015.

9-5. Amend Agreement for Consulting Services with M Strategic Communications.
The Board amended the agreement with M Strategic Communications for continued consulting services to the Water Authority through December 31, 2015, for a period of 11 additional months, and increasing total contract funding to an amount not to exceed $326,000.

9-6. Canal Lining Mitigation - Notice of Completion for the Wister Sport Fishery Project.
The Board authorized the General Manager to accept the Wister Sport Fishery Project as complete, record the Notice of Completion, and release all funds held in retention to Four M Contracting, Inc., following expiration of the notice of completion period.

9-7. Professional services contract for Pipeline 3 Relining – Lake Murray to Sweetwater Reservoir.
The Board authorized the General Manager to award a professional services contract to Dokken Engineering, in an amount not-to-exceed $267,972, to provide traffic engineering services for the Pipeline 3 Relining – Lake Murray to Sweetwater Reservoir project.

The Board noted and filed the monthly Treasurer’s report.
9-9. **Adopt Annual Statement of Investment Policy, as amended, and continue to delegate authority to the Treasurer to invest Water Authority funds for calendar year 2015.** The Board adopted the Annual Statement of Investment Policy, as amended, and continued to delegate authority to the Treasurer to invest Water Authority funds for calendar year 2015.

9-10. **Action after Engineering and Operations Committee Closed Session**
The Board authorized the General Manager to execute a settlement agreement, as recommended by the General Counsel with L.H. Woods and Sons, Inc. for $283,140.11 to resolve all claims.

10. **ACTION/DISCUSSION**

10-A Confirm the Submittal for Appointment of Director Brian Brady as the Alternate Representative to the Colorado River Board of California.

Chair Recommendation: Adopt Resolution No. 2015-____ a Resolution of the San Diego County Water Authority submitting names and requesting appointment by the Governor of Brian Brady as the Water Authority’s Alternate Representative to the Colorado River Board of California.

(Action)

Director Wilson moved, Director Wornham seconded, and the motion carried at 92.58% of the vote to approve the Chair Recommendation.

11. **CLOSED SESSION(S)**

Mr. Hentschke announced there was no need for Closed Session.

11-A **CLOSED SESSION:**
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1) – SDCWA v Metropolitan Water District of Southern California; Case Nos. CPF-10-510830; CPF-12-512466; and CPF-14-514004

11-B **CLOSED SESSION:**
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: State Water Resources Control Board Petition of Imperial Irrigation District for Modification of Revised Water Rights Order 2002-0013

11-C **CLOSED SESSION:**
Conference with Legal Counsel – Anticipated Litigation
Government Code §54956.9(d)(2) – One Case Pipeline 3 Relining Sweetwater to Lower Otay Project

12. **ACTION FOLLOWING CLOSED SESSION**
13. SPECIAL REPORTS
13-A GENERAL MANAGER’S REPORT – Ms. Stapleton reminded the Board that a Special Engineering and Operations Committee Meeting would take place at 1:30 p.m. on Thursday, February 12, 2015 regarding the San Vicente Pumped Storage Study.

13-B GENERAL COUNSEL’S REPORT – Mr. Hentschke stated that a Director had inquired on the status of the San Diego Coastkeeper litigation. He reminded the Board that details were included in his written General Counsel Report, and that the hearing was set for July 21, 2015. He also reported that he would be conducting Ethics Training on February 19, 2015, and that an email would be going out regarding Sexual Harassment and Abusive Conduct Training coming in March of 2015.

13-C SANDAG REPORT – Vice Chair Muir reported on the changes to the SANDAG Board following the lost election bids of two Vice-Chairs.
SANDAG Subcommittee: Borders/Regional Planning Committee – Director Saxod announced there was nothing to report at that time.

13-D AB 1234 Compliance Reports – No reports were given.

14. OTHER COMMUNICATIONS

15. ADJOURNMENT
The meeting was adjourned at 3:53 p.m.

__________________________________  _______________________________
Mark Weston, Chair                Jim Madaffer, Secretary

__________________________________
Linda Troyan, Clerk of the Board
DATE: February 26, 2015
TO: Board of Directors
FROM: Daniel S. Hentschke, General Counsel
RE: Credentials of Ron Morrison
City of National City

Transmitted herewith is notification submitted by the City of National City reappointing Ron Morrison to the Water Authority’s Board of Directors. His term will expire on March 8, 2020.

