On August 31, Chair Weston welcomed approx. 1,500 water industry experts from around the world to San Diego to open the International Desalination Association’s World Congress on Desalination and Water Reuse at the San Diego Convention Center.
NOTICE TO THE PUBLIC

BOARD OF DIRECTORS’ AND STANDING COMMITTEES’
REGULAR MEETING
SEPTEMBER 24, 2015
BOARD ROOM
WATER AUTHORITY HEADQUARTERS BUILDING
4677 OVERLAND AVENUE, SAN DIEGO, CALIFORNIA

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 September 24, 2015. The afternoon session of Standing Committees may commence at the conclusion of the morning session and earlier than 1:00 p.m. Please see the meeting schedule. The meeting of 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. Items receiving substantive review by a standing committee are generally included on the Consent Calendar for action at the meeting of full Board. 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

**SEPTEMBER 24, 2015**

## MORNING SESSION
- Water Planning Committee  
  Estimated time: 1 hour 10 minutes
- Legislation, Conservation & Outreach Committee  
  Estimated time: 45 minutes
- Engineering & Operations Committee  
  Estimated time: 55 minutes

## LUNCHEON FOR DIRECTORS
- 12:00 p.m. to 1:00 p.m.

## AFTERNOON SESSION
- Imported Water Committee  
  Estimated time: 1 hour 15 minutes
- Administrative & Finance Committee  
  Estimated time: 35 minutes

## FORMAL BOARD MEETING
- 3:00 p.m.

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* 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.*
WATER PLANNING COMMITTEE

AGENDA FOR

SEPTEMBER 24, 2015

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

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.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION/PRESENTATION

1. Public Hearing on the Draft Mitigated Negative Declaration (MND) for the Pipeline 4 Relining at Lake Murray Project. (Discussion)     Mark Tegio
   2-A Memorandum of Understanding with Marine Corps Base Camp Pendleton to Conduct an Intake Testing Program for the Potential Camp Pendleton Seawater Desalination Project. Staff recommendation: Authorize the General Manager to execute a Memorandum of Understanding between the San Diego County Water Authority and United States Marine
Corps Base Camp Pendleton to conduct the Intake Testing Program. (Action)

2-B Professional Services Contract for the Intake Testing Program for the Potential Camp Pendleton Seawater Desalination Project.
Staff recommendation: Authorize the General Manager to award a professional services contract to Michael Baker International, Inc., in an amount not-to-exceed $4,050,000, to perform the design, permitting, construction, operation, testing and reporting required for the Intake Testing Program associated with a potential Camp Pendleton Seawater Desalination Project. (Action)

3. Comprehensive Environmental Mitigation Program. (Presentation) Bob Yamada / Don Chadwick

   4-A Update on water supply conditions and drought response activities. (Presentation) Alexi Schnell
   4-B Fiscal Year 2016 water supply allocations monitoring. (Presentation) Tim Bombardier

III. INFORMATION

1. Water Resources Report. Dana Friehauf

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.
September 16, 2015

Attention: Water Planning Committee

Public Hearing on the Draft Mitigated Negative Declaration (MND) for the Pipeline 4 Relining at Lake Murray Project (Discussion)

Purpose
To receive comments from the public on the adequacy of the Draft MND for the Pipeline 4 at Lake Murray Reline Project.

Background
Pursuant to the California Environmental Quality Act (CEQA), the San Diego County Water Authority released a Draft Mitigated Negative Declaration (MND) for the Pipeline 4 Relining at Lake Murray Project on August 24, 2015 for a 30-day public review period. This project proposes the relining of a section of Pipeline 4 along the east side of Lake Murray in San Diego.

In conformance with Section 8.00.110 of the Water Authority’s Administrative Code, the Water Planning Committee shall hold a public hearing to receive comments from the public as part of the public review process for proposed negative declarations and mitigated negative declarations.

The Board received the Draft MND via email notification on August 27, 2015. Notices announcing the availability of the documents and public hearing were published in the Union Tribune and mailed to interested parties. The documents can be found on the Water Authority website at the following link:

http://www.sdcwa.org/documents-public-comment

Discussion
A public hearing to receive comments on the adequacy of the Draft MND will be held at the regularly scheduled Water Planning Committee on September 24, 2015. The public comment period closes at 5:00 PM that day. After the close of the review period, staff will consider all comments received and revise the document as needed to address each relevant comment.

A Final MND, including all comments and responses thereto, will then be presented to the Board for adoption. At that time, the Board may consider approval of the Project. The tentative date for Board consideration of the Final MND and project approval is October 22, 2015.

Prepared by: Mark V. Tegio, Senior Water Resources Specialist
Reviewed by: Robert R. Yamada, Director of Water Resources
September 16, 2015

Attention: Water Planning Committee

Memorandum of Understanding with Marine Corps Base Camp Pendleton to Conduct an Intake Testing Program for the Potential Camp Pendleton Seawater Desalination Project (Action)

Staff recommendation
Authorize the General Manager to execute a Memorandum of Understanding between the San Diego County Water Authority and United States Marine Corps Base Camp Pendleton to conduct the Intake Testing Program.

Alternatives
Do not approve the Memorandum of Understanding, and direct staff to negotiate new language with United States Marine Corps Base Camp Pendleton representatives.

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

Background
In April 2010, a Memorandum of Understanding (MOU) between the Water Authority and Marine Corps Base Camp Pendleton (MCBCP) was executed to establish the framework for cooperation between the two parties during the performance of planning-level studies and field investigations related to the potential Camp Pendleton Seawater Desalination Project to ensure that any activities do not conflict, impede, or interfere with MCBCP’s primary mission of training its operational force. The MOU did not commit either party to advance the project beyond the planning studies contemplated in the MOU and terminated at the conclusion of the technical studies effort in 2013.

Discussion
A new MOU is required to establish the framework for cooperation between the Water Authority and MCBCP for an Intake Testing Program for the Potential Camp Pendleton Seawater Desalination Project (Intake Testing Program) to address project planning and future permitting issues related to the viability of subsurface and screened open ocean intake systems and the related pretreatment facilities. Key considerations of the MOU include:

- MCBCP has complete authority in all aspects of activities that occur on the base to ensure no conflicts with the MCBCP’s primary mission of training the operational force.
- Water Authority-sponsored activities covered by the proposed MOU include mobilization, offshore construction, onshore construction, operation of the pretreatment pilot plant, power and potable water service, demobilization, public outreach, and required environmental review.
• MCBCP commits to timely issuance of a License for Nonfederal Use of Real Estate for the contemplated Intake Testing Program activities.

• MCBCP will coordinate with the Water Authority to facilitate state and federal permit application and regulatory compliance to support the activities associated with the Intake Testing Program.

• The MOU will continue in existence until completion of the Intake Testing Program or termination by either party.

Finally, similar to the previous MOU, this MOU does not commit either party to advance the project beyond the test program activities specified in the MOU.

Prepared by:  Jeremy Crutchfield, Senior Engineer
Reviewed by:  Robert R. Yamada, Director of Water Resources
Approved by:  Sandra L. Kerl, Deputy General Manager

Attachments:  Draft Memorandum of Understanding between the San Diego County Water Authority and United States Marine Corps, Marine Corps Installations West – Marine Corps Base Camp Pendleton
MEMORANDUM OF UNDERSTANDING
BETWEEN
SAN DIEGO COUNTY WATER AUTHORITY
AND
UNITED STATES MARINE CORPS
MARINE CORPS INSTALLATIONS WEST – MARINE CORPS BASE CAMP PENDLETON
Subj: MEMORANDUM OF UNDERSTANDING #
Encl: (1) Process for Accessing Camp Pendleton by Non-DoD Civilians or Contractors

1. Purpose
   a. This Memorandum of Understanding (MOU) is intended to establish the framework for cooperation between the San Diego County Water Authority (Water Authority) and Marine Corps Installations West – Marine Corps Base Camp Pendleton, (hereafter MCIWEST - MCB CAMPEN) for an intake testing program to address important project development and future permitting issues related to the viability of subsurface and screened open-ocean intake systems. The intake testing program would evaluate, optimize, and demonstrate the efficiency and cost-effectiveness of the necessary pretreatment processes for each of these intake systems that are crucial for operation of a reverse osmosis desalination plant. This MOU is to be read in conjunction with the issuance and provisions of the NAVFAC 11011/29 (6-75) License for Nonfederal Use of Real Estate granted to the Water Authority for the stated activities in this MOU.

   b. The Water Authority is a California public agency comprised of 24 member public agencies, including MCIWEST – MCB CAMPEN. The Water Authority is charged by the California Legislature to provide its member agencies with adequate supplies of water to meet their expanding and increasing needs. The Water Authority has identified seawater desalination as an important component of its water supply portfolio. In order to accomplish this goal, the Water Authority investigated the feasibility of constructing a regional desalination plant and conveyance facilities. The expected initial capacity of the desalination facility is anticipated to be 50 million gallons per day (mgd) with potential future expansion to an ultimate capacity of 150 mgd. In April 2009, the Water Authority completed its engineering feasibility-level study on the potential development of a seawater desalination facility located in the southwest region of MCIWEST-MCB CAMPEN. Two sites were identified, one adjacent to the Southern Region Tertiary Treatment Plant (SRTTP) site and the other near the Marine Corps Tactical Systems Support Activity (MCTSSA) site. Each was approved by MCIWEST-MCB CAMPEN for further investigation and evaluation.

   c. In April 2010, a MOU between the Water Authority and MCIWEST-MCB CAMPEN was executed to establish the framework for cooperation between the two parties for additional planning-level studies and field investigations to further define full-scale project requirements, including the feasibility of subsurface and screened open ocean intake alternatives, brine discharge methods, treatment processes and plant configurations, power supply requirements, alternative conveyance alignments, the integration of new supplies into the regional aqueduct system, and impacts to MCIWEST-MCB CAMPEN operations. The studies, completed in October 2013, further validated overall project feasibility, including the viability of both the
screened open ocean and subsurface intakes, and the practicality of a diffuser type brine discharge system.

d. MCIWEST-MCB CAMPEN has complete authority in all aspects of activities that occur on the installation as it must ensure that any activities do not conflict, impede, or interfere with the MCIWEST-MCB CAMPEN primary mission of training the operational force. MCIWEST-MCB CAMPEN has determined that provision by the Water Authority of an adequate supply of water for regional needs, including the needs of MCIWEST-MCB CAMPEN and other local Navy and Marine Corps installations, neighboring communities, and the San Diego region in general, is an area of interest to the Marine Corps. Therefore, MCIWEST-MCB CAMPEN desires to cooperate with the Water Authority as provided in this MOU. However, this MOU is not intended to create a contractual obligation or be enforceable by remedies at law or in equity. It is not intended to require any action by either party that is contrary to applicable federal or state law or regulation or Department of the Navy/Marine Corps policy. Additionally, nothing in this MOU is intended to delegate respective responsibilities of either the Water Authority or MCIWEST-MCB CAMPEN, or create a commitment for final approval or permission for a full-scale seawater desalination facility. The participation of MCIWEST-MCB CAMPEN and the Marine Corps in support of the intake testing program shall not be construed as a commitment to transfer any real property interest in support of a future full-scale seawater desalination project.

2. Licenses for Nonfederal Use of Real Property. Many activities contemplated by this MOU will require short-term use of specific locations on MCIWEST-MCB CAMPEN for which a NAVFAC 11011/29 (6-75) License for Nonfederal Use of Real Estate must be issued before starting the activity and pursuant to which the activity is conducted. The Water Authority will timely apply for and MCIWEST-MCB CAMPEN will promptly review and issue licenses as appropriate to implement the activities contemplated by this MOU. Any conflicts arising between this MOU and an issued NAVFAC 11011/29 (6-75) License for Nonfederal Use of Real Estate will be resolved in favor of the NAVFAC 11011/29 (6-75) License for Nonfederal Use of Real Estate and its General Provisions.

3. Non-interference with Base Activities. One of the primary missions of MCIWEST-MCB CAMPEN is to ensure that non-military activities on the installation do not interfere with military operations, training, and security. The Water Authority will cooperate with MCIWEST-MCB CAMPEN to avoid interfering with military operations, training, and security. The mission requirements of MCIWEST-MCB CAMPEN and its tenant commands, in all cases, have priority over any areas under use of the Water Authority and such areas are subject to closure by designated MCIWEST-MCB CAMPEN officials on short notice.

4. Coastal Development or other State Permits

   a. If required under applicable law, the Water Authority is responsible for obtaining any coastal development or other permits pursuant to applicable local, state, or federal law from any federal, state, or local agency, other than the Department of the Navy or the United States Marine Corps, with regulatory jurisdiction over activities contemplated by this MOU.

   b. The Water Authority will consult with the MCIWEST-MCB CAMPEN Environmental Security Office and other necessary MCIWEST-MCB CAMPEN Assistant Chiefs of Staff
Directorates prior to filing permit applications and throughout the regulatory compliance process. MCIWEST-MCB CAMPEN will coordinate with the Water Authority to facilitate permit application and regulatory compliance.

5. **Indemnification.** Both the Water Authority and MCIWEST-MCB CAMPEN recognize the terms and conditions of the General Provisions of the NAVFAC 11011/29 (6-75) License for Nonfederal Use of Real Estate and incorporate said terms and conditions as binding to this MOU.

6. **Designated Representatives**

   a. In order to facilitate communication, assure expeditious application for and issuance of licenses and other permission, and efficient implementation of this MOU the Water Authority and MCIWEST-MCB CAMPEN will designate primary and secondary contact persons, who are referred to as the Designated Representatives. These designations may be changed from time to time and appropriate notifications to both parties will be made post designation change.

      (1) The primary and secondary contact persons for the Water Authority are Jeremy Crutchfield (primary) and Bob Yamada (secondary).

      (2) The primary and secondary contact persons for MCIWEST-MCB CAMPEN, located at the MCIWEST-MCB CAMPEN Water Resources Division, are Gregory Seaman (primary) and John Simpson (secondary).

   b. Performance of activities may be conducted by any Water Authority or designated government employees or independent contractors with the express understanding by the Water Authority that as the licensee of the NAVFAC 11011/29 (6-75) License for Nonfederal Use of Real Estate, it is legally responsible for any government agency or commercial contractor performing the activities listed in the NAVFAC 11011/29 (6-75) License for Nonfederal Use of Real Estate license and this MOU. The Water Authority will provide MCIWEST-MCB CAMPEN with a list of persons expected to perform, on its behalf on MCIWEST-MCB CAMPEN, the activities contemplated by this MOU and the anticipated timeframes for such performance.

   c. The Water Authority will ensure that its employees and contractors adhere to applicable MCIWEST-MCB CAMPEN Orders and regulations regarding accessing the installation and follow the procedures outlined in enclosure (1) for Business Passes and RAPIDGATE applications.

7. The following Appendix is a part of this MOU:

   a. Appendix — Areas Assigned. This Appendix provides description of the areas assigned for designated usage and designated activities.

   b. The pilot plant will be located at one of the proposed sites as determined by the Water Authority and in coordination with MCIWEST-MCB CAMPEN. The precise location of the activity will be as specified by the NAVFAC 11011/29 (6-75) License for Nonfederal Use of Real Estate for that activity.
8. **Natural and Cultural Resources.** In the event that archaeological materials are found during Water Authority operations, work must be halted and the MCIWEST-MCB CAMPEN Designated Representative will be notified as soon as practicable, but no longer that 24 hours after such discovery. The MCIWEST-MCB CAMPEN Designated Representative will in turn notify MCIWEST-MCB CAMPEN Environmental Security, Cultural Resources Management Branch. Work at the discovery site shall not proceed until MCIWEST-MCB CAMPEN provides authorization after review by MCIWEST-MCB CAMPEN Environmental Security.

9. **Designated Activities.** The designated activities that are the subject of this MOU are mobilization, offshore construction, onshore construction, operation of the pilot plant, power and potable water service, demobilization, public outreach, and required environmental review. These activities are briefly described in the following sections.

10. **Mobilization.** The Water Authority agrees to timely provide MCIWEST-MCB CAMPEN advance notice of all mobilization activities and conduct as specified in one or more NAVFAC 11011/29 (6-75) License for Nonfederal Use of Real Estate. These activities consist of equipment and material delivery, installing temporary facilities, surveying and fencing the work area, and photographic documentation of the site and access conditions.

11. **Offshore Construction**

   a. The Water Authority agrees to provide MCIWEST-MCB CAMPEN advance notice of any proposed offshore construction by the Water Authority, to include the dates of the activities and the manner in which the activities will be performed. The intent of this notification is to ensure MCIWEST-MCB CAMPEN has sufficient time to mitigate any offshore activity impact on operational training occurring on or near MCIWEST-MCB CAMPEN.

   b. The offshore activities include the construction, maintenance, and decommissioning of the open ocean wedge-wire screened intake, subsurface intake, and associated offshore piping for the intake test program. A pilot scale wedge-wire screen intake is planned that would be submerged in approximately 30 to 50 feet of water, located approximately 500 to 1500 feet offshore. A pipeline would be placed on the seafloor (weighted down with concrete collars) to convey the feedwater from the screened intake to the pilot plant. A subsurface intake may be established using an existing well on the nearby jetty or other means determined by the Water Authority in coordination with MCIWEST-MCB CAMPEN. The facilities may remain in place for up to 18 months with periodic inspection and maintenance activities as determined by the Water Authority.

12. **Onshore Construction**

   a. Onshore construction will be conducted as specified in one or more NAVFAC 11011/29 (6-75) License for Nonfederal Use of Real Estate.

   b. The onshore activities include the construction, maintenance, and decommissioning of the pilot plant, feedwater and discharge piping between the intake systems and the pilot plant, power service, and potable water service. A submersible pump would be installed to convey feedwater from each intake system to the pilot plant through conveyance pipelines. A discharge pipeline...
and electrical service conduit will also be installed. Routing of these conduits would be determined by the Water Authority in coordination with MCIWEST-MCB CAMPEN. Installation of the pilot plant is anticipated to include storage tanks, chemical facilities, micro/ultra-filtration equipment, dissolved air flotation equipment, dual media filter equipment, administration and testing trailers, enclosure fencing, miscellaneous conveyance equipment, and utilities.

13. **Operation of the Pilot Plant.** The Water Authority will begin operation at the completion of construction and commissioning of the intake facilities and pilot plant. Operation will commence for a minimum of one year, and no more than 18 months, in order to capture seasonal variations in ocean conditions. The pilot plant will operate continuously over that period and include the necessary instrumentation and controls to monitor status offsite and automatically shut down if issues arise. An operator will be onsite a minimum of 40 hours per week, Monday through Friday with the potential for periodic weekend work. An engineer is also anticipated to be onsite three to four days a week over the operating period.

14. **Power and Potable Water Service.** The Water Authority will coordinate with MCIWEST-MCB CAMPEN to provide energy and water service for the pilot plant.

15. **Demobilization.** The Water Authority agrees to remediate offshore and onshore construction located on and near MCIWEST-MCB CAMPEN upon completion of Water Authority testing program.

16. **Public Outreach**

   a. The Water Authority may conduct tours of the proposed project location for members of its Board of Directors, member agencies, other public agencies, and interested private parties at the convenience and upon approval of MCIWEST-MCB CAMPEN. These tours will be coordinated through the MCIWEST-MCB CAMPEN Designated Representatives. Tours consisting of groups larger than ten shall be planned in advance and limited to no more than four tours per year. The Water Authority will provide MCIWEST-MCB CAMPEN with a list of projected tour participants at least 30 days prior to the tour date. MCIWEST-MCB CAMPEN retains full discretion to cancel tours or otherwise limit the scope of tour participation where such cancellation or limitation is deemed necessary or appropriate by MCIWEST-MCB CAMPEN.

   b. The Water Authority will have primary responsibility for developing a public outreach program for the project. The Water Authority will consult, via the MCIWEST-MCB CAMPEN Designated Representatives, with MCIWEST-MCB CAMPEN Public Affairs Office on any requested media or public information releases on activities occurring aboard MCIWEST-MCB CAMPEN. Any media or public information releases are subject to approval by both the Water Authority and MCIWEST-MCB CAMPEN prior to release. MCIWEST-MCB CAMPEN has final release authority on media products relating to MCIWEST-MCB CAMPEN involvement in the project and on activities occurring aboard MCIWEST-MCB CAMPEN.
17. **Required Environmental Review**

   a. If the Water Authority or MCIWEST-MCB CAMPEN determines that any of the listed Water Authority activities aboard MCIWEST-MCB CAMPEN requires environmental review documents pursuant to the California Environmental Quality Act and the National Environmental Policy Act (NEPA), the Water Authority agrees to be responsible for conducting any necessary assessments and obtaining any necessary permits.

   b. The Water Authority must consider and disclose the environmental implications of actions under this MOU. All Water Authority work and activity performed as part of the MOU is considered federal activity and must comply with NEPA. The Water Authority will prepare or cause to be prepared the required environmental documents and permits pursuant to NEPA and as agreed by MCIWEST-MCB CAMPEN and will submit all documents to MCIWEST-MCB CAMPEN for review and concurrence. MCIWEST-MCB CAMPEN may participate in all regulatory consultations and permit negotiations.

   c. Nothing in this MOU shall be considered a commitment by either the Water Authority or MCIWEST-MCB CAMPEN to approve or fund any future activities regarding a potential regional seawater desalination project aboard MCIWEST-MCB CAMPEN without further environmental review.