The credentials furnished are sufficient for reappointment of Mr. Morrison on the Water Authority Board.

[Signature]
Daniel S. Hentschke
General Counsel

LAT
Attachment
February 18, 2015

TO: Whom it may Concern

FROM: Michael Dalla, City Clerk

SUBJECT: Appointment to San Diego County Water Authority

This memo is to certify that at the January 20, 2015 meeting of the National City City Council the following action was taken regarding appointment to the SDCWA:

Motion by Morrison, seconded by Cano, to appoint Mayor Morrison to the San Diego County Water Authority. Carried by the following vote, to-wit: Ayes: Cano, Mendivil, Morrison. Nays: Rios, Sotelo-Solis. Abstain: None. Absent: None.
DATE: February 26, 2015

TO: Board of Directors

FROM: Daniel S. Hentschke, General Counsel

RE: Credentials of Tom Kennedy
Rainbow Municipal Water District

Transmitted herewith is a copy of Resolution No. 15-03 submitted by the Rainbow Municipal Water District appointing Tom Kennedy to the Water Authority's Board of Directors. Mr. Kennedy replaces Dennis Sanford. His term will expire on February 2, 2021.

The credentials furnished are sufficient for the qualifications of Mr. Kennedy as a member of the Water Authority Board.

[Signature]
Daniel S. Hentschke
General Counsel

Iat

Attachment
RESOLUTION NO. 15-03

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE RAINBOW MUNICIPAL WATER DISTRICT
APPOINTING TOM KENNEDY
AS ITS REPRESENTATIVE TO THE BOARD OF DIRECTORS
OF THE SAN DIEGO COUNTY WATER AUTHORITY

WHEREAS, the Board of Directors, has designated and appointed Tom Kennedy at the Special Board meeting of January 6, 2015, to serve as its representative on the San Diego County Authority Board of Directors; and

WHEREAS, the Rainbow Municipal Water District Board of Directors desires to consent to and approve said designation and appointment;

NOW, THEREFORE, IT IS HEREBY RESOLVED, DETERMINED AND ORDERED by the Board of Directors of Rainbow Municipal Water District to concur in his appointment and support the representation of Tom Kennedy for service to the SDCWA Board of Directors, beginning on February 17, 2015 for the unfulfilled term expiring February 16, 2021 and;

BE IT FURTHER RESOLVED that the District Secretary is hereby directed to transmit a certified copy of this resolution to the SDCWA, 4677 Overland Avenue, San Diego, California, 92123, forthwith. Resolution 12-04 is hereby rescinded by Resolution 15-03.

PASSED, APPROVED AND ADOPTED at a Special meeting of the Board of Directors of the Rainbow Municipal Water District held on the 6th day of January, 2015 by the following vote, to wit:

AYES: Directors Brazier, Griffiths, Lucy, Sanford, and Walker
NOES: None
ABSENT: None
ABSTAIN: None

[Signatures]

Dennis Sanford, Board President

ATTEST:

Dawn Washburn, Board Secretary
SECRETARY'S CERTIFICATE

I, Dawn Washburn, Secretary of the Board of Directors of the Rainbow Municipal Water District, County of San Diego, California, hereby certify as follows:

The attached is a full, true and correct copy of a resolution adopted at a meeting of the Board of Directors of the District duly held at the regular meeting place thereof on January 6, 2015, by the following vote:

AYES: Directors Brazier, Griffiths, Lucy, Sanford, and Walker
NOES: None
ABSTAIN: None
ABSENT: None

An agenda of the meeting was posted at least 72 hours before the meeting at 3707 Old Highway 395, Fallbrook, California, a location freely accessible to members of the public, and a brief description of the resolution appeared on the agenda.

The resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: January 23, 2015

[Signature]

Secretary of the Board of Directors of the Rainbow Municipal Water District
DATE: February 26, 2015

TO: Board of Directors

FROM: Daniel S. Hentschke, General Counsel

RE: Credentials of Brian Boyle
City of Oceanside

Transmitted herewith is a letter submitted by the City of Oceanside appointing Brian Boyle to the Water Authority’s Board of Directors. His term will expire on July 15, 2016.

The credentials furnished are sufficient for the qualifications of Mr. Boyle as a member of the Water Authority Board.

Daniel S. Hentschke
General Counsel

lat

Attachment
February 11, 2015

Linda Troyan, MMC
Clerk of the Board
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123

Re: City of Oceanside Representation

Dear Linda:

At their meeting of February 11, 2015, the Oceanside City Council, by a vote of 3-2 (Kern and Feller - No), replaced Councilmember Esther Sanchez with Mr. Brian Boyle as the City’s representative to the San Diego Water Authority.

    Brian Boyle – 760-450-7088

Please let me know if you have any questions.

Sincerely,

Holly Trobaugh
Assistant City Clerk
February 18, 2015

Attention:  Board of Directors

General Counsel’s Report – January/February 2015

Purpose
This report discusses certain legal matters receiving attention during the months of January/February 2015.

Significant Developments in Pending Litigation

MWD Rate Cases
2010, 2012 Rate Cases:  At the December 2, 2014 case management conference (CMC), Judge Karnow set the Phase II trial for three days—March 30, April 1, and April 2, 2015.  This trial will resolve all the remaining issues in the case:  the Water Authority’s claim for breach of contract and damages, MWD’s affirmative defenses, and the Water Authority’s preferential rights claim.  Judge Karnow stated his strong desire to get the remaining issues in the case tried quickly so the parties can proceed to the Court of Appeal.  At the end of the CMC, Judge Karnow set a further CMC for February 5, 2015, and ordered both sides to specify in the next CMC statement what witnesses they intend to call on which topics, and for how much time.  At that point, he will make a final decision on the length of trial.

MWD has consistently taken the position that it needs more than three days to try the case.  In its part of the CMC statement submitted before the February 5 CMC, MWD did not make a specific request for more time, but estimated that it would need 20 hours—close to five trial days—to present its case-in-chief alone.  We expect MWD to press Judge Karnow for more time at the February 5 CMC.  The Water Authority will resist any effort to push the end of trial beyond April 2.  If Judge Karnow decides he needs more than three days to hear the evidence, he would need to find additional time on his schedule, which is very congested, and it is unlikely the trial would conclude in April.

On January 12, 2015, the parties filed motions in limine seeking to exclude evidence from Phase II.  The Water Authority filed motions to preclude MWD from presenting speculative evidence of hypothetical alternative rates, evidence of supposed offsetting benefits to the Water Authority unrelated to the Exchange Agreement, and cumulative evidence that the Water Authority waived its right to enforce the Exchange Agreement.  MWD filed a single motion in limine seeking to preclude the Water Authority from presenting evidence of special damages based on MWD's enforcement of the Rate Structure Integrity provision in MWD local water project contracts.  The parties opposed each other’s motions on January 26, 2015, and the motions were heard at the February 5 CMC.  Judge Karnow issued his written order the next day, denying the Water Authority's motions and granting MWD's motion in limine.
Authority's motions to preclude the introduction of categories of evidence as described, saying that he would instead rule on evidence as it is introduced and rely on overall time limitations to manage the case. Judge Karnow granted MWD’s motion to exclude evidence of special damages, largely because San Diego said it did not intend to introduce any such evidence. The Court also made clear that San Diego would be allowed to introduce evidence related to enforcement of the RSI provision in order to counter any argument by MWD that San Diego would be unjustly enriched by recovery of its Water Stewardship Rate payments.

MWD also filed a motion to dismiss the Water Authority's contract claim in both cases on the grounds that damages are an essential element of a claim for breach of contract and, MWD contends, any determination of damages would require the Court to set rates, which MWD argues the court lacks jurisdiction to do. The Water Authority opposed that motion, which was also heard at the February 5 CMC and denied by Judge Karnow.

2014 Rate Case: The new case filed on May 30, 2014 challenging MWD’s 2014 rate setting has been transferred to San Francisco Superior Court and assigned to Judge Karnow. The Water Authority and MWD have agreed that the case should be stayed, rather than actively litigated pending resolution of the 2010 and 2012 cases. A stipulation to that effect is being circulated and is expected to be filed in the next few days.

QSA Litigation
On November 4, 2014, the Court of Appeal announced that the case had been fully briefed. Oral argument has not been scheduled. On February 3, 2015, IID announced that it had reached a settlement with the County of Imperial and the Imperial County Air Pollution Control District. Among other things, the settlement agreement provides for the payment by IID of $750,000 jointly to the County and the APCD, as well as the joint filing of a notice of settlement and stipulation to dismiss the appeals. In September 2014, IID reached a settlement with Cuatro del Mar, POWER, and the Barioni parties, and a similar notice and stipulation was filed with the Court of Appeal. Although dismissal of an appeal is at the court’s discretion, on September 26, 2014, the court did dismiss the appeal as to Cuatro del Mar, POWER, and the Barioni parties and issued a remittitur to the trial court. We anticipate the court will make a similar order regarding the most recent settlement once the notice and stipulation are filed.