18. **MCIWEST-MCB CAMPEN General Coordination.** The Water Authority project team and designated MCIWEST-MCB CAMPEN representatives will meet on a monthly basis to report and discuss work status and progress and to identify and resolve problems and issues. Additional meetings may be called on an as-needed basis to address urgent issues and other emergencies. General coordination, including scheduling of meetings, will be made through the Designated Representatives.

19. **Miscellaneous Provisions.** This MOU may be amended or supplemented in writing, signed by authorized representatives of both parties. This MOU may not be modified, amended or supplemented by any oral statement or writing that is not signed by the authorized representatives of both parties. Amendments or supplements may be executed in counterparts.

   a. This MOU will continue in existence until the earlier of the following: (a) termination by either party communicated in writing to the other party and signed by the authorized representative; (b) completion of the intake testing program activities listed in this MOU.

   b. This MOU is neither a fiscal nor a funds obligation document. Any endeavor to transfer anything of value involving reimbursement or contribution of funds between the Water Authority and MCIWEST-MCB CAMPEN will be handled in accordance with applicable laws, regulations, and procedures including those for Government procurement and printing. Any such endeavors will be outlined in separate documents that shall be made in writing by representatives of the Water Authority and MCIWEST-MCB CAMPEN and shall be independently authorized by appropriate legal authority. This MOU does not provide such authority.

   c. The Water Authority and any of its employees, including contractors, conducting activities under this MOU shall be acquainted with and adhere to all pertinent and applicable orders of MCIWEST-MCB CAMPEN that pertain to good order and discipline aboard MCIWEST-MCB
CAMPEN. All Water Authority personnel shall be informed that MCIWEST-MCB CAMPEN has the authority to conduct unannounced inspections within the confines of the military installation.

d. The Water Authority and any of its employees, including contractors, conducting activities under this MOU shall comply with all MCIWEST-MCB CAMPEN security requirements. The Water Authority will submit the name and address of each employee working on MCIWEST-MCB CAMPEN and any required documentation for access to MCIWEST-MCB CAMPEN. The Water Authority is responsible for the conduct of its employees, including contractors, while aboard MCIWEST-MCB CAMPEN and MCIWEST-MCB CAMPEN has the right to refuse access to MCIWEST-MCB CAMPEN to any person or to remove Water Authority personnel from MCIWEST-MCB CAMPEN at any time.

__________________________________________  _______________________________________
WILLIAM L. WHITMIRE                           MAUREEN A. STAPLETON
Assistant Chief of Staff Facilities (G-F)       General Manager
Marine Corps Installations West-Marine          San Diego County Water Authority
Corps Base, Camp Pendleton

__________________________________________  _______________________________________
Date                                           Date
APPENDIX

MOU #

AREAS ASSIGNED

DIAGRAM 1: Proposed locations for the pretreatment pilot plant.

NOTES:
1.) Sites are numbered based on preferred ranking.
2.) The proposed pilot plant footprint is conservatively sized for ~10,000 ft²
(125’ x 80’). A slightly smaller footprint could be accommodated.
3.) The site would be occupied for 2 years (construction, operation, 
demob). At completion, the site would be restored to its original 
condition.
4.) Pilot testing would occur for 12 to 18 months, operating 24 hrs/day, 7 
days/week.
PROCESS FOR ACCESSING CAMP PENDLETON BY NON-DOD CIVILIANS OR CONTRACTORS

REQUIREMENTS FOR OBTAINING A BUSINESS PASS AND RAPIDGATE:

All contractors, vendors and their employees are required by installation regulations to verify their requirement for installation access, determine their fitness (background check), and have their identity proofed in order to have unescorted access. These requirements are found in Base Order P5000.2J w/Change 8.

BUSINESS PASS

Individuals applying for a MCIWEST-MCB CAMPEN business pass must have a Base sponsor. The Base sponsor must provide a sponsorship letter to the Provost Marshal's Office, Base Access Control Branch, Building 41501T, which is adjacent to the Las Pulgas Gate, Camp Pendleton, CA. The sponsorship letter must contain the contractor's company name, address and telephone number. The letter must include the contract number and contract dates. If a contract number is not applicable, explain briefly in layman's terms the nature of the company's business on Base, location on Base, effective dates and work schedule. Provide a company point of contact (POC), address and telephone number. The letter must be signed and dated by the employee's Base Sponsor point of contact and telephone number.

Note: The Base sponsor may list all the names of the employees who will require a business pass on the sponsor letter.

If the employee names are not listed on the sponsorship letter, the company must provide a letter on their company letterhead. This letter must provide the name of the Base sponsor, contract number and contract dates and listing of all the company's employees' names requiring a Business Pass. The letter must be signed and dated within 30 days from the date it is presented to the Base Access Control Branch representative. Each employee must have a copy or copies of the sponsor letter and or sponsor letter together with the company letter to be presented when applying for the Business Pass:

(1) When the employee brings their sponsor letter to Base Access Control, they will be required to provide valid government photo identification for processing.


(3) A background check will be conducted on the employees. This process may take up to five business days to complete. The employees will be given a temporary pass in order to access the Base.

(4) After five business days and a successful background check, the employee will return and their picture will be taken and a 1 business pass will be issued for a maximum
of 90 days (three months). Employees who do not meet the MCIWEST-MCB CAMPEN access criteria may request reconsideration on a case-by-case basis.

(5) Contractors with business passes will be limited to three gates: **San Luis Rey, Las Pulgas and San Onofre**. Contractors will be required to show their business pass along with a valid driver's license to the sentry at the gate.

There are no fees associated with a Business Pass.

**EID-RAPIDGate**

The MCIWEST-MCB CAMPEN RAPIDGate Fast Access Program is a user funded program contracted to the Base. Participants enjoy unrestricted access through all seven installation access control points (gates) to include the Naval Weapons Station, Fallbrook. To enroll, the company should contact RAPIDGate at (1-877-RAPIDGATE). Once enrolled, the company will receive a company code that is required for employee registration in the program. There is an annual company enrollment fee of $199.00, in addition to an annual per employee fee of $159.00.

Employee registration is conducted at the Base Access Control Office, Building 41501T (adjacent to the Las Pulgas Gate). With the company enrollment code, the employee utilizes one of the four RAPIDGate kiosks to register. This process takes approximately 10 minutes per employee. The system obtains fingerprints and photographs, and submits the information directly to RAPIDGate for approval. In the interim, a temporary pass is issued to the employee for access to the Base.

RAPIDGate conducts a thorough background check on each individual and a credential will be issued to those employees who meet the MCIWEST-MCB CAMPEN access criteria. Additionally, every 92 days, RAPIDGate conducts electronic background checks on each employee to ensure compliance with the program. Should something arise during that time, the employee would be given an opportunity to discuss the circumstances and appeal any negative decisions.

RAPIDGate passes are valid for a maximum of one year.

To answer any questions, please contact the Provost Marshal's Office Base Access Control Branch at (760) 763-7604.

Enclosure (1)
September 16, 2015

Attention: Water Planning Committee

Professional Services Contract for the Intake Testing Program for the Potential Camp Pendleton Seawater Desalination Project (Action)

Staff recommendation
Authorize the General Manager to award a professional services contract to Michael Baker International, Inc., in an amount not-to-exceed $4,050,000, to perform the design, permitting, construction, operation, testing and reporting required for the Intake Testing Program associated with a potential Camp Pendleton Seawater Desalination Project.

Alternatives
Do not authorize the contract, and direct staff to negotiate with the other consultant or solicit new proposals.

Fiscal Impact
There are sufficient funds to support the staff recommendation included in the adopted Fiscal Years 2016 and 2017 Capital Improvement Program appropriation for the project. The related rate category is Customer Service.

Background
Camp Pendleton offers a potential, unique, long-term opportunity to develop a phased, large-scale desalination project at a single, coastal location, positioned at the top of the Water Authority’s regional aqueduct system. Water Authority-led feasibility and technical (planning level) studies completed in 2009 and 2013, conducted in collaboration with Marine Corps Base (MCB) Camp Pendleton, validated overall project feasibility and confirmed that the on-shore and off-shore conditions at a Camp Pendleton site could feasibly accommodate a regional seawater desalination facility.

Given the long lead time to develop a seawater desalination project in California, as evidenced by the Carlsbad Desalination Project, incremental project development activities such as this intake testing program will help maintain a future Camp Pendleton project as a viable contingency for the region and maintain the region’s flexibility to pursue multiple paths to reliability in the face of continued water supply uncertainty.

On March 26, 2015, the Board approved the Camp Pendleton Intake Testing Program and accepted grant funding for up to $1.4 million from the California Department of Water Resources and the U. S. Bureau of Reclamation to conduct the program.

Discussion
Unlike the Carlsbad Desalination Project, where existing power plant intake and discharge infrastructure is being utilized, a Camp Pendleton Desalination Project would require all new ocean intake and discharge infrastructure. In particular, given the focus on desalination intakes as a key permitting issue – as demonstrated with the adoption of the California Ocean Plan
amendment (addressing desalination intakes and discharges) by the State Water Resources Control Board in May of this year, it is clear that the success of any future permitting of a desalination facility at this location will hinge on the viability of cost-effective open-ocean or subsurface intake options that comply with the new desalination intake regulations.

The primary objective of the Intake Testing Program is to determine the highest performing and most cost-effective combined intake and pretreatment system, on a pilot scale, for a potential reverse osmosis seawater desalination plant at Camp Pendleton. A Request for Proposals for the Intake Testing Program was published in The San Diego Daily Transcript, and was emailed directly to engineering and water resources consulting firms via the Water Authority’s online vendor database on July 14, 2015. A pre-proposal meeting for the project was held at the Water Authority on July 21, 2015 and a site visit was conducted on July 30th. Four potential prime firms attended the pre-proposal meeting and two attended the site visit. The firms that submitted proposals were: Michael Baker International, Inc. and CH2M Hill Engineers, Inc. Based on an evaluation of written proposals and oral interviews, Michael Baker International, Inc. was selected as the best qualified to perform the required work.

Michael Baker International, Inc. is a large engineering consulting firm that provides comprehensive planning, scientific and engineering solutions to a diverse range of water supply project, including ocean desalination and related intake and discharge facilities, treatment, and all related environmental review and regulatory permitting. Key factors in the selection were the level of experience and capability of the team, familiarity with previous project efforts and MCB Camp Pendleton procedures, understanding of key issues and challenges, experience at other desalination projects being planned along the California coast, including Monterey Peninsula Water Supply Project, Moss Landing Pilot Plant and CalAm Cemex Slant Test Well, and its focus on obtaining pertinent data and results that could be used in future project permitting. The project manager and assembled team of experts and sub-consultants have proven capabilities related to this type of work and have demonstrated their experience and knowledge of the key issues related to the Intake Testing Program.

Due to the limited subcontracting opportunities for this type of work, SCOOP requirements were not required, but encouraged. The small business participation for this project is 34 percent. There is no woman-owned or minority-owned business participation for this project. This information is provided for statistical purposes.

Prepared by:  Jeremy Crutchfield, Senior Engineer  
Reviewed by:  Robert R. Yamada, Director of Water Resources  
Approved by:  Sandra L. Kerl, Deputy General Manager

Attachments:  Figure 1 – Location Map
Intake Testing Program for the Potential Camp Pendleton Seawater Desalination Project

Figure 1
September 16, 2015

Attention: Water Planning Committee

Comprehensive Environmental Mitigation Program (Presentation)

Purpose
To provide information on the status of the environmental mitigation program.

Background
In 1992, the Board authorized the creation of the Mitigation Program, a project within the Capital Improvement Program. The Mitigation Program develops and implements short- and long-term strategies to mitigate for impacts to endangered species and sensitive habitats resulting from Water Authority activities.

The primary driver for Mitigation Program creation was the designation of the California Gnatcatcher, a small song bird inhabiting coastal sage scrub, as a threatened species under the Endangered Species Act. This species and its habitat had the potential to substantially increase cost or delay completion of several infrastructure projects essential to meet the mission of supplying a safe and reliable water supply. The Mitigation Program strives to minimize uncertainties associated with obtaining Endangered Species Act and Clean Water Act permits.

Prior to 1992, project permitting and mitigation for species and habitat impacts were performed on a project-by-project basis. The ultimate goal of the Mitigation Program is to streamline compliance with various environmental laws in a coordinated manner through development and implementation of large-scale multi-species habitat conservation plans. This approach provides greater certainty and assurances that future endangered species and wetland protection requirements will be met while allowing necessary activities in designated sensitive habitats.

To date, 55-year permits for the state and federal Endangered Species Acts were obtained when the Board adopted the Habitat Conservation Plan/Natural Community Conservation Plan (HCP/NCCP) in 2010. More recently, a 50-year Programmatic Master Plan Permit (PMPP) for the Clean Water Act was obtained for activities occurring in U.S. Army Corps of Engineers jurisdictional wetlands. All three long-term permits require the acquisition and protection of compensatory mitigation land, either for specific projects or as a “bank” for future projects. As part of these efforts, over 3,200 acres of natural habitat have been preserved, thus enhancing the region’s natural biodiversity.

Discussion
At the September meeting, staff will provide a brief history and current status of the on-going environmental mitigation program for existing and future Capital Improvement Program projects, as well as routine operation and maintenance activities.

Prepared by: Laurence J. Purcell, Water Resources Manager
Reviewed by: Robert R. Yamada, Director of Water Resources
September 16, 2015

Attention:  Water Planning Committee

Update on water supply conditions and drought response activities. (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 experiencing its fourth consecutive dry year, with the current water year considered critically dry. On May 5, 2015, the State Water Resources Control Board (SWRCB) adopted a final emergency regulation for statewide urban water conservation. The regulation was adopted in accordance with the Governor’s April 1, 2015 Executive Order, and requires Water Authority member agencies to reduce their monthly water use starting June 1, 2015 by 12 to 36 percent compared to 2013 water-use levels. On April 14, 2015, the Metropolitan Water District (MWD) Board approved implementation of the Water Supply Allocation Plan (WSAP) Level 3 Regional Shortage Level (15 percent cutback), effective July 1, 2015, through June 30, 2016.

In response to MWD supply cutbacks and the SWRCB regulation for statewide urban water conservation, the Water Authority Board, at its May 14, 2015 meeting:

- Declared the Mandatory Supply Cutback Stage of the Water Authority’s Water Shortage and Drought Response Plan
- Approved member agency municipal and industrial (M&I) and Transitional Special Agricultural Water Rate (TSAWR) supply allocations for fiscal year 2016, and set penalties for local agencies that exceed their supply allocations
- Restricted irrigation of ornamental landscapes and turf with potable water to no more than two days a week across the region

Discussion
State Water Project (SWP)
The State Water Project Table A allocation for calendar year 2015 remains at 20 percent of contractor requested deliveries. As of September 10, 2015, precipitation at the Northern Sierra 8-station index measured 36.8 inches, or 75 percent of seasonal average to date. Key reservoir storage on the State Water Project remains below average (Table 1), and water levels for these reservoirs are similar to this same time period in 2014.

Table 1. Reservoir Storage Levels on September 9, 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>1.06</td>
<td>30%</td>
<td>46%</td>
</tr>
<tr>
<td>San Luis*</td>
<td>0.42</td>
<td>21%</td>
<td>47%</td>
</tr>
<tr>
<td>Combined</td>
<td>1.48</td>
<td>26%</td>
<td>47%</td>
</tr>
</tbody>
</table>

*San Luis storage includes SWP and Central Valley Project. SWP share in San Luis was approximately 357 thousand acre-feet (TAF).
Colorado River
In the Upper Colorado River Basin, precipitation through September 8, 2015 was approximately 93 percent of average. On September 1, 2015, the Bureau of Reclamation’s forecast for unregulated inflow into Lake Powell was 94 percent of average. With 11 out of the last 15 years dry on the Colorado River Basin, reservoir storage in Lake Mead and Lake Powell remains low (Table 3). However, based on storm activity since May, a shortage declaration is not expected on the Colorado River for 2016. Hydrology during summer months in the Upper Colorado River Basin continues to play an important role for future water supply conditions, as approximately one third of the water year’s precipitation typically occurs between May and the end of September.

<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>12.6</td>
<td>52%</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>9.9</td>
<td>38%</td>
</tr>
<tr>
<td>Combined</td>
<td>22.5</td>
<td>44%</td>
</tr>
</tbody>
</table>

Local Supply and Demand Conditions
Locally, total precipitation in San Diego County for water year 2015 was brought closer to normal levels with the record breaking rainfall that came with July’s unseasonable storms. As of September 9, 2015, precipitation measured at Lindbergh Field was above normal for the water year. Table 4 shows accumulated total precipitation for two stations in San Diego County.

<table>
<thead>
<tr>
<th>Station</th>
<th>Inches</th>
<th>Percent Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lindberg Field</td>
<td>10.67</td>
<td>105%</td>
</tr>
<tr>
<td>Ramona Airport</td>
<td>12.02</td>
<td>76%</td>
</tr>
</tbody>
</table>

Total local reservoir storage on September 8, 2015 was approximately 271,600 AF (36 percent of capacity). This does not account for “dead storage,” capacity that is physically inaccessible or restricted by agency operating or emergency storage policies. As of August 31, 2015, the Water Authority had approximately 41,000 AF of carryover supplies, and an additional 34,300 AF of emergency storage, in San Vicente Reservoir. The Water Authority’s Semitropic groundwater storage bank has 16,100 AF in storage.

Total Potable Municipal and Industrial (M&I) Water Use
As discussed earlier, the SWRCB emergency regulation for statewide urban water conservation requires Water Authority member agencies to reduce their monthly water use starting June 1, 2015 by 12 to 36 percent compared to 2013 water use levels. The regulation is currently in effect through February 2016. Figure 1 shows a comparison of the Water Authority member agencies’ total potable M&I monthly water use for the months being assessed under the new state regulations.
(June 2015 – February 2016) and the corresponding months in 2013. Potable M&I water use excludes recycled water use and Transitional Special Agricultural Water Rate (TSAWR) water use. Member agencies’ total potable M&I use in August 2015 was approximately 40,390 AF. Overall, this represents a 27 percent decrease for total potable M&I water use from the same period in 2013.

As shown in Figure 2, the average daily maximum temperature in August 2015 was 4.2 degrees above normal, compared with 0.7 degrees below normal in August 2013. Following a brief reprieve in May 2015, when the average daily maximum temperature for San Diego was below normal for the first time since October 2013, temperatures this summer have continued to be above normal.
SWRCB Emergency Water Conservation Regulations

On August 26, 2015, the SWRCB staff organized a meeting of stakeholders with the objective to “develop consensus-based concepts for ongoing conservation regulations (both emergency and long-term)”. As part of adoption of the SWRB emergency regulation in May 2015, the SWRCB staff was directed to work with stakeholders on a thoughtful process to devise options for extended or expanded emergency regulations should the drought continue into 2016.

In attendance at the August 26th meeting were representatives from urban water agencies, environmental groups, water industry associations and manufacturing and food processing associations. Water Authority staff and representative from the City of San Diego were invited to participate in the meeting.