CEQA Litigation
The administrative record has been filed. The Court has established the following briefing schedule: Coastkeeper’s statement of issues – January 30, 2015; Coastkeeper’s Opening Brief – March 20, 2015; Water Authority’s Opposition Brief – June 12, 2015; Coastkeeper’s Reply Brief – July 10, 2015. Hearing has been set for July 21, 2015. Coastkeeper timely filed its statement of issues, but it merely contains a standard laundry list of alleged CEQA violations.

Special Counsel Expenditures
Funds approved for payments to special counsel during January/February 2015 from the General Counsel’s Operating Budget totaled $140,127.42 for work related to the Metropolitan rate dispute, San Diego Coastkeeper litigation, and San Vicente Pumped Storage Study. CIP expenditures during January/February 2015 were $274,521.62 for litigation expenses related to
the San Vicente Dam Raise Project (Shimmick/Obayashi Joint Venture v. SDCWA) and the San Vicente Tunnel Project (Traylor/Shea Joint Venture v. SDCWA).

Prepared by: Daniel S. Hentschke

Attachment: Special Counsel Expenditure Report
<table>
<thead>
<tr>
<th>Special Counsel</th>
<th>Project</th>
<th>Total $ Expended FYs 12 &amp; 13 (Fees &amp; Costs)</th>
<th>OP Budget Invoices Approved for Payment this Period</th>
<th>CIP Budget Invoices Approved for Payment this Period</th>
<th>Total $ Expended FYs 14 &amp; 15 (Fees &amp; Costs)</th>
<th>Budget Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allen Matkins</td>
<td>SD Coastkeeper Litigation</td>
<td></td>
<td>$5,214.14</td>
<td></td>
<td>$115,066.18</td>
<td></td>
</tr>
<tr>
<td>Arnold &amp; Porter</td>
<td>Metropolitan Rates</td>
<td>$29,160.82 (OP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aviles, Kelly A.</td>
<td>Enforcing Requests for Public Records - LADWP *</td>
<td>$38,708.05 (OP)</td>
<td></td>
<td></td>
<td>$84,813.09 (OP)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Enforcing Requests for Public Records - EMWD *</td>
<td>$8,562.20 (OP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brownstein, Hyatt, Farber, Schreck (FYs 14 &amp; 15)</td>
<td>QSA Literature - State</td>
<td>$1,074,080.67 (OP)</td>
<td></td>
<td></td>
<td>$698,118.21 (OP)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>QSA Literature - Federal</td>
<td></td>
<td></td>
<td></td>
<td>$50,642.00 (OP)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>QSA Literature - SWRCB</td>
<td></td>
<td></td>
<td></td>
<td>$27,092.36 (OP)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>QSA Implementation</td>
<td></td>
<td></td>
<td></td>
<td>$174,315.07 (OP)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MWD Rate Litigation</td>
<td></td>
<td></td>
<td></td>
<td>$944,325.50 (OP)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Public Records Litigation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>General Legal Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brownstein, Hyatt, Farber, Schreck (FYs 12 &amp; 13)</td>
<td>QSA Literature</td>
<td>$1,074,080.67 (OP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Federal Clean Air Act Challenge / QSA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Metropolitan Rates</td>
<td>$36,989.00 (OP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Enforcing Requests for Public Records</td>
<td>$15,558.40 (OP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MWD Public Records Request *</td>
<td>$53,006.20 (OP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2011 Change Petition</td>
<td>$121,865.67 (OP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colantuono Highsmith &amp; Whaley</td>
<td>Metropolitan Rates</td>
<td>$37,664.32 (OP)</td>
<td></td>
<td></td>
<td>$19,104.50 (OP)</td>
<td></td>
</tr>
<tr>
<td>Daley &amp; Heft</td>
<td>Aqueduct Width Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duncan &amp; Allen</td>
<td>San Vicente FERC Project</td>
<td>$1,619.50 (CIP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Olivenhain-Lake Hodges FERC Project *</td>
<td>$395.00 (CIP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Desalination Project *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pipeline Conveyance *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hawkins, Delafield &amp; Wood</td>
<td>JAMS Discovery Referee (MWD Rate Case) *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keker &amp; Van Nest</td>
<td>Metropolitan Rates</td>
<td>$3,203,782.56 (OP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liebhart Cassidy Whitmore</td>
<td>Personnel Issues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Labor Negotiations *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>McKenna Long &amp; Aldridge</td>
<td>San Vicente Dam Raise Project</td>
<td>$100,168.84</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Olivenhain-Lake Hodges Pump House*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SDG&amp;E Contract*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orrick Herrington &amp; Sutcliff LLP</td>
<td>Bond Counsel Services</td>
<td>$13,673.72 (OP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bond Counsel Services/Desal *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owen Wickersham &amp; Erickson</td>
<td>Copyright Matters *</td>
<td>$276.00 (OP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Concluded matters or assignments.