The main items on the agenda included a discussion on: 1) setting performance standards for residential and commercial, industrial and institutional (CII) sectors, 2) establishing minimum standards for urban water supplier’s conservation programs, 3) ongoing data collection from the water agencies and 4) whether the Board should give credit to water suppliers whose actions have increased resilience to drought. At the meeting stakeholders provided their positions on these items with no consensus on the specific direction to be taken or the next steps. The SWRCB staff was to brief the SWRCB members on the meeting results and return to the group with the next steps.

Water Authority staff’s overall concern, which was voiced at the meeting and shared by water agencies in attendance, is under what authority and for what purpose would the SWRCB establish permanent long-term performance standards in non-drought conditions. Consistent with the direction provided to SWRCB staff in May 2015, the effort should focus on making the emergency regulations more equitable should they be needed beyond February 2016. At the meeting, staff also stated the Water Authority’s position that any regulations, whether long-term or emergency, must take into account the investments made in drought resilient supplies.

Staff will update Committee members on any recent activities associated with this item at the September 24, 2015 Water Planning Committee Meeting.

Outlook

The National Weather Service’s Climate Prediction Center (CPC) has predicted above average temperatures through November for the western states, based on its most recent forecast. The outlook for precipitation for the same time period shows an “above average” outlook for precipitation for the lower half of California. However, there is not a strong enough climate signal at this time to make a prediction for the northern half of the state.

Scientists from the National Weather Service’s Climate Prediction Center have stated that atmospheric and oceanic anomalies continue to reflect a strong El Niño. There is an approximately 95 percent probability that El Niño will continue through the winter months of 2015-16, and gradually weaken through spring 2016. Scientists maintain an El Niño “advisory” status, which is issued when conditions are observed and expected to continue. At this time last year, there was an El Niño “watch” in place, which indicated that conditions were favorable for the development of El Niño, but there was only a 60 to 65 percent probability.
There is also another ocean condition anomaly referred to as the “Blob” that could impact precipitation levels in California. The Blob is a large mass of warm water off the coast of the Pacific Northwest that emerged in late 2013. Climatologists are uncertain how weather systems influenced by the Blob and El Niño conditions will interact to influence weather in the coming winter.

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
Dana Friehauf, Water Resources Manager
Reviewed by: Robert R. Yamada, Director of Water Resources
September 16, 2015

Attention: Water Planning Committee

Fiscal Year 2016 water supply allocations monitoring (Information)

Purpose
This report provides an update on Water Authority and member agency fiscal year 2016 (FY 2016) monthly and cumulative deliveries compared to supply allocation tracking targets for the Water Authority’s two classes of service, Municipal and Industrial (M&I) and Transitional Special Agricultural Water Rate (TSAWR) water.

Background
In April 2015, the Metropolitan Water District of Southern California (MWD) implemented Level 3 of its Water Supply Allocation Program, cutting back supplies 15 percent to its member agencies starting July 1, 2015, for the FY2016 allocation period. On May 14, 2015, in response to cutbacks from MWD, the Board authorized Stage 3 (Mandatory Cutbacks) of the Water Authority’s Water Shortage and Drought Response Plan and approved member agency M&I and TSAWR supply allocations for FY 2016.

In 2008, the Board adopted procedures on implementation of the allocation methodology found in the WSDRP, which requires staff to report to the Board on monthly water deliveries compared to performance tracking targets. To assist with tracking member agency performance over the FY 2016 allocation period, staff, in coordination with the agencies, developed monthly performance tracking targets for M&I and TSAWR deliveries. Monthly targets were developed using historical monthly delivery patterns; with M&I sector targets based on an average of fiscal years 2013 and 2014, and TSAWR targets based on fiscal year 2014 deliveries. Since allocation compliance is assessed on an annual basis, member agencies are not subject to penalties if they exceed their monthly targets. Any financial penalties would be levied at the end of the FY 2016 allocation period.

Discussion
Fiscal Year 2016 Member Agency Water Deliveries
The top graph in Figure 1 shows Water Authority aggregated member agency monthly M&I performance targets compared to estimated monthly M&I deliveries. For the month of August 2015, M&I water deliveries are estimated to total 37,541 AF, or approximately 25 percent below the August target of 49,725 AF. To gauge annual performance, a year to-date comparison of aggregated member agency M&I targets and M&I delivery data is shown in a line graph at the bottom of Figure 1. Cumulative M&I deliveries through August 2015 are tracking 25,325 AF or 26 percent under the aggregated 96,132 AF target for the year to date.
Figure 1
FY 2016 Member Agency Monthly M&I Tracking Targets vs. Estimated M&I Deliveries

Cumulative M&I Tracking Target vs. Estimated Cumulative M&I Deliveries
Table 1 presents a member agency level breakdown of the regional M&I information shown above in Figure 1. Monthly member agency M&I targets and estimated deliveries for the current month and FY 2016 to-date (through August 2015) are shown, as well as variances. Table 1 also shows FY 2016 annual M&I allocations and cumulative M&I deliveries as a percentage of allocations for each agency year to-date.

### Table 1
FY 2016 Member Agency M&I Targets, Estimated M&I Deliveries and Annual M&I Allocations (AF)

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Monthly Target</th>
<th>Monthly Actual</th>
<th>Monthly Variance</th>
<th>Cumulative Target</th>
<th>Cumulative Actual</th>
<th>Cumulative Variance</th>
<th>FY 2016 M&amp;I Allocation</th>
<th>% Allocation Delivered to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>2,041</td>
<td>1,431</td>
<td>610</td>
<td>3,984</td>
<td>2,725</td>
<td>1,260</td>
<td>19,256</td>
<td>14.1%</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>163</td>
<td>91</td>
<td>73</td>
<td>281</td>
<td>197</td>
<td>84</td>
<td>1,102</td>
<td>17.9%</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>2,090</td>
<td>1,498</td>
<td>592</td>
<td>3,985</td>
<td>2,759</td>
<td>1,226</td>
<td>20,578</td>
<td>13.4%</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>1,219</td>
<td>477</td>
<td>742</td>
<td>2,156</td>
<td>942</td>
<td>1,214</td>
<td>8,476</td>
<td>11.1%</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>1,835</td>
<td>1,585</td>
<td>250</td>
<td>2,888</td>
<td>3,008</td>
<td>(120)</td>
<td>32,157</td>
<td>9.4%</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>397</td>
<td>263</td>
<td>134</td>
<td>779</td>
<td>478</td>
<td>301</td>
<td>3,581</td>
<td>13.3%</td>
</tr>
<tr>
<td>Oceanside, City of *</td>
<td>2,977</td>
<td>2,109</td>
<td>868</td>
<td>5,888</td>
<td>3,899</td>
<td>1,989</td>
<td>27,693</td>
<td>14.1%</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>2,447</td>
<td>1,738</td>
<td>709</td>
<td>4,809</td>
<td>3,183</td>
<td>1,626</td>
<td>21,507</td>
<td>14.8%</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>3,488</td>
<td>2,586</td>
<td>902</td>
<td>6,895</td>
<td>4,954</td>
<td>1,941</td>
<td>33,061</td>
<td>15.0%</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>1,435</td>
<td>879</td>
<td>556</td>
<td>2,857</td>
<td>1,631</td>
<td>1,226</td>
<td>13,138</td>
<td>12.4%</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>42</td>
<td>4</td>
<td>38</td>
<td>87</td>
<td>8</td>
<td>79</td>
<td>597</td>
<td>1.3%</td>
</tr>
<tr>
<td>Poway, City of *</td>
<td>1,113</td>
<td>639</td>
<td>474</td>
<td>2,244</td>
<td>1,379</td>
<td>865</td>
<td>11,948</td>
<td>11.5%</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>1,316</td>
<td>1,007</td>
<td>309</td>
<td>2,739</td>
<td>1,972</td>
<td>767</td>
<td>11,647</td>
<td>16.9%</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>489</td>
<td>441</td>
<td>49</td>
<td>1,072</td>
<td>832</td>
<td>240</td>
<td>4,769</td>
<td>17.5%</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D. *</td>
<td>835</td>
<td>460</td>
<td>375</td>
<td>1,648</td>
<td>947</td>
<td>701</td>
<td>7,255</td>
<td>13.0%</td>
</tr>
<tr>
<td>San Diego, City of *</td>
<td>19,470</td>
<td>16,392</td>
<td>3,078</td>
<td>37,693</td>
<td>30,803</td>
<td>6,890</td>
<td>193,927</td>
<td>15.9%</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>767</td>
<td>497</td>
<td>270</td>
<td>1,402</td>
<td>989</td>
<td>413</td>
<td>6,639</td>
<td>14.9%</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>1,393</td>
<td>837</td>
<td>556</td>
<td>2,619</td>
<td>1,549</td>
<td>1,070</td>
<td>10,862</td>
<td>14.3%</td>
</tr>
<tr>
<td>South Coast W.D. **</td>
<td>34</td>
<td>11</td>
<td>23</td>
<td>76</td>
<td>22</td>
<td>55</td>
<td>337</td>
<td>6.4%</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>1,723</td>
<td>1,246</td>
<td>477</td>
<td>3,449</td>
<td>2,385</td>
<td>1,065</td>
<td>17,089</td>
<td>14.0%</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>1,473</td>
<td>1,256</td>
<td>217</td>
<td>2,910</td>
<td>2,341</td>
<td>569</td>
<td>13,439</td>
<td>17.4%</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>1,192</td>
<td>838</td>
<td>354</td>
<td>2,292</td>
<td>1,434</td>
<td>858</td>
<td>9,371</td>
<td>15.3%</td>
</tr>
<tr>
<td>Vista I.D. *</td>
<td>1,640</td>
<td>1,160</td>
<td>480</td>
<td>3,165</td>
<td>2,220</td>
<td>945</td>
<td>17,561</td>
<td>12.6%</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>146</td>
<td>97</td>
<td>49</td>
<td>214</td>
<td>152</td>
<td>63</td>
<td>850</td>
<td>17.8%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>49,725</td>
<td>37,541</td>
<td>12,184</td>
<td>96,132</td>
<td>70,807</td>
<td>25,326</td>
<td>486,840</td>
<td>14.5%</td>
</tr>
</tbody>
</table>

Notes:
- Performance tracking targets shaped using average of FY 2013 and FY 2014 monthly deliveries.
- *Estimated M&I deliveries, as TSAWR deliveries for certain agencies have yet to be reported.
- **Includes deliveries through Metropolitan Water District and South Coast Water District to the following entities within the Water Authority service area:
  - San Onofre Nuclear Generation Station (6.9 AF), San Mateo Point Housing on Camp Pendleton (1.9 AF), and San Onofre State Park (2.3 AF).
- Deliveries for current month shown in parentheses.
Table 2 shows monthly member agency TSAWR targets and TSAWR deliveries for August 2015, FY 2016 year-to-date, and variances for those agencies promptly reporting August 2015 TSAWR deliveries. Percentage of allocation to-date is also shown by agency, through the current month. For those agencies having reported, August 2015 TSAWR deliveries totaled 3,882 AF, or 20 percent less than the reporting agencies’ aggregated current month target of 4,843 AF.

### Table 2

#### Fiscal Year 2016 TSAWR Tracking Targets vs. Actual Deliveries (AF)

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>August 2015</th>
<th>FY 2016 To-Date</th>
<th>Total Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monthly Target</td>
<td>Monthly Actual</td>
<td>Monthly Variance</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>291</td>
<td>249</td>
<td>43</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>493</td>
<td>371</td>
<td>122</td>
</tr>
<tr>
<td>Oceanside, City of *</td>
<td>47</td>
<td>n.r.</td>
<td>-</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>11</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>66</td>
<td>22</td>
<td>-</td>
</tr>
<tr>
<td>Poway, City of *</td>
<td>14</td>
<td>n.r.</td>
<td>-</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>1,127</td>
<td>958</td>
<td>169</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>185</td>
<td>114</td>
<td>71</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D. *</td>
<td>23</td>
<td>n.r.</td>
<td>-</td>
</tr>
<tr>
<td>San Diego, City of *</td>
<td>12</td>
<td>n.r.</td>
<td>-</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>120</td>
<td>101</td>
<td>19</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>2,098</td>
<td>1,653</td>
<td>445</td>
</tr>
<tr>
<td>Vista I.D. *</td>
<td>11</td>
<td>n.r.</td>
<td>-</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>452</td>
<td>404</td>
<td>-</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>4,950</strong></td>
<td><strong>3,882</strong></td>
<td><strong>870</strong></td>
</tr>
</tbody>
</table>

**Notes:**
- Performance tracking targets shaped using FY 2014 monthly deliveries.
- Agencies not yet reported shown as "n.r." Totals for Actuals, Variance and % Allocation exclude these agencies.
Fiscal Year 2016 Regional Water Deliveries

Figure 2 shows cumulative FY 2016 Water Authority delivery of MWD supplies, excluding QSA deliveries, compared with the FY 2016 MWD allocation to the Water Authority, which also excludes QSA deliveries. Cumulative FY 2016 delivery of MWD supplies through August 2015 totaled 66,239 AF, or 21.5 percent of the MWD FY 2016 allocation of 308,610 AF. The year to-date total includes deliveries of approximately 18,400 AF of Water Authority storage placed into San Vicente Reservoir as carryover supply.

Figure 2
FY 2016 MWD Allocation vs. Cumulative Water Authority Deliveries of MWD Supply through August 2015

Prepared by: Stu Williams, Water Resources Specialist
Prepared by: Tim Bombardier, Senior Water Resources Specialist
Reviewed by: Robert R. Yamada, Director of Water Resources
September 16, 2015

Attention: Water Planning Committee

Water Resources Report

Purpose
This report includes the following exhibits for August 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)

### RAINFALL TOTALS (inches)

<table>
<thead>
<tr>
<th>Station</th>
<th>August 2015</th>
<th>2014-2015 WATER YEAR (October 2014 through September 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Normal</td>
</tr>
<tr>
<td>Lindbergh Field (N.O.A.A.)</td>
<td>0.01</td>
<td>0.02</td>
</tr>
<tr>
<td>Lake Cuyamaca (Helix W.D.)</td>
<td>0.15</td>
<td>0.82</td>
</tr>
<tr>
<td>Lake Henshaw (Vista I.D.)</td>
<td>0.01</td>
<td>0.48</td>
</tr>
</tbody>
</table>

Sources: National Weather Service, Helix Water District, Vista Irrigation District.
<table>
<thead>
<tr>
<th>AGENCY</th>
<th>August 2015</th>
<th>August 2014</th>
<th>12 Months Ended August 2015</th>
<th>12 Months Ended August 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>1,431.2</td>
<td>1,753.0</td>
<td>15,544.1</td>
<td>17,700.3</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>90.5</td>
<td>102.2</td>
<td>943.0</td>
<td>1,018.3</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>1,746.7</td>
<td>2,327.6</td>
<td>19,669.4</td>
<td>23,852.2</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>848.5</td>
<td>1,403.5</td>
<td>11,157.5</td>
<td>12,966.2</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>1,584.9</td>
<td>2,825.5</td>
<td>28,742.8</td>
<td>34,276.0</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>262.9</td>
<td>333.1</td>
<td>2,644.9</td>
<td>3,640.8</td>
</tr>
<tr>
<td>National City, City of</td>
<td>146.1</td>
<td>272.8</td>
<td>2,595.6</td>
<td>3,531.1</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>2,133.6</td>
<td>2,597.6</td>
<td>21,737.5</td>
<td>24,862.1</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>1,747.7</td>
<td>2,240.1</td>
<td>18,049.1</td>
<td>22,019.9</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>2,585.6</td>
<td>3,276.4</td>
<td>28,484.7</td>
<td>33,375.0</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>901.0</td>
<td>1,158.9</td>
<td>9,743.4</td>
<td>11,832.5</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>3.8</td>
<td>7.1</td>
<td>46.2</td>
<td>55.0</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>643.8</td>
<td>1,244.7</td>
<td>9,604.5</td>
<td>13,364.9</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>1,965.0</td>
<td>2,662.7</td>
<td>18,648.1</td>
<td>23,109.9</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>554.4</td>
<td>744.8</td>
<td>5,516.6</td>
<td>6,980.1</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>464.8</td>
<td>644.4</td>
<td>5,339.5</td>
<td>6,830.2</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>16,586.5</td>
<td>27,421.8</td>
<td>245,621.5</td>
<td>228,665.2</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>497.2</td>
<td>655.2</td>
<td>5,365.6</td>
<td>5,663.5</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>837.2</td>
<td>1,279.2</td>
<td>8,727.4</td>
<td>10,872.2</td>
</tr>
<tr>
<td>South Bay I.D.</td>
<td>1,100.0</td>
<td>1,234.6</td>
<td>11,062.9</td>
<td>12,073.6</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>1,357.3</td>
<td>1,696.9</td>
<td>14,289.9</td>
<td>17,694.9</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>2,491.5</td>
<td>3,125.7</td>
<td>23,620.3</td>
<td>29,344.8</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>1,164.7</td>
<td>1,613.8</td>
<td>15,044.8</td>
<td>18,732.6</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>500.9</td>
<td>623.0</td>
<td>4,001.5</td>
<td>4,839.0</td>
</tr>
<tr>
<td>Deliveries To SDCWA Agencies</td>
<td>41,645.8</td>
<td>61,244.6</td>
<td>526,200.8</td>
<td>567,300.3</td>
</tr>
<tr>
<td>Less: Deliveries to SDCWA Storage (^1)</td>
<td>174.3</td>
<td>7,703.0</td>
<td>63,108.7</td>
<td>35,803.0</td>
</tr>
<tr>
<td><strong>TOTAL MEMBER AGENCY DELIVERIES</strong></td>
<td><strong>41,471.5</strong></td>
<td><strong>53,541.6</strong></td>
<td><strong>463,092.1</strong></td>
<td><strong>531,497.3</strong></td>
</tr>
</tbody>
</table>

\(^1\) August 2015 storage account deliveries totaled 148 AF and 26 AF to City of San Diego Lower Otay and San Vicente Reservoirs, respectively. August 2014 storage account deliveries totaled 147 AF and 7,556 AF to City of San Diego Lower Otay and San Vicente Reservoirs, respectively.
## MONTHLY WATER RESOURCES REPORT

**Estimated Water Use by Member Agency**

**(acre-feet)**

### AUGUST 2015

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>Imported Source S.D.C.W.A.</th>
<th>Local Sources</th>
<th>August Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>1,371.2</td>
<td>1,736.0</td>
<td>-</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>90.5</td>
<td>102.2</td>
<td>-</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>1,781.0</td>
<td>2,285.2</td>
<td>-</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>1,087.1</td>
<td>1,335.7</td>
<td>-</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>2,522.4</td>
<td>3,223.3</td>
<td>83.4</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>262.9</td>
<td>333.1</td>
<td>-</td>
</tr>
<tr>
<td>National City, City of 2</td>
<td>146.1</td>
<td>267.2</td>
<td>-</td>
</tr>
<tr>
<td>Oceanside, City of 2</td>
<td>2,133.6</td>
<td>2,597.6</td>
<td>-</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>1,747.7</td>
<td>2,240.1</td>
<td>-</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>2,585.6</td>
<td>3,276.4</td>
<td>-</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>903.7</td>
<td>1,152.4</td>
<td>-</td>
</tr>
<tr>
<td>Pendleton M.C.B.</td>
<td>14.9</td>
<td>25.9</td>
<td>-</td>
</tr>
<tr>
<td>Poway, City of 4</td>
<td>962.0</td>
<td>1,291.3</td>
<td>-</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>2,057.0</td>
<td>2,399.7</td>
<td>-</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>487.2</td>
<td>610.0</td>
<td>-</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>464.8</td>
<td>644.4</td>
<td>-</td>
</tr>
<tr>
<td>San Diego, City of San Diego</td>
<td>15,778.9</td>
<td>19,160.8</td>
<td>6.6</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>497.2</td>
<td>655.2</td>
<td>34.8</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>837.2</td>
<td>1,279.2</td>
<td>46.7</td>
</tr>
<tr>
<td>South Bay I.D.</td>
<td>1,057.0</td>
<td>1,209.1</td>
<td>-</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>1,347.7</td>
<td>1,694.9</td>
<td>-</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>2,491.5</td>
<td>3,125.7</td>
<td>-</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>1,164.7</td>
<td>1,613.8</td>
<td>418.7</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>500.9</td>
<td>623.0</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL USE</strong></td>
<td><strong>42,292.8</strong></td>
<td><strong>52,882.2</strong></td>
<td><strong>584.2</strong></td>
</tr>
<tr>
<td><strong>PERCENT CHANGE</strong></td>
<td><strong>-20%</strong></td>
<td><strong>34%</strong></td>
<td><strong>-4%</strong></td>
</tr>
</tbody>
</table>

1. De Luz figures included in Fallbrook P.U.D. total.
2. Brackish groundwater use included in groundwater totals.
3. Pendleton’s imported water use includes water delivered by South Coast Water District.
4. Poway recycled use is reported quarterly.
## MONTHLY WATER RESOURCES REPORT

### Reservoir Storage

**(acre-feet)**

**AUGUST 2015**

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Reservoir</th>
<th>Capacity</th>
<th>AUGUST 2015</th>
<th>% of</th>
<th>AUGUST 2014</th>
<th>% of</th>
<th>Change During Month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>AUGUST 2015</td>
<td>Capacity</td>
<td>AUGUST 2014</td>
<td>Capacity</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>% of</td>
<td></td>
<td>% of</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Change</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Carlsbad M.W.D.</th>
<th>Maerkle</th>
<th>600</th>
<th>243</th>
<th>41%</th>
<th>199</th>
<th>32%</th>
<th>42</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escondido, City of 1</td>
<td>Dixon</td>
<td>2,606</td>
<td>2,285</td>
<td>88%</td>
<td>2,359</td>
<td>91%</td>
<td>(94)</td>
</tr>
<tr>
<td></td>
<td>Wohlford</td>
<td>6,506</td>
<td>2,545</td>
<td>39%</td>
<td>2,030</td>
<td>31%</td>
<td>(172)</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>9,112</td>
<td>4,830</td>
<td>53%</td>
<td>4,389</td>
<td>48%</td>
<td>33</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>Red Mountain</td>
<td>1,335</td>
<td>703</td>
<td>53%</td>
<td>440</td>
<td>33%</td>
<td>(234)</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>Jennings</td>
<td>8,195</td>
<td>345</td>
<td>4%</td>
<td>463</td>
<td>6%</td>
<td>(41)</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>17,085</td>
<td>7,299</td>
<td>41%</td>
<td>8,136</td>
<td>45%</td>
<td>(1,295)</td>
</tr>
</tbody>
</table>

| Poway, City of 2 | Beck | 625 | 0 | 0% | 0 | 0% | 0 |
|                  | Morro Hill | 465 | 60 | 13% | 289 | 62% | (164) |
| Subtotal         |         | 1,090 | 60 | 6% | 289 | 27% | (164) |

| Ramona M.W.D.    | Ramona | 12,000 | 2,448 | 20% | 2,648 | 22% | (19) |

| San Diego, City of 2 | Barrett | 34,806 | 1,802 | 5% | 6,404 | 18% | (96) |
|                     | El Capitan | 112,807 | 30,789 | 27% | 33,555 | 30% | (579) |
|                     | Hodges | 30,633 | 3,488 | 11% | 2,421 | 8% | (135) |
|                     | Lower Otay | 49,849 | 35,418 | 71% | 30,898 | 62% | (350) |
|                     | Miramar | 6,682 | 5,521 | 83% | 5,479 | 82% | 151 |
|                     | Morena | 50,694 | 1,432 | 3% | 1,676 | 3% | (43) |
|                     | Murray | 4,684 | 4,027 | 86% | 4,027 | 86% | 43 |
|                     | San Vicente | 97,258 | 48,651 | 50% | 46,602 | 48% | 1,436 |
|                     | Sutherland | 29,508 | 2,258 | 8% | 2,675 | 9% | (95) |
| Subtotal         |         | 416,921 | 133,388 | 32% | 133,737 | 32% | 333 |

| San Diego W/Santa Fe I.D. | San Diego | 883 | 643 | 73% | 550 | 62% | (50) |
| Sweetwater Authority    | Loveland | 25,400 | 7,304 | 29% | 8,011 | 32% | (124) |
|                        | Sweetwater | 28,079 | 3,286 | 12% | 3,587 | 13% | (115) |
| Subtotal                |         | 53,479 | 10,590 | 20% | 11,598 | 22% | (239) |

| Valley Center M.W.D. | Turner | 1,612 | 1,091 | 68% | 1,238 | 77% | - |
|                      | Henshaw | 51,774 | 2,959 | 6% | 3,329 | 6% | (1,071) |
| **MEMBER AGENCY TOTAL** | **WATER IN STORAGE** | **570,121** | **166,969** | **29%** | **169,608** | **30%** | **(2,991)** |

| Water Authority 4 | Olivenhain | 24,789 | 21,037 | 17,379 | - | - | - |
|                   | San Vicente - Comprised of: | 152,100 | 75,435 | 34,291 | (831) |
|                   | Emergency | 34,330 | - | - | - | - | - |
|                   | Carryover | 41,063 | - | - | - | - | - |
|                   | Operating | 41 | - | - | - | - | - |
| Subtotal          |         | 176,889 | 96,472 | 55% | 51,670 | 54% | (831) |

| Water Authority Storage Accounts 5 | El Capitan | 7,319 | - | - | - | - | - |
|                                   | Hodges | 1,598 | - | - | 291 | 123 | (9) |
|                                   | Lower Otay | 4,027 | - | - | 4,027 | 86% | 151 |
|                                   | Sweetwater | 4,027 | - | - | 4,027 | 86% | 43 |
| Subtotal                          |         | 8,917 | - | - | 8,711 | - | 3 |

**TOTAL WATER IN STORAGE**

| 747,010 | 272,357 | 36% | 229,898 | 31% | (3,819) |

**OTHER AGENCIES**

| Metropolitan Water District | Skinner | 44,264 | 30,591 | 69% | 37,906 | 86% | 140 |
|                            | Diamond Valley | 810,000 | 322,821 | 40% | 425,032 | 52% | (2,754) |
| State Water Project         | Oroville | 3,537,600 | 1,072,117 | 30% | 1,100,386 | 31% | (89,842) |

**TOTAL OTHER WATER IN STORAGE**

| 4,391,864 | 1,425,529 | 32% | 1,563,324 | 36% | (92,456) |

---

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 Diego W/D, and California American Mutual Water Co. (Cal-Arn)
3 Includes allocated and unallocated water in Lake Henshaw.
4 Water Authority carryover, emergency and operating pools in San Vicente Reservoir were established in June 2015. Figures for July 2015 include evaporation/seepage loss estimates. City of San Diego presently states total capacity in San Vicente at 249,358 AF, with the Water Authority portion being 152,100 AF and the remaining capacity, 97,258 AF, allocable to the city.
5 No-defined capacities for storage accounts in city and Sweetwater Authority reservoirs. Figures for August 2015 include evaporation/seepage estimates.
## MONTHLY WATER RESOURCES REPORT

### Tier 1 Estimated Deliveries to Member Agencies
(Figures in acre-feet)

**Calendar Year 2015 to Date (August)**

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>CY2015 Tier 1 Threshold ¹</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>9,981.7</td>
<td>80.7%</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>935.0</td>
<td>639.6</td>
<td>68.4%</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>17,859.0</td>
<td>12,355.2</td>
<td>69.2%</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>10,325.0</td>
<td>7,348.9</td>
<td>71.2%</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>25,519.0</td>
<td>16,825.6</td>
<td>65.9%</td>
</tr>
<tr>
<td>Lakeside M.W.D.</td>
<td>3,168.0</td>
<td>1,634.3</td>
<td>51.6%</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>19,383.0</td>
<td>13,946.6</td>
<td>72.0%</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>13,071.0</td>
<td>11,545.3</td>
<td>88.3%</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>21,390.0</td>
<td>18,147.4</td>
<td>84.8%</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>9,939.0</td>
<td>6,146.8</td>
<td>61.8%</td>
</tr>
<tr>
<td>Pendleton M.C.B./South Coast W.D.</td>
<td>758.0</td>
<td>129.7</td>
<td>17.1%</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>9,348.0</td>
<td>5,868.8</td>
<td>62.8%</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>19,018.0</td>
<td>12,268.6</td>
<td>64.5%</td>
</tr>
<tr>
<td>Ramona W.D.</td>
<td>8,052.0</td>
<td>3,502.2</td>
<td>43.5%</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>5,482.0</td>
<td>3,377.6</td>
<td>61.6%</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>144,555.0</td>
<td>118,046.9</td>
<td>81.7%</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>3,116.0</td>
<td>3,563.7</td>
<td>114.4%</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>5,226.0</td>
<td>5,535.7</td>
<td>105.9%</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>9,650.0</td>
<td>8,790.8</td>
<td>91.1%</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>10,557.0</td>
<td>9,133.7</td>
<td>86.5%</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>29,774.0</td>
<td>14,775.2</td>
<td>49.6%</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>11,876.0</td>
<td>9,527.3</td>
<td>80.2%</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>2,165.0</td>
<td>2,355.6</td>
<td>108.8%</td>
</tr>
</tbody>
</table>

**MEMBER AGENCY TOTALS**

|                           | 393,542.0                | 295,447.2            | 75.1%                           |

Less: QSA deliveries calendar year to date

|                           | (118,466.4)              |

Less: ESP deliveries calendar year to date

|                           | 0.0                      |

Deliveries to CWA storage year to date ³

|                           | 51,691.9                 |

Deliveries from CWA storage year to date ⁴

|                           | (7,676.3)                |

**Estimated Tier 1 deliveries calendar year to date ⁵**

|                           | 220,996.4                |

**Invoiced Tier 1 deliveries calendar year to date ⁶**

|                           | 219,791.5                |

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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 storage puts to San Vicente Reservoir, forced deliveries or deliveries 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 at Twin Oaks Valley Water Treatment Plant (TOVWTP) or other treatment plants, and not yet sold to member agencies.

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MONTHLY WATER RESOURCES REPORT
Summary of Water Authority Member Agency Operations

AUGUST 2015

Member Agency Deliveries (AF)

August

- 2015: 41,472 AF
- 2014: 53,542 AF

Previous 12 Months

- 2015: 463,092 AF
- 2014: 531,497 AF

Member Agency Water Use

- August 2015:
  - Imported: 90%
  - Surface: 1%
  - Well & Brackish Recovery: 3%
  - Recycled: 6%

- Previous 12 Months:
  - Imported: 91%
  - Surface: 1%
  - Well & Brackish Recovery: 3%
  - Recycled: 5%

Member Agency Storage (AF)

- August:
  - 2015: 166,969 AF
  - 2014: 169,608 AF

- 12 Month Average:
  - 2015: 168,602 AF
  - 2014: 186,316 AF

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Page 39 of 295
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.

I. CONSENT CALENDAR

1. Execute an agreement with the County of San Diego to allow the pass-through of $160,000 from a Department of Water Resources Integrated Regional Water Management grant for the installation of water-efficient devices.  
   Staff recommendation: Authorize the General Manager to execute an agreement with the County of San Diego to allow the pass-through of $160,000 from a Department of Water Resources Integrated Regional Water Management Proposition 84 drought grant to install water-efficient devices at the County of San Diego’s Kearny Mesa Juvenile Detention Facility. (Action)

II. ACTION/DISCUSSION/PRESENTATION

1. Legislative issues.
   1-A Washington Report by Ken Carpi. (supplemental materials)
   1-B Sacramento Report by Steve Cruz.
2. Drought Response Communications and Outreach Update. (Presentation) Jason Foster

III. INFORMATION

1. Quarterly Water Conservation Garden Report. Director Linden

2. Status report on legislation and legislative positions. Glenn Farrel


4. Quarterly report on Public Outreach and Conservation activities. Jason Foster

IV. CLOSED SESSION

V. ADJOURNMENT

Melinda Cogle
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.
September 16, 2015

Attention: Legislation, Conservation and Outreach Committee

Execute an agreement with the County of San Diego to allow the pass-through of $160,000 from a Department of Water Resources Integrated Regional Water Management grant for the installation of water-efficient devices. (Action)

Staff recommendation
Authorize the General Manager to execute an agreement with the County of San Diego to allow the pass-through of $160,000 from a Department of Water Resources Integrated Regional Water Management Proposition 84 drought grant to install water-efficient devices at the County of San Diego’s Kearny Mesa Juvenile Detention Facility.

Alternatives
Do not authorize execution of an agreement. Without an agreement in place, the County of San Diego would not have access to the Department of Water Resources Integrated Regional Water Management Proposition 84 drought grant funding and would have to seek alternative funding sources.

Fiscal impact
There is no fiscal impact to the Water Authority’s Fiscal Years 2016 and 2017 budget. Funds expended by the Water Authority as a result of this action will be reimbursed by a Department of Water Resources (DWR) Integrated Regional Water Management (IRWM) Proposition 84 drought grant.

Background
In 2010, the Water Authority partnered with the Otay Water District, San Diego Gas & Electric (SDG&E) and the County of San Diego (County) to install 40 high-efficiency toilets, 51 sink aerators and 488 electronic flush valves at the County’s George F. Bailey Detention Facility (Bailey). Inmates often use toilet flushing as a means of communication amongst themselves; the electronic flush valves reduced water use by limiting unnecessary toilet flushing. The installations of the three types of devices resulted in annual water savings of more than 300 acre-feet. In 2013, the Water Authority partnered with Vista Irrigation District, SDG&E, and the County to install 17 high-efficient toilets, 13 sink aerators, 14 low-flow showerheads and 84 electronic flush valves at the County’s Vista Detention Facility (Vista). The installations saved more than 48 acre-feet of water annually.

Discussion
Based on the success of the two previous projects, the Water Authority applied for and was awarded an IRWM Proposition 84 drought grant that included $160,000 to make water efficiency upgrades at the County’s Kearny Mesa Juvenile Detention Facility (KMJDF). The grant funds will be used for project administration and the purchase of 113 low-flow showerheads, 89 sink aerators and 89 electronic flush valves. The County will be responsible for the labor to install the devices. The devices are expected to save 11 acre-feet annually and 101 acre-feet over the useful life of the
devices. The water savings from the KMJDF project is less compared to previous projects for two reasons. First, the number of detainees housed at KMJDF is much lower. Second, the electronic flush valves at the Bailey and Vista projects reduced the flush volumes of the existing toilets from 3.5 gallons per flush (gpf) to 1.6 gpf. The KMJDF already has 1.28 gpf high-efficiency toilets installed, so the water savings achieved by the flush valves is reduced.

An agreement is required to pass the DWR grant funding through to the County. Under the terms of the agreement, the County will invoice the Water Authority for eligible project costs and provide monthly progress reports. The Water Authority will reimburse the County for those costs and forward the progress reports to DWR. The Water Authority will then invoice DWR for reimbursement. The agreement requires the County to manage and verify installation of the water-efficient devices.

Prepared by: Lori Swanson, Water Resources Specialist
Reviewed by: Jeff Stephenson, Principal Water Resources Specialist
Reviewed by: Jason Foster, Director of Public Outreach and Conservation
Approved by: Dennis A. Cushman, Assistant General Manager
September 16, 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 activated its Water Shortage and Drought Response Plan due to worsening water supply conditions. The Water Shortage and Drought Response Plan calls for a communications strategy to help achieve increased water conservation by the public, and to enhance public understanding of how ratepayers’ investments in projects and their commitment to water conservation have reduced the region’s vulnerability to shortages from drought conditions. That strategy, in the form of the “When in Drought: Save Every Day Every Way” outreach campaign, has been in place since April 2014 and has adapted to meet changing drought response conditions.

Discussion
This reporting period covers mid-August through mid-September 2015. Staff conducted a variety of activities including media relations, advertising, community partnerships, coordination with member agencies, community events and presentations, as well as posting social media and online content. Highlights for this period include launching the “When in Drought: Report Waste” mobile app, making adjustments to the campaign’s advertising creative and frequency to reflect existing water conservation accomplishments and the end of the summer season, and providing member agencies with an improved portal for the WaterSmart Checkup program that helps their customer service representatives more easily guide customers to the right service.

Community Events and Presentations:
Water Authority management and staff delivered drought-related presentations to 17 groups and attended five community events to provide updates and share information related to water supplies, water-use restrictions and conservation rebates. A listing of these presentations and events is provided in Exhibit A. Staff also handed out drought-related educational materials to customers throughout the month.

Media Relations:
Staff issued three news releases during this period. The topics for the news releases are provided in Exhibit A. Staff also responded to media inquiries about the region’s performance during the second month of state-mandated watering restrictions. There was considerable local, statewide and national media coverage on the issue. Staff also responded to several media inquiries
regarding drought and local water supplies, the lack of credit for developing new water supplies in state regulations, and Water Authority conservation outreach efforts.

**Advertising:**
Staff continued to execute enhanced outreach through an integrated television, radio, and digital advertising campaign to support member agencies’ efforts to meet state-mandated water-use reduction targets. Staff developed new digital ads to promote the new “When in Drought: Report Waste” app. Staff also began making several adjustments to the overall campaign, including:

- Ramping down the reach and frequency of ad buys to reflect current savings and the conclusion of the summer peak-water-use period
- Redistributing some digital ads toward member agencies that are still working to achieve their individual state-mandated water-use reductions
- Developing new creative with a softer tone and positive reinforcement to reflect residents’ conservation actions to date

**Community Partnerships:**
The Water Authority continues to explore partnerships with businesses and other organizations in the region to help expand the reach of the When in Drought campaign. During this reporting period, staff collaborated with San Diego Unified School District to complete the creation and placement of hundreds of co-branded yard signs at school locations districtwide to showcase the district’s outdoor water-saving efforts. The signs were placed in time for the beginning of the district’s school year on Sept. 8. Staff also provided door hangers and about 100 yard signs to The Plaza, a 10-acre condominium complex with 502 units in Pacific Beach. Staff provided 450 magnets to students living on-campus at Alliant International University in Scripps Ranch. Staff also provided 300 Drought Fighter Coasters to Pacific Brewing Company in San Diego.

**Coordination with Member Agencies:**
The Water Authority continues to coordinate with member agencies on drought response campaign issues. Staff hosted its monthly Joint Public Information Council/Conservation Coordinators meeting with member agency representatives on Sept. 14.

**Conservation Programs:**
To enhance the customer experience of those who apply for an irrigation audit, home water use evaluation or other service offered through the WaterSmart Checkup program, the Water Authority developed a WaterSmart Checkup Agency Portal for use by the member agencies’ customer service representatives. The portal includes a description of the program and a script for the customer service representatives to follow as they assist customers to determine which service is the best fit. The portal also allows the customer service representatives to generate an email to a customer with links to the online application and several helpful resources. While designed for member agencies that participate in the regional program, member agencies that self-perform the checkups are able to modify and use the portal to meet their individual needs.

Conservation staff also continues to develop two other drought response measures, the development of the Qualified Water Efficient Landscaper Program for landscape professionals and the adaptation of the Water Authority’s award-winning water-efficient landscaping classes.
and publications to an accessible 24/7, “e-learning” format for homeowners. Both programs are on schedule to launch later this year.

**Social Media and Online Resources:**
Staff launched the Water Authority’s regional water-waste reporting app on Aug. 25 as part of its enhanced drought response efforts. The app uses geolocation software to allow users to report water waste via their smartphones or tablets. As of Sept. 4, the app had been downloaded 782 times and 111 water-waste issues were reported via the app.

Staff also continues to actively post to social media channels, including making more than 80 posts to Facebook and more than 100 messages on Twitter. Members of the public tweeted and re-tweeted more than 340 messages related to drought management actions, water conservation-related events and promotions, and other topics related to conservation or drought. Staff also began promoting water conservation via Nextdoor, a neighborhood-based resource-sharing portal.

The enhanced outreach and advertising campaign is leading to an increased number of followers on the Water Authority’s social media channels. Since May 15, the Water Authority’s Facebook page “likes” has increased from 1,621 to 5,597, a 245 percent increase. Over the same period, the Water Authority’s Twitter account “followers” has risen from 1,386 to 1,795, a 30 percent increase.

As of Sept. 4, the drought campaign web portal, www.whenindrought.org, and its subpages have received more than 108,800 page views since the portal was reorganized and launched with new content on May 21. Meanwhile, the www.WaterSmartSD.org site had more than 9,000 visits during August. The Water Authority’s eGuide to a WaterSmart Lifestyle received 16,210 page views in August.