1 These legal costs ($155,000 total) were reimbursed to the Water Authority by City of Los Angeles as part of the settlement in SDCWA v City of LADWP
2 These legal costs ($85,808.26 total) were reimbursed to the Water Authority by Eastern Municipal Water District as part of the settlement in SDCWA v EMWD
3 Not included in totals, these legal expenses related to QSA came out of Colorado River Program budget, not GC budget
4 Not included in totals, these legal expenses related to personnel issues/labor negotiations came out of Human Resources budget, not GC budget
5 Not included in totals, these legal expenses related to bond counsel services came out of Finance budget, not GC budget
6 Not included in totals, these legal expenses related to desalination came out of Water Resources budget, not GC budget
7 Not included in totals, these legal expenses related to copyright matters came out of Conservation budget, not GC budget
<table>
<thead>
<tr>
<th>Special Counsel</th>
<th>Project</th>
<th>Total $ Expended FYs 12 &amp; 13 (Fees &amp; Costs)</th>
<th>OP Budget Invoices Approved for Payment this Period</th>
<th>CIP Budget Invoices Approved for Payment this Period</th>
<th>Total $ Expended FYs 14 &amp; 15 (Fees &amp; Costs)</th>
<th>Budget Allocation FYs 14 &amp; 15 for Legal Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pillsbury Winthrop Shaw Pittman</td>
<td>Employee Benefit Matters</td>
<td>$15,434.25 (OP)</td>
<td></td>
<td></td>
<td>$7,809.50 (OP)</td>
<td>$12,724,000.00</td>
</tr>
<tr>
<td></td>
<td>IRS Audit Matters *</td>
<td>$1,515.32 (OP)</td>
<td></td>
<td></td>
<td>$4,628.75 (OP)</td>
<td></td>
</tr>
<tr>
<td>Procopio Cory Hargreaves &amp; Savitch</td>
<td>Traylor-Shea Joint Venture (TSJV)</td>
<td>$422,437.32 (CIP)</td>
<td></td>
<td>$174,352.78</td>
<td>$554,595.24 (CIP)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Multiple Tunnel Shift Pay *</td>
<td>$251,359.61 (CIP)</td>
<td></td>
<td></td>
<td>$0.00 (CIP)</td>
<td></td>
</tr>
<tr>
<td>Van Ness Feldman</td>
<td>San Vicente Pumped Storage Study FERC permit</td>
<td>$2,473.50</td>
<td></td>
<td></td>
<td>$37,720.09 (OP)</td>
<td></td>
</tr>
<tr>
<td>Winston, Dennis A.</td>
<td>Enforcing Requests for Public Records - LADWP *</td>
<td>$19,215.86 (OP)</td>
<td></td>
<td></td>
<td>$12,263.00 1 (OP)</td>
<td></td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td>$5,494,042.56 (OP)</td>
<td>$140,127.42</td>
<td>$274,521.62</td>
<td>$6,624,709.51 (OP)</td>
<td>$6,099,290.49</td>
</tr>
</tbody>
</table>

* Concluded matters or assignments.

1 These legal costs ($155,000 total) were reimbursed to the Water Authority by City of Los Angeles as part of the settlement in SDCWA v City of LADWP
February 18, 2015

Attention: Board of Directors

CLOSED SESSION:
Public Employee Performance Evaluation
Government Code §54957 - Title: General Counsel

Conference with Labor Negotiators, Government Code §54957.6
Designated Board Representatives: Chair, Vice-Chair, Secretary
Unrepresented Employee: General Counsel

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §§54957 and 54957.6 at the formal board meeting of February 26, 2015.

Prepared by: Daniel S. Hentschke, General Counsel