Prepared by: Denise Vedder, Senior Public Affairs Manager
Reviewed by: Jason Foster, Director, Public Outreach and Conservation
Approved by: Dennis A. Cushman, Assistant General Manager
EXHIBIT A
Drought Outreach Activities
Mid-August to Mid-September 2015

<table>
<thead>
<tr>
<th>EVENTS ATTENDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rancho Carrillo Master Association Event</td>
</tr>
<tr>
<td>SDG&amp;E Office Tailgate and Community Fair, El Cajon</td>
</tr>
<tr>
<td>Alcala Bazaar, USD</td>
</tr>
<tr>
<td>Cohu, Inc. Annual Employee Wellness Expo</td>
</tr>
<tr>
<td>Solar Gard Environmental Health and Safety Day</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GROUPS RECEIVING PRESENTATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDC Board of Directors, East County</td>
</tr>
<tr>
<td>American Society of Civil Engineers Pipelines 2015 Conference</td>
</tr>
<tr>
<td>I Love a Clean San Diego</td>
</tr>
<tr>
<td>Urban Water Institute Annual Conference</td>
</tr>
<tr>
<td>Port of San Diego Green Business Network Workshop</td>
</tr>
<tr>
<td>North County Realtors</td>
</tr>
<tr>
<td>Reaching Net Zero Water Panel Discussion</td>
</tr>
<tr>
<td>San Diego Brewers Guild Board Meeting</td>
</tr>
<tr>
<td>International Desalination Association World Congress</td>
</tr>
<tr>
<td>County of San Diego Lunch n Learn</td>
</tr>
<tr>
<td>Statewide Water Manager and Drought Summit Meeting</td>
</tr>
<tr>
<td>Leadership North County</td>
</tr>
<tr>
<td>Lambda Alpha</td>
</tr>
<tr>
<td>International Facility Managers Association</td>
</tr>
<tr>
<td>Pacific Southwest Association of Realtors</td>
</tr>
<tr>
<td>City of San Diego Retirees</td>
</tr>
<tr>
<td>Building Industry Association Water Availability Workshop</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NEWS RELEASES/ADVISORIES ISSUED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governor Signs Water Authority Bill Preventing HOAs from Banning Artificial Turf</td>
</tr>
<tr>
<td>Water Authority Launches Mobile App to Help Report and Fix Water Waste Countywide</td>
</tr>
<tr>
<td>Urban Water Use Dropped Approximately 32 Percent Countywide in July</td>
</tr>
</tbody>
</table>
September 16, 2015

Attention: Legislation, Conservation and Outreach Committee

Status Report on Legislation and Legislative Positions. (Information)

Background
Water Authority staff is currently reviewing 230 bills in the Legislature for potential impact on the organization and its member agencies.

The Water Authority’s staff and legislative advocates review each bill in the context of the adopted 2015 Legislative Policy Guidelines. The Legislative Policy Guidelines provide direction to staff and the Water Authority’s legislative advocates to communicate support of, or opposition to legislation and amendments. Bills for which staff recommends a position are brought before the Legislation, Conservation and Outreach Committee and the Board for consideration.

Discussion
On August 27, the Board adopted a position of Support and Seek Amendments on S. 1894 (Feinstein).

Water Authority staff and legislative advocates will continue to track and monitor bills throughout the legislative session to ensure consistency with Board policies, positions and the 2015 Legislative Policy Guidelines. Attached is a list of substantive legislation under review by Water Authority staff as of September 16, 2015.

Prepared by: Ivy Ridderbusch, Assistant Management Analyst
Reviewed by: Glenn Farrel, Government Relations Manager
Approved by: Dennis A. Cushman, Assistant General Manager

Attachments: 1. List of substantive legislation under review by Water Authority staff as of September 16, 2015
AB 1  
(Brown D) Drought: local governments: fines.
Introduced: 12/1/2014
Last Amend: 6/16/2015
Is Urgency: N
Is Fiscal: N
Location: 7/13/2015-A. CHAPTERED

Summary: Would prohibit a city, county, or city and county from imposing a fine under any ordinance for a failure to water a lawn or having a brown lawn during a period for which the Governor has issued a proclamation of a state of emergency based on drought conditions.

AB 10  
(Gatto D) Political Reform Act of 1974: economic interest disclosures.
Introduced: 12/1/2014
Last Amend: 8/27/2015
Status: 9/10/2015-Senate amendments concurred in. To Engrossing and Enrolling.
Is Urgency: N
Is Fiscal: Y
Location: 9/10/2015-A. ENROLLMENT

Summary: Would increase the thresholds at which a public official has a disqualifying financial interest in sources of income from $500 to $1,000, in investments in business entities from $2,000 to $5,000, and in interests in real property from $2,000 to $10,000. This bill contains other related provisions and other existing laws.

AB 33  
(Quirk D) Electrical corporations: procurement plans.
Introduced: 12/1/2014
Last Amend: 9/4/2015
Status: 9/8/2015-Read second time. Ordered to third reading. Re-referred to Com. on RLS. pursuant to Senate Rule 29.10 (c).
Is Urgency: N
Is Fiscal: Y
Location: 9/8/2015-S. THIRD READING

Summary: The Public Utilities Act requires the Public Utilities Commission to review and accept, modify, or reject each electrical corporation's procurement plan and requires that each approved procurement plan accomplish specified objectives. This bill would require the commission, as part of a new or existing proceeding, to determine what role large scale energy storage could play as part of the state's overall strategy for procuring a diverse portfolio of resources and to consider specified factors in making that determination.

AB 88  
(Gomez D) Sales and use taxes: exemption: energy or water efficient home appliances.
Introduced: 1/7/2015
Last Amend: 7/15/2015
Status: 9/2/2015-Assembly Rule 77 suspended. Senate amendments concurred in. To Engrossing and Enrolling. (Ayes 80. Noes 0.).
Is Urgency: N
Is Fiscal: Y
Location: 9/2/2015-A. ENROLLMENT

Summary: Would, until January 1, 2021, exempt from sales and use taxes the gross receipts from the sale of, and the storage, use, or other consumption in this state 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 or water efficiency program for use by that low-income participant in the energy efficiency program. The bill would define terms for its purposes.
**AB 149** (Chávez R)  Urban water management plans.
Introduced: 1/15/2015
Last Amend: 6/11/2015
Is Urgency: N
Is Fiscal: N
Location: 7/6/2015-A. CHAPTERED

**Summary:** The Urban Water Management Planning Act requires an urban water supplier to submit to the Department of Water Resources a copy of its plan no later than 30 days after adoption and requires the department to prepare and submit to the Legislature, on or before December 31, in the years ending in 6 and 1, a report summarizing the status of plans adopted pursuant to the act. This bill would require each urban water supplier to update and submit its 2020 plan to the department by July 1, 2021, and would require the department to submit the report to the Legislature for the 2015 plans by July 1, 2017, and the report for the 2020 plans by July 1, 2022.

**AB 197** (Garcia, Eduardo D)  Public utilities: renewable resources.
Introduced: 1/28/2015
Last Amend: 4/29/2015
Status: 8/28/2015-Failed Deadline pursuant to Rule 61(a)(11). (Last location was APPR. on 8/27/2015)
Is Urgency: N
Is Fiscal: Y
Location: 8/28/2015-S. 2 YEAR

**Summary:** Would require the PUC, in adopting the process, to include consideration of any statewide greenhouse gas emissions limit established pursuant to the California Global Warming Solutions Act of 2006 and consideration of capacity and essential reliability services of the eligible renewable energy resource to ensure grid reliability. The bill would require the PUC to require a retail seller of electricity, in soliciting and procuring eligible renewable energy resources, to consider the best-fit attributes of resources types that ensure a balanced resource mix to maintain the reliability of the electrical grid.

**AB 239** (Gallagher R)  Greenhouse gases: regulations.
Introduced: 2/5/2015
Status: 5/1/2015-Failed Deadline pursuant to Rule 61(a)(2). (Last location was NAT. RES. on 3/23/2015)
Is Urgency: N
Is Fiscal: Y
Location: 5/1/2015-A. 2 YEAR

**Summary:** Would prohibit the State Air Resources Board, on and after January 1, 2016, from adopting or amending regulations pursuant to the California Global Warming Solutions Act of 2006. The bill would authorize the board to submit to the Legislature recommendations on how to achieve the goals of the act.

**AB 291** (Medina D)  California Environmental Quality Act: local agencies: notice of determination: water.
Introduced: 2/11/2015
Last Amend: 6/10/2015
Status: 7/17/2015-Failed Deadline pursuant to Rule 61(a)(10). (Last location was E.Q. on 6/10/2015)
Is Urgency: N
Is Fiscal: Y
Location: 7/17/2015-S. 2 YEAR

**Summary:** CEQA requires a lead agency to prepare a mitigated negative declaration for a project that may have a significant effect on the environment if revisions in the project would avoid or mitigate that effect and there is no substantial evidence that the project, as revised, would have a significant effect on the environment. This bill would authorize a local agency, for certain water projects, to file the notice with the county clerk of the county in which the local agency's principal office is located, along with any required payment to the Department of Fish and Wildlife, and with the Office of Planning and Research, and to transmit a copy of the notice to the county clerks of the counties in which the water project is located, as specified.
**AB 300** (Alejo D)  *Safe Water and Wildlife Protection Act of 2016.*
Introduced: 2/12/2015
Last Amend: 8/17/2015
Status: 8/28/2015-Failed Deadline pursuant to Rule 61(a)(11). (Last location was APPR. on 8/27/2015)
Is Urgency: N
Is Fiscal: Y
Location: 8/28/2015-S. 2 YEAR

Summary: Would enact the Safe Water and Wildlife Protection Act of 2016, which would require the State Water Resources Control Board to establish and coordinate the Algal Bloom Task Force, comprised of specified representatives of state agencies, including the conservancy, in consultation with the Secretary for Environmental Protection, and would prescribe the functions and duties of the task force.

**AB 307** (Mathis R)  *Graywater: groundwater recharge.*
Introduced: 2/12/2015
Status: 5/15/2015-Failed Deadline pursuant to Rule 61(a)(3). (Last location was PRINT on 2/12/2015)
Is Urgency: N
Is Fiscal: N
Location: 5/15/2015-A. 2 YEAR

Summary: Would state the intent of the Legislature to enact legislation to explicitly permit the usage of residential, commercial, and industrial graywater for the recharge of a groundwater basin or aquifer.

**AB 308** (Mathis R)  *Graywater: agricultural use.*
Introduced: 2/12/2015
Status: 5/15/2015-Failed Deadline pursuant to Rule 61(a)(3). (Last location was PRINT on 2/12/2015)
Is Urgency: N
Is Fiscal: N
Location: 5/15/2015-A. 2 YEAR

Summary: Would state the intent of the Legislature to enact legislation to explicitly permit incorporated and unincorporated communities to sell graywater for agricultural purposes and agriculture to use graywater for agricultural purposes.

**AB 311** (Gallagher R)  *Environmental quality: Water Quality, Supply, and Infrastructure Improvement Act of 2014.*
Introduced: 2/12/2015
Last Amend: 4/15/2015
Status: 5/1/2015-Failed Deadline pursuant to Rule 61(a)(2). (Last location was NAT. RES. on 4/28/2015)
Is Urgency: N
Is Fiscal: Y
Location: 5/1/2015-A. 2 YEAR

Summary: Would require a public agency, in certifying an environmental impact report and in granting approvals for specified water storage projects funded, in whole or in part, by Proposition 1, to comply with specified procedures. Because a public agency would be required to comply with those new procedures, this bill would impose a state-mandated local program. The bill would authorize the public agency to concurrently prepare the record of proceedings for the project. This bill contains other related provisions and other existing laws.

**AB 313** (Atkins D)  *Enhanced infrastructure financing districts.*
Introduced: 2/12/2015
Last Amend: 8/25/2015
Status: 9/1/2015-Assembly Rule 77 suspended. Senate amendments concurred in. To Engrossing and Enrolling. (Ayes 80. Noes 0.).
Is Urgency: N
Is Fiscal: N
Location: 9/1/2015-A. ENROLLMENT
**Summary:** Would require, after the adoption of a resolution of intention to establish the proposed district, the legislative body to send a copy of the resolution to the public financing authority. This bill would revise the duties of the public financing authority after the resolution of intention to establish the proposed district has been adopted, so that the public financing authority, instead of the legislative body, will perform the specified duties related to the preparation, proposal, and adoption of the infrastructure financing plan and the adoption of the formation of the district.

**AB 341**  
**Achadjian R**  
**Financial affairs: reports.**  
**Introduced:** 2/13/2015  
**Last Amend:** 5/5/2015  
**Status:** 7/2/2015-Chaptered by Secretary of State - Chapter 37, Statutes of 2015.  
**Is Urgency:** N  
**Is Fiscal:** N  
**Location:** 7/2/2015-A. CHAPTERED

**Summary:** Current law requires the officer of each local agency, who has charge of the financial records of the local agency, to furnish to the Controller a report of all the financial transactions of the local agency during the next preceding fiscal year within 90 days of the close of each fiscal year, or within 110 days if the report is furnished in an electronic format. This bill would require the report to contain underlying data from audited financial statements, as specified, if this data is available.

**AB 349**  
**Gonzalez D**  
**Common interest developments: property use and maintenance.**  
**Introduced:** 2/17/2015  
**Last Amend:** 8/17/2015  
**Status:** 9/4/2015-Chaptered by Secretary of State - Chapter 266, Statutes of 2015.  
**Is Urgency:** Y  
**Is Fiscal:** N  
**Location:** 9/4/2015-A. CHAPTERED

**Summary:** Current law makes void and unenforceable any provision of the governing documents or architectural or landscaping guidelines or policies that prohibits use of low water-using plants, or prohibits or restricts compliance with water-efficient landscape ordinances or regulations on the use of water, as specified. This bill would make void and unenforceable any provision of the governing documents or architectural or landscaping guidelines or policies that prohibits use of artificial turf or any other synthetic surface that resembles grass. This bill contains other existing laws.

**AB 392**  
**Atkins D**  
**San Diego River Conservancy.**  
**Introduced:** 2/18/2015  
**Last Amend:** 5/5/2015  
**Status:** 9/10/2015-Enrolled and presented to the Governor at 4 p.m.  
**Is Urgency:** N  
**Is Fiscal:** Y  
**Location:** 9/10/2015-A. ENROLLED

**Summary:** The San Diego River Conservancy Act establishes the San Diego River Conservancy in the Natural Resources Agency, and prescribes the territory, membership, and functions and duties of the conservancy with regard to, among other things, the acquisition, protection, and management of public lands within the San Diego River area, as defined. Current law provides that the act will remain in effect until January 1, 2020. This bill would delete the January 1, 2020, repeal date, thereby extending the operation of the act indefinitely.

**AB 401**  
**Dodd D**  
**Low-Income Water Rate Assistance Program.**  
**Introduced:** 2/19/2015  
**Last Amend:** 9/2/2015  
**Status:** 9/9/2015-Assembly Rule 77 suspended. Senate amendments concurred in. To Engrossing and Enrolling.  
**Is Urgency:** N  
**Is Fiscal:** Y  
**Location:** 9/9/2015-A. ENROLLMENT
Summary: Would require the State Water Resources Control Board, no later than January 1, 2018, in collaboration with the State Board of Equalization and relevant stakeholders, to develop a plan for the funding and implementation of the Low-Income Water Rate Assistance Program, which would include specified elements. The bill would permit the board to consider existing rate assistance programs authorized by the commission in developing the plan and would authorize the plan to include recommendations for other cost-effective methods of offering assistance to low-income water customers.

Introduced: 2/19/2015
Last Amend: 8/18/2015
Status: 9/10/2015-Enrolled and presented to the Governor at 4 p.m.
Is Urgency: Y
Is Fiscal: Y
Location: 9/10/2015-A. ENROLLED

Summary: Would require the State Water Resources Control Board to adopt regulations, similar to those previously authorized for adoption by the State Department of Public Health, governing the use of point-of-entry and point-of-use treatment by a public water system in lieu of centralized treatment where it can be demonstrated that centralized treatment is not immediately economically feasible, with specified limitations. This bill contains other related provisions.

**AB 452** (Bigelow R) Water Rights Fund: groundwater regulation.
Introduced: 2/23/2015
Last Amend: 4/21/2015
Status: 5/1/2015-Failed Deadline pursuant to Rule 61(a)(2). (Last location was W.,P. & W. on 4/22/2015)
Is Urgency: N
Is Fiscal: Y
Location: 5/1/2015-A. 2 YEAR

Summary: Current law establishes groundwater reporting requirements for a person extracting groundwater in an area within a basin that is not within the management area of a groundwater sustainability agency or that is a probationary basin. Current law establishes the Water Rights Fund, which consists of various fees and penalties. This bill would prohibit water rights fees from being available for expenditure by the board for the purposes of board enforcement of the provisions of the Sustainable Groundwater Management Act and the groundwater reporting requirements.

**AB 453** (Bigelow R) Groundwater management.
Introduced: 2/23/2015
Last Amend: 9/4/2015
Status: 9/8/2015-Read second time. Ordered to third reading. Re-referred to Com. on RLS.
Is Urgency: N
Is Fiscal: N
Location: 9/8/2015-S. RLS.

Summary: Would authorize, until a groundwater sustainability plan is adopted, a local agency that has adopted a groundwater management plan to impose fees on the extraction of groundwater from the basin to fund costs of groundwater management and to collect groundwater extraction information, as long as a groundwater management plan adopted before January 1, 2015, is in effect. This bill would require a local agency to specify in an ordinance or resolution imposing a fee on the extraction of groundwater from the basin that the fee does not apply to any period after adoption of a groundwater sustainability plan. This bill contains other existing laws.

**AB 454** (Bigelow R) Sustainable groundwater management.
Introduced: 2/23/2015
Status: 5/29/2015-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. on 4/14/2015)
Is Urgency: N
Is Fiscal: Y
Location: 5/29/2015-A. 2 YEAR
### Desk Policy 2 year Fiscal Floor Desk Policy Fiscal Floor Conf. Conc. Enrolled Vetoed Chaptered

**Summary:** Would require a high- or medium-priority basin that is not subject to critical conditions of overdraft to be managed under a groundwater sustainability plan or coordinated groundwater sustainability plan by January 31, 2023. This bill contains other related provisions and other existing laws.

**AB 455** (Bigelow R) Groundwater sustainability plans: environmental impact reports.

**Introduced:** 2/23/2015

**Status:** 5/1/2015-Failed Deadline pursuant to Rule 61(a)(2). (Last location was W.,P. & W. on 3/5/2015)

**Is Urgency:** N

**Is Fiscal:** Y

**Location:** 5/1/2015-A. 2 YEAR

**Summary:** Would require the Judicial Council, on or before July 1, 2016, to adopt a rule of court to establish procedures applicable to actions or proceedings brought to attack, review, set aside, void, or annul the certification of an EIR for projects covered by a groundwater sustainability plan that require the actions or proceedings be resolved within 270 days of certification of the record of proceeding. The bill would also prohibit the court from staying or enjoining the construction or operation of the project unless the court makes a certain finding. This bill contains other existing laws.

**AB 501** (Levine D) Resources: Delta research.

**Introduced:** 2/23/2015

**Last Amend:** 4/22/2015

**Status:** 5/29/2015-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. SUSPENSE FILE on 4/29/2015)

**Is Urgency:** N

**Is Fiscal:** Y

**Location:** 5/29/2015-A. 2 YEAR

**Summary:** Would require a person conducting Delta research, as defined, whose research is funded, in whole or in part, by the state, to take specified actions with regard to the sharing of the primary data, samples, physical collections, and other supporting materials created or gathered in the course of that research. The bill would make a researcher ineligible for state funding if the researcher does not substantially comply with these requirements within 6 months of completing the Delta research project, until the researcher complies with those requirements.


**Introduced:** 2/24/2015

**Last Amend:** 7/15/2015

**Status:** 8/27/2015-In committee: Held under submission.

**Is Urgency:** N

**Is Fiscal:** Y

**Location:** 8/27/2015-A. APPR.

**Summary:** Would, for taxable years beginning on or after January 1, 2016, and before January 1, 2021, allow a credit equal to 25% of the amount paid or incurred by a qualified taxpayer for water-efficiency improvements, as defined, on qualified real property in this state, not to exceed $2,500 per taxable year, as specified. The bill would limit the cumulative amount of the credit to $2,500 for each qualified real property for all taxable years.

**AB 603** (Salas D) Income taxes: Every Drop Counts Tax Credit.

**Introduced:** 2/24/2015

**Last Amend:** 5/21/2015

**Status:** 5/28/2015-Joint Rule 62(a), file notice suspended. (Page 1613.) In committee: Held under submission.

**Is Urgency:** N

**Is Fiscal:** Y

**Location:** 5/27/2015-A. APPR. SUSPENSE FILE
**Summary:** Would, under the Personal Income Tax Law and the Corporation Tax Law, for taxable years beginning on and after January 1, 2016, and before January 1, 2021, or an earlier date in the event of a specified occurrence, allow a credit to a taxpayer participating in a lawn replacement rebate program, as defined, in an amount equal to 25% of the costs paid or incurred by the taxpayer to replace conventional lawn on the qualified taxpayer’s property during that taxable year, not to exceed $1,500, as specified.

**AB 606**  
(Levine D)  
*Water conservation.*  
**Introduced:** 2/24/2015  
**Last Amend:** 8/25/2015  
**Status:** 9/10/2015-Enrolled and presented to the Governor at 4 p.m.  
**Is Urgency:** N  
**Is Fiscal:** Y  
**Location:** 9/10/2015-A. ENROLLED  

**Summary:** Would, when a state agency builds upon state-owned real property, purchases real property, or replaces landscaping or irrigation, require the state agency to reduce water consumption and increase water efficiencies for that property where feasible, as defined, through specified water efficiency measures. The bill would exempt from its requirements state-owned real property that is leased for agricultural purposes. This bill contains other existing laws.

**AB 656**  
(Garcia, Cristina D)  
*Joint powers agreements: mutual water companies.*  
**Introduced:** 2/24/2015  
**Last Amend:** 6/22/2015  
**Status:** 9/3/2015-Chaptered by Secretary of State - Chapter 250, Statutes of 2015.  
**Is Urgency:** N  
**Is Fiscal:** Y  
**Location:** 9/3/2015-A. CHAPETERED  

**Summary:** Would specifically authorize a mutual water company and a public agency to participate in joint powers agreement for the provision of insurance and risk-pooling, technical support, and other similar services for the purpose of reducing risk liability, as specified.

**AB 723**  
(Rendon D)  
*Rental property: plumbing fixtures: replacement.*  
**Introduced:** 2/25/2015  
**Last Amend:** 7/16/2015  
**Status:** 8/28/2015-Failed Deadline pursuant to Rule 61(a)(11). (Last location was APPR. on 7/16/2015)  
**Is Urgency:** N  
**Is Fiscal:** Y  
**Location:** 8/28/2015-S. 2 YEAR  

**Summary:** Would require the lease or rental agreement of a single-family residential real property or any portion of a multifamily residential real property or commercial real property that is entered into, renewed, or amended after July 1, 2016, or January 1, 2017, respectively, to be accompanied by a written disclosure stating the property owner’s responsibility to replace all noncompliant plumbing fixtures with water-conserving plumbing fixtures on or before January 1, 2017, or January 1, 2019, respectively.

**AB 786**  
(Levine D)  
*Common interest developments: property use and maintenance.*  
**Introduced:** 2/25/2015  
**Last Amend:** 9/2/2015  
**Status:** 9/11/2015-Urgency clause adopted. Senate amendments concurred in. To Engrossing and Enrolling.  
**Is Urgency:** Y  
**Is Fiscal:** N  
**Location:** 9/11/2015-A. ENROLLMENT  

**Summary:** Current law prohibits an association, except an association that uses recycled water for...
landscape irrigation, from imposing a fine or assessment on separate interest owners for reducing or eliminating watering of vegetation or lawns during any period for which the Governor has declared a state of emergency or the local government has declared a local emergency due to drought. This bill would revise that exception to instead authorize the imposition of a fine or assessment against the owner of a separate interest that receives recycled water from a retail water supplier, as defined, and fails to use that recycled water for landscaping irrigation.

**AB 936**  
(Salas D)  
**Groundwater monitoring.**  
*Introduced*: 2/26/2015  
*Last Amend*: 4/15/2015  
*Status*: 5/29/2015-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. on 5/28/2015)  
*Is Urgency*: N  
*Is Fiscal*: Y  
*Location*: 5/29/2015-A. 2 YEAR  
**Summary:** Existing law establishes a groundwater monitoring program pursuant to which specified entities may propose to be designated by the Department of Water Resources as groundwater monitoring entities, as defined, for the purposes of monitoring and reporting with regard to groundwater elevations in all or part of a groundwater basin or subbasin. This bill would authorize the department to exempt an entity from this eligibility restriction if the entity submits to the department for approval documentation demonstrating that there are special circumstances justifying the entity's noncompliance, including, but not limited to, that a significant portion of the entity's service area qualifies as a disadvantaged community and that the water grant or loan project includes those actions needed to comply with groundwater monitoring functions.

**AB 1095**  
(Garcia, Eduardo D)  
**Salton Sea: restoration projects.**  
*Introduced*: 2/27/2015  
*Last Amend*: 7/7/2015  
*Status*: 9/10/2015-Enrolled and presented to the Governor at 4 p.m.  
*Is Urgency*: N  
*Is Fiscal*: Y  
*Location*: 9/10/2015-A. ENROLLED  
**Summary:** Would require, on or before March 31, 2016, the Natural Resources Agency to submit to the Legislature a list of shovel-ready, as defined, Salton Sea restoration projects, including information regarding project costs and project completion timelines.

**AB 1180**  
(Garcia, Cristina D)  
**Rates and charges for electric, gas, and water service: credit or debit card payment.**  
*Introduced*: 2/27/2015  
*Last Amend*: 4/9/2015  
*Status*: 5/1/2015-Failed Deadline pursuant to Rule 61(a)(2). (Last location was U. & C. on 4/13/2015)  
*Is Urgency*: N  
*Is Fiscal*: Y  
*Location*: 5/1/2015-A. 2 YEAR  
**Summary:** Would delete the express authorization for an electrical, gas, or water corporation to offer credit card and debit card bill payment options, if approved by the Public Utilities Commission, and, upon approval, recover reasonable transaction costs incurred by the electrical, gas, or water corporation from those customers that choose to pay by those payment options. The bill would revise the statements of legislative intent to state the intent of the Legislature that customers of electrical, gas, or water corporations be allowed to pay their utility bills with forms of payment that are generally accepted in the retail marketplace.

**AB 1243**  
(Gray D)  
**Groundwater recharge: grants.**  
*Introduced*: 2/27/2015  
*Status*: 5/1/2015-Failed Deadline pursuant to Rule 61(a)(2). (Last location was W.,P. & W. on 3/23/2015)  
*Is Urgency*: N  
*Is Fiscal*: Y  
*Location*: 5/1/2015-A. 2 YEAR
**Summary:** Would establish the Groundwater Recharge Grant Fund and would provide that moneys in the fund are available, upon appropriation by the Legislature, to the State Water Resources Control Board to provide grants to local governments and water districts for groundwater recharge infrastructure projects. This bill contains other related provisions and other existing laws.

**AB 1325** (Salas D) Delta smelt.

**Introduced:** 2/27/2015

**Status:** 5/1/2015-Failed Deadline pursuant to Rule 61(a)(2). (Last location was W., P. & W. on 3/23/2015)

**Is Urgency:** N

**Is Fiscal:** Y

**Location:** 5/1/2015-A. 2 YEAR

**Summary:** Would enact the Delta Smelt Preservation and Restoration Act of 2016. The act would require the Department of Fish and Wildlife to develop a Delta smelt hatchery program to preserve and restore the Delta smelt. The bill would require the department to enter into mitigation banking agreements with banking partners for the purpose of providing take authorizations to banking partners and to obtain funding from banking agreements. This bill contains other related provisions.

**AB 1390** (Alejo D) Groundwater: comprehensive adjudication.

**Introduced:** 2/27/2015

**Last Amend:** 9/4/2015

**Status:** 9/10/2015-Senate amendments concurred in. To Engrossing and Enrolling.

**Is Urgency:** N

**Is Fiscal:** Y

**Location:** 9/10/2015-A. ENROLLMENT

**Summary:** The Sustainable Groundwater Management Act, which applies to all groundwater basins in the state, all basins designated as high- or medium-priority basins by the Department of Water Resources as basins that are subject to critical conditions of overdraft, as specified, are required to be managed under a groundwater sustainability plan or coordinated groundwater sustainability plans by January 31, 2020. This bill would establish special procedures for a comprehensive adjudication, which is defined as an action filed in superior court to comprehensively determine rights to extract groundwater in a basin.

**AB 1463** (Gatto D) Onsite treated water.

**Introduced:** 2/27/2015

**Last Amend:** 9/4/2015

**Status:** 9/4/2015-From committee chair, with author's amendments: Amend, and re-refer to committee. Read second time, amended, and re-referred to Com. on E.Q.

**Is Urgency:** N

**Is Fiscal:** Y

**Location:** 9/4/2015-S. E.Q.

**Summary:** Would require the State Water Resources Control Board, in consultation with the State Department of Public Health, the California Building Standards Commission, and stakeholders, to establish water quality standards and distribution, monitoring, and reporting requirements for onsite water recycling systems prior to authorizing the use of onsite treated water in internal plumbing of residential and commercial buildings. This bill would require onsite treated water to be considered the same as recycled water that is produced on site.

**SB 7** (Wolk D) Housing: water meters: multiunit structures.

**Introduced:** 12/1/2014

**Last Amend:** 9/4/2015

**Status:** 9/8/2015-Read third time. Refused passage. Motion to reconsider made by Assembly Member Williams.

**Is Urgency:** N

**Is Fiscal:** Y

**Location:** 9/8/2015-A. UNFINISHED BUSINESS
**SB 13** (Pavley D) **Groundwater.**

**Introduced:** 12/1/2014

**Last Amend:** 7/6/2015

**Status:** 9/3/2015-Chaptered by Secretary of State - Chapter 255, Statutes of 2015.

**Is Urgency:** N

**Is Fiscal:** Y

**Location:** 9/3/2015-S. CHAPTERED

Summary: Would express the intent of the Legislature to encourage the conservation of water in multifamily residential rental buildings through means either within the landlord's or the tenant's control, and to ensure that the practices involving the submetering of dwelling units for water service are just and reasonable, and include appropriate safeguards for both tenants and landlords. This bill contains other related provisions and other existing laws.

**SB 20** (Pavley D) **California Water Resiliency Investment Act.**

**Introduced:** 12/1/2014

**Last Amend:** 8/26/2015

**Status:** 8/28/2015-Failed Deadline pursuant to Rule 61(a)(11). (Last location was W.,P. & W. on 8/26/2015)

**Is Urgency:** N

**Is Fiscal:** Y

**Location:** 8/28/2015-A. 2 YEAR

Summary: Would specify that the State Water Resources Control Board is authorized to designate a high- or medium-priority basin as a probationary basin. This bill would provide a local agency or groundwater sustainability agency 90 or 180 days, as prescribed, to remedy certain deficiencies that caused the board to designate the basin as a probationary basin. This bill would authorize the board to develop an interim plan for certain probationary basins one year after the designation of the basin as a probationary basin.

**SB 37** (Nielsen R) **Water: floods.**

**Introduced:** 12/1/2014

**Last Amend:** 2/12/2015

**Status:** 5/14/2015-Referred to Com. on W., P., & W.

**Is Urgency:** Y

**Is Fiscal:** Y

**Location:** 5/14/2015-A. W.,P. & W.

Summary: Would authorize the Department of Water Resources to provide reimbursement to funding 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 program and incurred after July 1, 2014, and before issuance of a funding commitment, or amendment or execution of the funding agreement, but no later than December 31, 2015. This bill contains other related provisions.

**SB 47** (Hill D) **Environmental health: synthetic turf.**

**Introduced:** 12/17/2014

**Last Amend:** 3/25/2015

**Status:** 5/29/2015-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. on 5/28/2015)

**Is Urgency:** N

**Is Fiscal:** Y

**Location:** 5/29/2015-S. 2 YEAR
Summary: Would require the Office of Environmental Health Hazard Assessment, by July 1, 2017, 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 and post on the office's Internet Web site a study analyzing synthetic turf, as defined, for potential adverse health impacts. The bill would require the study to include certain information, including a hazard analysis of exposure to the chemicals that may be found in synthetic turf, as provided.

SB 113  (Galgiani D)  Disaster Preparedness and Flood Prevention Bond Act of 2006.
Introduced: 1/13/2015
Last Amend: 7/2/2015
Status: 7/8/2015-July 14 set for second hearing canceled at the request of author.
Is Urgency: Y
Is Fiscal: Y
Location: 7/2/2015-S. N.R. & W.

Summary: Would make available, of the moneys appropriated to the Department of Water Resources by the Budget Act of 2015, $110,000,000 for the upgrade of the levee system of Reclamation District No. 17 to provide urban level of flood protection. This bill contains other related provisions.

SB 119  (Hill D)  Protection of subsurface installations.
Introduced: 1/14/2015
Last Amend: 9/4/2015
Status: 9/11/2015-Enrolled and presented to the Governor at 10:45 p.m.
Is Urgency: N
Is Fiscal: Y
Location: 9/11/2015-S. ENROLLED

Summary: Current law defines a subsurface installation as any underground pipeline, conduit, duct, wire, or other structure. Current law requires an operator of a subsurface installation, who receives notification of proposed excavation work, within 2 working days of that notification, excluding weekends and holidays, to mark the approximate location and number of subsurface installations that may be affected by the excavation or to advise that no subsurface installations operated by him or her would be affected. This bill, the Dig Safe Act of 2015, would declare the need to clarify and revise these provisions. The bill would define and redefine various terms relating to a regional notification center.

SB 122  (Jackson D)  California Environmental Quality Act: record of proceedings.
Introduced: 1/15/2015
Last Amend: 6/1/2015
Status: 8/28/2015-Failed Deadline pursuant to Rule 61(a)(11). (Last location was APPR. SUSPENSE FILE on 7/15/2015)
Is Urgency: N
Is Fiscal: Y
Location: 8/28/2015-A. 2 YEAR

Summary: CEQA establishes a procedure for the preparation and certification of the record of proceedings upon the filing of an action or proceeding challenging a lead agency’s action on the grounds of noncompliance with CEQA. This bill would require the lead agency, at the request of a project applicant and consent of the lead agency, to prepare a record of proceedings concurrently with the preparation of a negative declaration, mitigated negative declaration, EIR, or other environmental document for projects. This bill contains other related provisions.

Introduced: 1/20/2015
Status: 5/1/2015-Failed Deadline pursuant to Rule 61(a)(2). (Last location was E.Q. on 2/5/2015)
Is Urgency: N
Is Fiscal: Y
Location: 5/1/2015-S. 2 YEAR
Summary: CEQA establishes a procedure by which a person may seek judicial review of the decision of the lead agency made pursuant to CEQA and a procedure for the preparation and certification of the record of proceedings upon the filing of an action or proceeding challenging a lead agency’s action on the grounds of noncompliance with CEQA. This bill would require the public agency, in certifying the environmental impact report and in granting approvals for projects funded, in whole or in part, by Proposition 1, including the concurrent preparation of the record of proceedings and the certification of the record of proceeding within 5 days of the filing of a specified notice, to comply with specified procedures.

SB 143  
(Stone R)  
Diamond Valley Reservoir: recreational use.  
Introduced: 1/27/2015  
Status: 5/15/2015-Failed Deadline pursuant to Rule 61(a)(3). (Last location was E.Q. on 2/5/2015)  
Is Urgency: N  
Is Fiscal: N  
Location: 5/15/2015-S. 2 YEAR  
Summary: Current law, with certain exceptions, prohibits recreational use, in which there is bodily contact with water, in a reservoir in which water is stored for domestic use and establishes water standards for those exempted reservoirs. This bill would exempt from this prohibition recreational activity in which there is bodily contact with water by any participant in the Diamond Valley Reservoir if certain standards are met. This bill contains other related provisions.

SB 173  
(Nielsen R)  
Groundwater: de minimis extractors.  
Introduced: 2/5/2015  
Status: 5/1/2015-Failed Deadline pursuant to Rule 61(a)(2). (Last location was N.R. & W. on 3/24/2015)  
Is Urgency: N  
Is Fiscal: Y  
Location: 5/1/2015-S. 2 YEAR  
Summary: Current law generally excepts a de minimis extractor from the requirement that a person who extracts groundwater from a probationary basin, as prescribed, or extracts groundwater on or after July 1, 2017, in an area within a basin that is not within the management area of a groundwater sustainability agency and where the county does not assume responsibility to be the groundwater sustainability agency has to file a report of groundwater extraction by December 15 of each year for extractions made in the preceding water year with the State Water Resources Control Board. This bill would define a de minimis extractor for the purposes of these provisions as a person who extracts, for domestic purposes, 10 acre-feet or less per year.

SB 188  
(Hancock D)  
Municipal utility district: utility charges: delinquencies.  
Introduced: 2/9/2015  
Last Amend: 4/14/2015  
Is Urgency: N  
Is Fiscal: Y  
Location: 9/4/2015-S. CHAPTERED  
Summary: The Municipal Utility District Act authorizes a municipal utility district, by resolution or ordinance, to require the owner of record of privately owned real property within the district to pay the fees, tolls, rates, rentals, or other charges for certain utility services rendered to a lessee, tenant, or subtenant, and provides that those charges that have become delinquent, together with interest and penalties, are a lien on the property when a certificate is filed by the district in the office of the county recorder and that the lien has the force, effect, and priority of a judgment lien. This bill would extend the operation of these provisions indefinitely.

SB 201  
(Wieckowski D)  
California Public Records Act.  
Introduced: 2/10/2015  
Status: 5/15/2015-Failed Deadline pursuant to Rule 61(a)(3). (Last location was JUD. on 2/19/2015)  
Is Urgency: N  
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<td>Status: 7/17/2015-Failed Deadline pursuant to Rule 61(a)(10). (Last location was NAT. RES. on 5/14/2015)</td>
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**Summary:** Would require a court, in an action by a third party to enjoin disclosure of a public record or declaratory relief concerning a request to inspect a public record, to apply the provisions of the California Public Records Act as if the action had been initiated by a person requesting disclosure of a public record. The bill would also require the third party seeking an injunction or declaratory relief to provide notice to the person whose request prompted the action at the same time the defendant public agency in the action is served.

| SB 208 (Lara D) Integrated regional water management plans: grants: advanced payment. |
|介绍了: 2/11/2015 |
| 最后修正: 6/1/2015 |
| 状态: 9/3/2015-Enrolled and presented to the Governor at 5:45 p.m. |
| 是否紧急: N |
| 是否财政: Y |
| 位置: 9/3/2015-S. ENROLLED |

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**Summary:** Current law requires a state agency expending moneys from the Greenhouse Gas Reduction Fund to create a record, prior to the expenditure, that includes, among other things, a description of the expenditure proposed to be made and a description of how the proposed expenditure will contribute to achieving and maintaining greenhouse gas emissions reductions, as specified. This bill would require that record to be posted on the Internet websites of the state agency and the State Air Resources Board prior to the state agency expending those moneys.

| SB 215 (Leno D) Public Utilities Commission. |
| 介绍了: 2/12/2015 |
| 最后修正: 4/15/2015 |
| 状态: 5/1/2015-Failed Deadline pursuant to Rule 61(a)(2). (Last location was E. U., & C. on 4/15/2015) |
| 是否紧急: N |
| 是否财政: Y |
| 位置: 5/1/2015-S. 2 YEAR |

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**Summary:** Would repeal the requirement that the president of the Public Utilities Commission direct the executive director, the attorney, and other commission staff. The bill would delete the authority of the president to direct or authorize the executive director and attorney to undertake certain actions, and would instead require that they be directed or authorized to undertake those actions by the commission. This bill contains other related provisions and other existing laws.

| SB 223 (Galgiani D) Division of Boating and Waterways: oversight committee: invasive aquatic plants. |
| 介绍了: 2/13/2015 |
| 最后修正: 4/30/2015 |
| 状态: 8/27/2015-August 27 hearing: Held in committee and under submission. |

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Summary: The Division of Boating and Waterways within the Department of Parks and Recreation is the lead agency in the state for purposes of cooperating with other state, local, and federal agencies in identifying, detecting, controlling, and administering programs to manage invasive aquatic plants in the Sacramento-San Joaquin Delta, its tributaries, and the Suisun Marsh, and prescribes the duties of the division with regard to the management and control or eradication of those plants. This bill would require the division, no later than 90 days after the effective date of the bill, to establish, and designate and provide staff support to, an advisory and oversight committee to evaluate and monitor the activities of the division relating to the management and control or eradication of those plants.

**SB 226**

*(Pavley D)* Sustainable Groundwater Management Act: groundwater adjudication.

Introduced: 2/13/2015

Last Amend: 9/3/2015


**SB 228**

*(Cannella R)* Groundwater storage: beneficial use.

Introduced: 2/13/2015

Status: 5/1/2015-Failed Deadline pursuant to Rule 61(a)(2). (Last location was N.R. & W. on 2/26/2015)

**SB 233**

*(Hertzberg D)* Marine resources and preservation.

Introduced: 2/13/2015

Last Amend: 7/16/2015

Status: 8/28/2015-Failed Deadline pursuant to Rule 61(a)(11). (Last location was APPR. SUSPENSE FILE on 8/26/2015)

**SB 239**

*(Hertzberg D)* Local services: contracts: fire protection services.
SB 246  
(Wieckowski D)  
Climate change adaptation.  
Introduced: 2/18/2015  
Last Amend: 9/4/2015  
Status: 9/11/2015-Enrolled and presented to the Governor at 10:45 p.m.  
Is Urgency: N  
Is Fiscal: Y  
Location: 9/11/2015-S. ENROLLED  
Summary: Would establish the Integrated Climate Adaptation and Resiliency Program to be administered by the Office of Planning and Research to coordinate regional and local efforts with state climate adaptation strategies to adapt to the impacts of climate change, as specified. The bill also would require, within one year of an update to the Safeguarding California Plan, the Office of Emergency Services, in coordination with the Natural Resources Agency, the Office of Planning and Research, and relevant public and private entities, to review and update, as necessary, the Adaptation Planning Guide, as specified.

SB 385  
(Hueso D)  
Primary drinking water standards: hexavalent chromium: compliance plan.  
Introduced: 2/24/2015  
Last Amend: 6/18/2015  
Is Urgency: Y  
Is Fiscal: Y  
Location: 9/4/2015-S. CHAPTERED  
Summary: Would authorize, until January 1, 2020, the State Water Resources Control Board, at the request of a public water system that prepares and submits a compliance plan to the state board, to grant a period of time to achieve compliance with the primary drinking water standard for hexavalent chromium by approving the compliance plan, as prescribed. This bill contains other related provisions and other existing laws.

SB 551  
(Wolk D)  
State water policy: water and energy efficiency.  
Introduced: 2/26/2015  
Last Amend: 7/6/2015  
Status: 8/28/2015-Failed Deadline pursuant to Rule 61(a)(11). (Last location was APPR. on 8/27/2015)  
Is Urgency: N  
Is Fiscal: Y  
Location: 8/28/2015-A. 2 YEAR  
Summary: Would declare the policy of the state that water use and water treatment shall operate in a manner that is as energy efficient as is feasible and energy use and generation shall operate in a manner that is as water efficient as is feasible. This bill would require all relevant state agencies to consider this state policy when revising, adopting, or establishing policies, regulations, and grant criteria when pertinent to these uses of water and energy. This bill contains other existing laws.

SB 552  
(Wolk D)  
Public water systems: disadvantaged communities: consolidation or extension of service.  
Introduced: 2/26/2015  
Last Amend: 7/7/2015
Status: 7/17/2015-Failed Deadline pursuant to Rule 61(a)(10). (Last location was RLS. on 7/9/2015)
Is Urgency: N
Is Fiscal: Y
Location: 7/17/2015-A. 2 YEAR

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Summary: Current law, for purposes of the California Safe Drinking Water Act, defines "disadvantaged community" to mean a disadvantaged community that is in an unincorporated area or is served by a mutual water company. This bill would allow a community to be a "disadvantaged community" if the community is in a mobilehome park even if it is not in an unincorporated area or served by a mutual water company.

SB 553
(Wolk D) Water conservation.
Introduced: 2/26/2015
Status: 5/29/2015-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. on 5/28/2015)
Is Urgency: N
Is Fiscal: Y
Location: 5/29/2015-S. 2 YEAR

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Summary: Would require the Department of General Services to identify each public property in the department's state property inventory where it is feasible for water consumption to be reduced and water efficiencies to be achieved through implementation of the relevant recommendations made in the model water efficient landscape ordinance and would require the department to implement the relevant recommendations where feasible, except as specified. This bill contains other existing laws.

SB 555
(Wolk D) Urban retail water suppliers: water loss management.
Introduced: 2/26/2015
Last Amend: 9/1/2015
Status: 9/10/2015-Enrolled and presented to the Governor at 3:30 p.m.
Is Urgency: N
Is Fiscal: Y
Location: 9/10/2015-S. ENROLLED

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Summary: Would require each urban retail water supplier, on or before October 1, 2017, and on or before October 1 of each year thereafter, to submit a completed and validated water loss audit report for the previous calendar year or previous fiscal year as prescribed by rules adopted by the Department of Water Resources on or before January 1, 2017, and updated as provided. The bill would require the department to post all validated water loss audit reports on its Internet Web site in a manner that allows for comparisons across water suppliers and to make these reports available for public viewing.

SB 637
(Allen D) Suction dredge mining: permits.
Introduced: 2/27/2015
Last Amend: 9/11/2015
Is Urgency: N
Is Fiscal: Y
Location: 9/11/2015-S. ENROLLMENT

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Summary: Current law prohibits the use of any vacuum or suction dredge equipment by any person in any river, stream, or lake of this state without a permit issued by the Department of Fish and Wildlife. Current law requires the department to issue a permit, if the department determines that the use of a vacuum or suction dredge will not be deleterious to fish, upon the payment of a specified fee. This bill would instead require the department to issue a permit if the department determines that the use does not cause any significant effects on fish and wildlife and would authorize the department to adjust the specified fee to an amount sufficient to cover all reasonable costs of the department in regulating suction dredging activities.

SB 723
(Pavley D) Energy efficiency: United States Armed Forces bases and facilities.
Introduced: 2/27/2015
Last Amend: 4/27/2015

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Summary: Current law prohibits the use of any vacuum or suction dredge equipment by any person in any river, stream, or lake of this state without a permit issued by the Department of Fish and Wildlife. Current law requires the department to issue a permit, if the department determines that the use of a vacuum or suction dredge will not be deleterious to fish, upon the payment of a specified fee. This bill would instead require the department to issue a permit if the department determines that the use does not cause any significant effects on fish and wildlife and would authorize the department to adjust the specified fee to an amount sufficient to cover all reasonable costs of the department in regulating suction dredging activities.
Status: 5/29/2015-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. on 5/28/2015)
Is Urgency: N
Is Fiscal: Y
Location: 5/29/2015-S. 2 YEAR

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Summary: Would require the Public Utilities Commission, in consultation with the State Energy Resources Conservation and Development Commission and the United States Armed Forces, to authorize a pilot program designed to evaluate the effects of using an alternative baseline energy efficiency methodology at United States Armed Forces bases and facilities. The bill would require electrical and gas corporations, using existing military contracting procedures, to the extent feasible, or new partnership with the federal government, to accomplish the goals of the pilot program. This bill contains other related provisions and other existing laws.

Total Measures: 65
Total Tracking Forms: 21
September 16, 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 concluded its 2015 regular legislative session on September 11, 2015. The Governor will now have until October 11 to sign all legislation passed by the Legislature and presented to him after August 31.

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 introduced AB 149 on behalf of the Water Authority. AB 149 changes the 2020 urban water management plan approval deadline from December 31, 2020 to July 1, 2021, to accommodate final reporting of water use data required under SBX7-7 (the “20X2020” legislation). AB 149 was signed into law by the Governor on July 6, 2015 (Chapter 49, Statutes of 2015).

- Assemblymember Lorena Gonzalez introduced AB 349 on behalf of the Water Authority. AB 349 is an urgency measure\(^1\) that authorizes homeowners within common interest developments to install synthetic grass or artificial turf, within reasonable design and aesthetic standards, in lieu of conventional turf. AB 349 was signed into law by the Governor on September 4, 2015 (Chapter 266, Statutes of 2015), and went into effect immediately.

- Senator Ricardo Lara introduced SB 208 on behalf of the Water Authority. SB 208 would 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. SB 208 is now pending final action on the Governor’s desk.

- On September 4, 2015, Assemblymember Bill Quirk amended AB 33 to become a measure that would require the California Public Utilities Commission, as part of a new or existing proceeding, to determine what role large-scale energy storage could play as part of the state’s overall strategy for procuring a diverse portfolio of energy resources. The Water Authority is part of a broader coalition involving the City of San Diego, Eagle

\(^1\) Urgency measures require 2/3 vote in each House of the Legislature, and if approved by the Legislature and signed into law by the Governor, take effect immediately, rather than January 1, 2016.
Crest, and EDF Renewables urging passage of AB 33. The measure could not overcome a number of end-of-session procedural hurdles, and is now a two-year bill and will be eligible to advance in January 2016.

Late Amendments to Legislation
While dozens of bills were amended during the last weeks of the 2015 regular legislative session, amendments to two measures in particular, attracted the Water Authority staff’s attention:

- **SB 20 (Pavley):** SB 20 was amended on August 26, and would create the California Water Resiliency Investment Fund. SB 20 is intended to become a vehicle for determining a long-term, sustainable source of funding for a variety of statewide water-related projects and programs. While currently undefined in the text of SB 20, it is likely that discussions related to SB 20 in the coming weeks and months will be focused on examining a public goods charge on water or a water tax mechanism. In its current amended iteration, SB 20 would only outline spending categories, as follows:
  
  o Emergency drought response and recovery  
  o Integrated regional water resiliency and management  
  o Safe drinking water for disadvantaged communities  
  o Environmental resilience and recovery  

- **SB 163 (Hertzberg):** SB 163 was amended on September 3, and would declare that the discharge of treated water from ocean outfalls is a waste and unreasonable use and would, by January 1, 2036, prohibit the discharge of treated wastewater through ocean outfalls and would require a wastewater treatment facility to achieve 100% reuse of the facility’s annual flow for beneficial purposes.

Both measures were not advanced during the final weeks of the regular legislative session. The author of each measure has indicated the intention to convene stakeholder working groups during the Legislature’s Interim Recess (between September 11, 2015 and January 4, 2016) with the objective of moving these bills through the legislative process during 2016.

Legislative Leadership Changes
During the final weeks of the 2015 legislative session, significant activity occurred in the area of leadership transitions in both Houses of the Legislature.

- On September 3, the Assembly leadership announced that Assemblymember Anthony Rendon (D-Lakewood) has become the Speaker-elect and that an official vote for the new Speaker will occur on January 4, 2016. No clear timeframe was provided for the official succession from current Assembly Speaker Toni Atkins.

- On September 1, Assemblymember Chad Mayes (R-Yucca Valley) was elected by the Republican caucus to become the next Assembly minority leader. Assemblymember Mayes will succeed the current minority leader Kristin Olsen in January 2016.
• On August 27, Senator Jean Fuller (R-Bakersfield) succeeded Senator Bob Huff as the new Senate minority leader, months ahead of a transition that was originally planned to occur in November 2015.

**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 advocate on behalf of the Water Authority’s sponsored bills.
- 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 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 Bob Giroux, Steve Cruz, and Water Authority staff on various legislative issues of importance to the Water Authority.
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
Approved by: Dennis A. Cushman, Assistant General Manager
September 16, 2015

Attention: Legislation, Conservation and Outreach Committee

Quarterly report on Public Outreach and Conservation activities (Information)

Background
From June 2015 through August 2015, the Public Outreach and Conservation Department supported Water Authority conservation and outreach programs and projects, assisted member agencies, worked with communities directly affected by Water Authority construction projects, conducted media relations activities, worked on education programs, and supplied information through various means, including publications and online communications.

Discussion
During the quarter, Public Outreach and Conservation staff worked on a variety of projects. They included communication and outreach activities to support the “When in Drought: Save Every Day, Every Way” campaign to increase water conservation (specific activities are provided in the monthly Drought Response Communications and Outreach Update report), communications and media outreach to support the second trial phase of the rate litigation with the Metropolitan Water District of Southern California, completing the third class and beginning recruitment for the fourth class for the Citizens Water Academy, continuing to implement a suite of water-use efficiency programs, delivering school education programming and conducting community relations related to a variety of capital improvement projects. Highlights of department activities are listed below.

Media Relations
During the quarter, the Water Authority distributed 17 news releases. The subjects of the news releases are included in Exhibit A. Staff also responded to numerous queries from local, state and national media outlets on topics such as drought, conservation programs, the Carlsbad Desalination Project, El Niño and the rate case litigation. Staff also hosted a news conference on July 15 to announce the judge’s tentative decision on the rate case litigation.

Water-Use Efficiency Programs
MWD Programs and Funding
SoCal WaterSmart Program funding for turf removal was exhausted in July 2015 and a waitlist was created for customers who wish to stand by for a rebate should funds become available. Program funding for water-efficient devices, including weather-based irrigation controllers and high-efficiency toilets, is expected to be exhausted within the next six months. MWD’s other water conservation programs, including the Water Savings Incentive Program and On-Site Recycled Water Conversion Program, are expected to continue through fiscal year 2016.

IRWM Proposition 84 – Final Round Implementation Grant
At its June 2015 meeting, the Board authorized the General Manager to submit to the Department of Water Resources (DWR) a 2015 Integrated Regional Water Management (IRWM) Final Round implementation grant application for $31,131,415, and if awarded, accept
the grant funds and enter into contracts to distribute the funds to the project sponsors. The Water Authority sponsored one project, a regional drought response program, and requested grant funding of $3.8 million. A decision by DWR is expected in September 2015.

**WaterSmart Field Services Program**
Participation in the WaterSmart Field Services Program continues to be strong. The program provides a slate of services, including Home Water Use Evaluations, Irrigation Checkups, and Large Landscape Audits. For fiscal year 2015, the Water Authority was invoiced for 2,662 field services. This represents a 20 percent increase in the number of field services compared to the previous year.

**Landscape Classes for Adults**
The Water Authority held four sessions of the four-part WaterSmart Landscaper Makeover Series, with 104 total participants. The Water Authority also held four sessions of its new, three-hour “WaterSmart Design for Homeowners” workshops, with a total of 275 participants. The Water Authority and its member agencies also partnered with MWD to host eight sessions of the California Friendly Landscape Training classes during this period. These classes attracted 501 attendees.

**Publications and Online Communications**
Eight issues of the WaterSource e-newsletter were distributed with updates on a variety of water issues. The Water Authority continued to aggressively use social media to provide updates on drought conditions, water conservation tips, MWD rate litigation, long-range water supply planning and Carlsbad Desalination Project construction, among other topics. Staff also updated the navigation features to the regional water conservation website, www.WaterSmartSD.org, to reflect user trends and make finding key programs easier.

**Local Legislative Relations and Civic Engagement**
The Water Authority concluded its third class of the Citizens Water Academy on June 13 with 42 graduates. Overall, the program produced 134 graduates during its first year, exceeding the Water Authority’s Business Plan goal of 125 graduates. The second year of the program is under way, with the Water Authority receiving more than 100 applications for the fall 2015 class, which begins Sept. 23.

Approximately 20 executives from companies around inland North County attended a joint Water Authority-San Diego Regional Economic Development Corporation roundtable on July 15, hosted by Hunter Industries. Water Authority Board Chair Mark Weston and Assistant General Manager Dennis Cushman presented information on the Water Authority’s diversification strategy, the rate litigation and the drought. In addition, staff held a Business Alliance for Water meeting hosted by the San Diego Foundation on July 22. Peter MacLaggan from Poseidon Water gave an update on the Carlsbad Desalination Project.

Staff also began to organize and promote a symposium for elected officials on the subject of drought and long-term water supply reliability. The forum, “Drought or El Niño: Charting a Sustainable Water Future,” will be held Oct. 15 at the Joan B. Kroc Institute for Peace & Justice at the University of San Diego. The symposium is designed to engage local elected officials with regional business and industry leaders in a conversation about how this region can work cooperatively during this and future droughts to ensure reliable water supplies.
Board members and staff attended 13 events in the community to promote water supply reliability efforts, drought response and related issues. A list of these events is included in Exhibit A. In addition, members of the Board attended the San Diego Regional Economic Development Corporation’s 50th Annual Dinner.

**Education Programs**
During the quarter, the Water Authority reached 271 teachers and 6,292 students through its distribution of free water-related posters, school visits by the Splash Mobile Science Lab and the Water Authority’s water-themed school assembly programs.

**Member Agency Outreach Coordination**
Staff held meetings in June, July and August with the Joint Public Information Council/Conservation Coordinators group to discuss drought outreach, conservation programs and other topics. In addition, staff periodically provided updated key points about drought conditions, rate litigation and other topics to member agencies.

**CIP Projects**

**Carlsbad Desalination Project**
Staff attended several meetings with Water Authority management and Poseidon Water staff and consultants to coordinate on issues related to the final stages of construction of the project and review dedication event plans.

**Twin Oaks Valley Water Treatment Plant Service Area Expansion**
Staff responded to inquiries about the project and monitored the contractor’s schedule for work activities that could raise concerns among neighbors.

**Nob Hill Pipeline Improvements Project**
Staff scheduled a meeting with and informed Scripps Nob Hill Homeowners Association board members in July about construction activities and final access road fencing and road engineering details. Staff also held a construction open house meeting in August and invited residents from Scripps Nob Hill to meet the construction team and learn about construction activities. Eighteen residents attended the meeting at the Scripps Ranch Library.

**Lake Murray to Alvarado Pipeline 4 Relining Project**
Staff created a project web page and identified stakeholders to be notified via postcard the availability of the Draft Mitigated Negative Declaration.

Prepared by: Denise Vedder, Public Affairs Manager
Jeff Stephenson, Principal Water Resources Specialist
Carlos Michelon, Principal Water Resources Specialist
Teresa Penunuri, Public Affairs Supervisor

Reviewed by: Jason Foster, Director of Public Outreach and Conservation
Approved by: Dennis A. Cushman, Assistant General Manager
## NEWS RELEASES/STATEMENTS ISSUED

<table>
<thead>
<tr>
<th>News Release/Statement</th>
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<tbody>
<tr>
<td>Water Authority Chair Welcomes World to San Diego for Water Conference</td>
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<tr>
<td>Final Ruling: Water Authority Owed $188.3 Million Plus Interest in Rate Case Victory</td>
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<tr>
<td>Water Authority Begins Update of Region’s Long-Term Water Management Strategy</td>
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<td>Water Authority Launches Mobile App to Help Report and Fix Water Waste Countywide</td>
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<td>Urban Water Use Dropped Approximately 32 Percent Countywide in July</td>
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<td>Judge Rejects Environmental Group’s Legal Challenge to Water Authority Plans</td>
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<td>Enhanced WaterSmart Website Offers Easier Access to Conservation Tools</td>
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<td>Weekend Storm Means Irrigation Systems Must be Turned Off</td>
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<tr>
<td>Urban Water Use Plummets Approximately 26 Percent Countywide in June</td>
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<td>Court Awards $188.3 Million Plus Interest to Water Authority in Rate Case Victory</td>
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<td>Water Authority Responds to Release of New Bay-Delta Documents</td>
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<tr>
<td>Turn Off Irrigation Systems During, After Thunderstorm</td>
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<tr>
<td>Carlsbad Desalination Project Crews Complete Construction of 10-Mile Pipeline</td>
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<td>Water Authority Adopts $1.5 Billion Budget for Fiscal Years 2016 and 2017</td>
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<tr>
<td>Water Authority Launches ‘Bucket List Challenge,’ Offers Free Water-Saving Pails</td>
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<td>North County Pipeline Being Drained as Safety Measure</td>
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<td>State Water-Use Reduction Mandates Start Today</td>
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</tbody>
</table>

## COMMUNITY EVENTS ATTENDED

<table>
<thead>
<tr>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cycle Southcrest</td>
</tr>
<tr>
<td>SDG&amp;E Energy Showcase</td>
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<tr>
<td>County of San Diego Farmers Market</td>
</tr>
<tr>
<td>BridgePoint Education Employee Health and Wellness Expo</td>
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<tr>
<td>County Lighting Fair</td>
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<tr>
<td>Rubio’s CoastFest and Ocean Cleanup</td>
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<tr>
<td>Harrah’s Resort Water Saving Tips and Strategies for Employees Fair</td>
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<tr>
<td>South Bayfront Powwow</td>
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<tr>
<td>SDG&amp;E Office Tailgate and Community Fair, El Cajon</td>
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<tr>
<td>National Night Out Poway</td>
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<tr>
<td>National Night Out Encinitas</td>
</tr>
<tr>
<td>California Rare Fruit Growers Association’s Festival of Fruit</td>
</tr>
<tr>
<td>Rancho Carrillo Master Association Event</td>
</tr>
</tbody>
</table>
ENGINEERING AND OPERATIONS COMMITTEE

AGENDA FOR

SEPTEMBER 24, 2015

Ken Williams – Chair          Tony Heinrichs
Marty Miller – Vice Chair     Michael Hogan
Ron Watkins – Vice Chair      John Linden
Gary Arant                   Ron Morrison
Jimmy Ayala                  Ken Olson
Brian Boyle                  Halla Razak
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.

I. CONSENT CALENDAR

1. Notice of Completion for the San Vicente Pipeline Landscape Project. 
   Staff recommendation: Authorize the General Manager to accept the San Vicente Pipeline Landscaping project as complete, record the Notice of Completion, and release funds held in retention to Green Horizon Landscape and Maintenance, Inc., following the expiration of the retention period. (Action)
   Don Chadwick

II. ACTION/DISCUSSION/PRESENTATION

1. Professional services contract with Navigant Consulting, Inc. for the San Vicente Pumped Storage Study.
   Staff recommendation: Authorize the General Manager to award a professional services contract to Navigant Consulting, Inc., for $1,488,416, to provide professional services for Phase 2 work, including serving as the Owners’ Advisor to the Water Authority and
   Kelly Rodgers
City, and analyzing and recommending a business model(s) for the San Vicente Pumped Storage Study. (Action)

2. Construction contract with NEWest Construction Company, Inc. for the Twin Oaks Valley Water Treatment Plant Expanded Service Area project. Neena Kuzmich
   Staff recommendation: Accept Change Orders 1 through 3 for $315,145, and authorize the General Manager to execute a change order for $93,392 for HVAC modifications, increasing the authorized contract amount from $3,997,145 to $4,090,537. (Action)

3. Carlsbad Desalination Project Update. (Presentation) Frank Belock

III. INFORMATION

1. Advertisement for bids for Ramona Pipeline Pump Well project. Wade Griffis

IV. CLOSED SESSION

V. ADJOURNMENT

Melinda Cogle
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 (Revised). 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.
September 16, 2015

Attention: Engineering and Operations Committee

Notice of Completion for the San Vicente Pipeline Landscape project. (Action)

Staff recommendation
Authorize the General Manager to accept the San Vicente Pipeline Landscaping project as complete, record the Notice of Completion, and release funds held in retention to Green Horizon Landscape and Maintenance, Inc., following the expiration of the retention period.

Alternative
Do not approve staff recommendation and provide direction to staff relative to issues requiring resolution.

Fiscal Impact
There are sufficient funds to support this action in the project budget and fiscal years 2016 and 2017 Capital Improvement Program appropriation. The rate category for this project is transportation.

Background
The San Vicente Pipeline Landscape project is an element of the Emergency Water Storage Project. The Emergency Water Storage Project’s environmental documents and permits require restoration of habitat areas and other areas that are temporarily disturbed by construction activities.

The San Vicente Pipeline Landscape project includes five separate work areas that were used to construct the 11-mile San Vicente Pipeline tunnel project. These areas consist of three pipeline tunnel shaft work areas (West, Central, Slaughterhouse Canyon), one pipeline tunnel portal work area (San Vicente reservoir), and one construction storage/laydown area (Canyon Hills Open Space Park, also known as Miramar Hill).

Landscape related activities at the West Shaft were the most diverse, including the installation of an underground recycled water irrigation system, ornamental landscaping, native habitat restoration, and two concrete monument (park entrance) signs.

Natural habitat restoration was the focus of work at the Slaughterhouse Canyon shaft, San Vicente tunnel portal, and Canyon Hills Open Space Park sites. The Central shaft site had a relatively small natural habitat restoration work area, with the majority of the area (a developable building pad) being maintained for erosion control purposes only; that is, not natural habitat. The Canyon Hills Open Space Park site also included the installation of three concrete park benches set on concrete pads. The Water Authority provided the park entrance signs and park
benches to the city of San Diego per an agreement between the two agencies. All the construction, planting, and seeding activities were completed at the end of summer of 2011, and the contract’s four year maintenance phase is now complete.

Previous Board actions: On January 27, 2011, the Board authorized the General Manager to award a construction contract to, Green Horizons Landscape and Maintenance Inc. in the amount of $995,994.35 for the San Vicente Pipeline Landscape project.

Discussion
Change Orders 1 and 2 were executed under staff’s authority for a credit of $30,429.67. Change Order No. 1 removed a portion of the work area at the San Vicente Pipeline Portal site so the area could be occupied by the San Vicente Dam Raise contractor as laydown area for dam raise construction. Change Order No 2 resulted from early contract termination for convenience and credit for five landscape trees that were not successfully established.

The contractor has no open claims. The final construction contract price for the San Vicente Pipeline Landscape project, including change orders, is $965,564.68; a decrease of 3 percent from the original contract value.

During the construction phase, five percent of the total contract amount was retained in accordance with the contract terms. This retention will be released after the General Manager’s acceptance of the completed work, expiration of the 60-day period following recording of the Notice of Completion, and receipt of a signed Conditional Waiver and Release of Liens and Claims from the contractor.

Prepared by: Don Chadwick, Senior Water Resource Specialist
Reviewed by: Robert R. Yamada, Director of Water Resources
Reviewed by: Jerry Reed, Director of Engineering
Approved by: Frank Belock, Jr., Deputy General Manager

Attachments:
1. Figure 1 – Location Map
San Vicente Pipeline Landscaping Project
Location Map
Figure 1

Legend

① West Shaft
② Canyon Hills Open Space Park
③ Central Shaft
④ Slaugther House Shaft
⑤ San Vicente Portal
September 16, 2015

Attention: Engineering and Operations Committee

Professional services contract with Navigant Consulting, Inc. for the San Vicente Pumped Storage Study. (Action)

Staff Recommendation
Authorize the General Manager to award a professional services contract to Navigant Consulting, Inc., for $1,488,416, to provide professional services for Phase 2 work, including serving as the Owners’ Advisor to the Water Authority and City, and analyzing and recommending a business model(s) for the San Vicente Pumped Storage Study.

Hydropower Subcommittee Recommendation
Authorize the General Manager to award a professional services contract to Navigant Consulting, Inc., for $1,488,416, to provide professional services for Phase 2 work, including serving as the Owners’ Advisor to the Water Authority and City and analyzing and recommending a business model(s) for the San Vicente Pumped Storage Study. Require staff to periodically update the Hydropower Subcommittee and Engineering and Operations Committee; arrange workshops as necessary regarding the status of the Phase 2 work, including the range of business models being analyzed, before the preferred business model(s) is presented to the Board for consideration.

Alternative
Do not award the professional services contract for Phase 2 work on the San Vicente Pumped Storage Study and direct staff to negotiate with other professional service contractors or solicit new proposals. This could delay the schedule by two to four months.

Fiscal Impact
There are sufficient funds remaining in the approved project budget and fiscal years 2016 and 2017 Capital Improvement Program appropriation for Phase 2 work. Per the Agreement with the City of San Diego, costs for Phase 2 work will be shared in equal proportions between the City and the Water Authority. The rate category for this study is customer service.

Background
Since the completion of the San Vicente Dam Raise project, the San Vicente Pumped Storage Team, consisting of staff from the Water Authority, City of San Diego, and various consultants, has been collaborating on a potential up to 500 megawatts pumped storage facility at the San Vicente Reservoir. San Vicente Reservoir, owned and operated by the City of San Diego, will serve as the lower reservoir for the project. The focus of the team has been coordinating steps to advance the consideration of the project, such as the siting of the upper reservoir, the FERC permitting/licensing processes, conducting a technical analysis of the compatibility of this project with Pure Water San Diego, and developing agreements that articulate the Water...
Authority’s 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. Water Authority and City staff and the necessary consultants participate in the Subcommittee meetings.

Previous Board Actions: On May 28, 2015, the Board approved actions to further advance the San Vicente Pumped Storage Study, including authorizing the General Manager to execute an Agreement between the City of San Diego and the San Diego County Water Authority for the Joint Development of the San Vicente Pumped Storage Project, approving the submittal of the Preliminary Application Document/Notice of Intent to the Federal Energy Regulatory Commission, and approving starting the process for procuring an Owners’ Advisor Team to provide professional services for recommending a business model.

On June 25, 2015, the Board approved the Fiscal Year 2016/2017 Capital Improvement Program and Operating Budget. The approved CIP budget includes funds for the San Vicente Pumped Storage Study.

Discussion
On September 4, 2015, Water Authority and City staff provided the Hydropower Subcommittee with an update on project issues, such as the submission of the Preliminary Application Document/Notice of Intent (PAD/NOI) to the Federal Energy Regulatory Commission (FERC) and completion of the selection process for the Owners’ Advisor Team as further discussed below.

FERC PAD/NOI
When FERC issued the preliminary permit to the Water Authority and City, it required that the joint permittees complete and submit the PAD/NOI to FERC by July 31, 2015. The PAD/NOI outlines a plan for implementing the project, identifies what environmental resource studies are required, and is a precursor to submitting a formal FERC license application. Water Authority and City staff, and their consultants, completed this work and filed the documents with FERC on July 28, 2015, within the mandated deadline.

Owners’ Advisor Team
Since May 2015, the Water Authority and City have been working together on procuring an Owners’ Advisor Team to provide professional services for completing Phase 2 work for the San Vicente Pumped Storage Study. Phase 2 work includes completing additional technical, power market, and financial studies and identifying potential partners, all of which will confirm the project’s marketability. This work will analyze various partnership arrangements and evolve into a recommendation for a preferred business model, or range of business models, and a go/no-go decision on the project for Board consideration.

A Request for Proposals for these professional services was advertised on June 24, 2015 and five firms responded: The Louis Berger Group, Inc., Navigant Consulting, Inc., E3 Consulting, Schulte Associates, LLC, and Arup Advisory, Inc. A four-member selection panel, including
two representatives each from both the Water Authority and City, evaluated the firms. The evaluation consisted of reviewing the proposals, conducting interviews, and verifying past client references. The criteria for selection consisted of the ability to accomplish the scope of work, technical competence, past performance, organization and schedule, unique expertise and innovative ideas, and cost proposal and fee schedule. Based on panel consensus, a professional services contract has been negotiated with Navigant Consulting, Inc. in the amount of $1,488,416. Navigant’s subconsultants include Energy Exemplar and the Harvey Consulting Group. Energy Exemplar is experienced in power market modeling and forecasting, and will assist Navigant with the economic analysis including power market and financial analysis. Harvey Consulting Group is experienced in both project business model analysis and regulatory issues, and recently assisted the Water Authority and City with preparation of the FERC PAD/NOI. Due to limited subcontracting opportunities for this type of service, SCOOP outreach was not required. Small business participation for this project is 11 percent.

Staff and the Hydropower Subcommittee recommend authorizing the General Manager, with the Hydropower Subcommittees support, to award a professional services contract to Navigant Consulting, Inc., for $1,488,416, to provide professional services for Phase 2 work, including serving as the Owners’ Advisor to the Water Authority and City and analyzing and recommending a business model(s) for the San Vicente Pumped Storage Study. The Hydropower Subcommittee also recommends requiring staff to periodically update the Hydropower Subcommittee and Engineering and Operations Committee and arrange workshops as necessary regarding the status of the Phase 2 work, including the range of business models being analyzed, before the preferred business model(s) is presented to the Board for consideration.

If authorized, the work is expected to be completed by late 2016. At that time, it is anticipated that a recommendation can be made as to whether the project should move forward and, if so, what the most appropriate project business model should be.

**Next Steps**

Staff anticipates returning to the E&O Committee in late 2016 to recommend a preferred business model for implementation of the San Vicente Pumped Storage Study. In the interim, the Hydropower Subcommittee will meet regularly and update the Engineering and Operations Committee periodically on project status.

Prepared by:  Kelly Rodgers, Energy Program Manager  
Reviewed by:  Frank Belock, Jr., Deputy General Manager  
Approved by:  Maureen A. Stapleton, General Manager
September 16, 2015

Attention: Engineering and Operations Committee

Construction contract with NEWest Construction Company, Inc. for the Twin Oaks Valley Water Treatment Plant Expanded Service Area project (Action)

Staff Recommendation
Accept Change Orders 1 through 3 for $315,145; and authorize the General Manager to execute a change order for $93,392 for HVAC modifications, increasing the authorized contract amount from $3,997,145 to $4,090,537. (Action)

Alternative
Do not accept or authorize these change orders and provide direction to staff relative to issues requiring resolution. Without the HVAC modifications, the equipment may overheat and be compromised during hot weather.

Fiscal Impact
Funds for the contract increase of $93,392 are available in the approved project budget and the fiscal years 2016 and 2017 Capital Improvement Program appropriation. The rate category for this project is transportation.

Background
This project will expand the Twin Oaks Valley Water Treatment Plant service area 10 to 15 percent by rehabilitating and increasing the pumping capacity of the Valley Center Pump Station. Expanding the pump station will allow additional treated water to be conveyed between the Second and First Aqueducts to north county member agencies. As a component of the Emergency Storage Project, modifying the Valley Center Pump Station will also assist with meeting water demands in an emergency event.

The pump station was first completed in 2001; with the original design including expansion provisions to meet future needs. An evaluation of the Valley Center Pump Station’s mechanical, structural, electrical, and security systems confirmed that the pump station can be expanded to increase the pumping capacity from the existing 20 cubic feet per second to 41 cubic feet per second. This satisfies the day-to-day and emergency treated water needs projected through 2035. The retrofit includes replacing the existing pumps, motors, electrical system, computer control system, and certain valves, as well modifications to the building roof to comply with current building code requirements.

Previous Board actions: On August 28, 2014 the Board authorized the General Manager to award a Design-Build contract to NEWest Construction Company, Inc. in the amount of $3,682,000 for the Twin Oaks Valley Water Treatment Plant Expanded Service Area project.
Discussion
Staff recommends that the Board accept NEWest Construction Company, Inc. Change Orders 1 through 3, executed by staff under the General Manager’s authority, for an increase of $315,145. These items are summarized below and include design modifications, differing site conditions, and administrative contract revisions. A full listing of contract modifications is attached in Table 1.

**Design Modifications:** Staff executed two design modifications for $282,599. The largest item for $271,134 was to replace the existing pump inlet piping and valves that were smaller than shown on the record drawings. Larger diameter piping and valves are needed to provide sufficient water to the new pumps.

**Differing Site Conditions:** Staff executed three differing site condition modifications for $42,046. The major item was a modification for $25,069 to relocate the Hauck Mesa Valve Vault due to the presence of slurry backfill beyond the limits shown on the record drawings. Rather than remove the slurry backfill surrounding the in-service pipeline, the facility was relocated. The additional cost was for excavation and backfill of the original location.

**Administrative Modifications:** Staff executed one administrative modification for a credit of $9,500. This reduced the Water Authority field office requirements to provide more efficient office space.

Staff also recommends that the Board authorize the General Manager to execute a change order in the amount of $93,392 for modifications required to the heating ventilation and air conditioning (HVAC) system.

Per information provided in the planning level Basis of Design Report, the Contract requires the contractor to retrofit the pump station’s existing HVAC system based on maximum design indoor temperature of 104°F for electronic equipment and an average outdoor air high temperature of 91°F in the Escondido area. During the design development phase, the contractor concluded that the design outdoor temperature assumption at the location of the pump station was too low. This conclusion was based on temperature records from the Pacific Energy Center’s California Climate Zones, which showed average outdoor air high temperatures in the Valley Center area of 100°F, which is closer to the location of the pump station.

To effectively maintain operability, reliability, and a long-term service life of the electronic equipment, modifications to the original design of the HVAC system are required. These modifications include procuring and installing additional air conditioning units and ducting, high temperature alarms on the variable frequency drives and active harmonic filter equipment, and seismic bracing required for the roof-mounted HVAC equipment.

Approval of these recommendations will increase the NEWest Construction Company, Inc. authorized contract total by $93,392 from $3,997,145 to $4,090,537.
The small business participation on this project is 69 percent. Minority and women-owned business participation is 10 percent. This information is provided for statistical purposes.

Prepared by: Neena Kuzmich, Senior Engineer
Reviewed by: Jerry Reed, Director of Engineering
Approved by: Frank Belock, Jr., Deputy General Manager

Attachments:
   Figure 1 – Vicinity Map
   Figure 2 – Location Map
   Table 1 – Summary of Construction Change Orders
### TABLE 1
**SUMMARY OF CONSTRUCTION CHANGE ORDERS**
**TWIN OAKS VALLEY WATER TREATMENT PLANT EXPANDED SERVICE AREA**
**SPECIFICATION 626**

Original Board authorized contract amount: $3,682,000.00

<table>
<thead>
<tr>
<th>Change Order</th>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
<th>Contract Time Extension</th>
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<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Design Modification - Pump Inlet Piping and Valve Modifications</td>
<td>$271,134</td>
<td>11 days</td>
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<tr>
<td>1</td>
<td>2</td>
<td>Administrative Modification - Credit for Revised Field Office Requirements</td>
<td>($9,500)</td>
<td>0 days</td>
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<td>1</td>
<td>3</td>
<td>Differing Site Condition - Relocate Waterlines at Hauck Mesa Tank Site</td>
<td>$4,824</td>
<td>0 days</td>
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<tr>
<td>2</td>
<td>1</td>
<td>Design Modification - Trystar Generator Docking Station</td>
<td>$11,465</td>
<td>0 days</td>
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<tr>
<td>2</td>
<td>2</td>
<td>Differing Site Condition - Relocate Hauck Mesa Valve Vault</td>
<td>$25,069</td>
<td>0 days</td>
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<tr>
<td>3</td>
<td>1</td>
<td>Differing Site Condition - Pump Train Piping Lining and Coating Repair</td>
<td>$12,153</td>
<td>0 days</td>
</tr>
</tbody>
</table>

Total change order amount through Change Order 3: $315,145

Total time extension: 11 Days

Original Board authorized contract amount: $3,682,000.00

New executed contract amount: $3,997,145.00
Attention: Engineering and Operations Committee

Advertisement for Bids for the Ramona Pipeline Pump Well project. (Information)

Background
The Water Authority’s Asset Management Program is designed to derive the most value from an asset throughout its life cycle to ensure water delivery system reliability at the lowest cost and least impact to member agencies. The three asset classifications: Pipelines, Facilities, and Equipment, are funded by the Capital Improvement Program. Each asset is prioritized for repair, replacement, or rehabilitation. The Ramona Pipeline Pump Well project is part of the Pipelines asset class.

Previous Board Action: In October 2014, the Board approved staff’s recommendation to reject the single bid from TC Construction Co., Inc., in the amount of $536,500 for the Ramona Pipeline Pump Well project and re-advertise for construction bids in fiscal year 2016.

Discussion
The Ramona Pipeline Pump Well project scope includes constructing a pump well to allow the pipeline to be fully drained. This work is prerequisite for future rehabilitation of the Ramona Pipeline cathodic protection system. The five-month long construction project includes a pipeline shutdown and drain down to install the pump well located adjacent to Valle Verde Park in the city of Poway.

This project was initially advertised in September 2014. The only bid received was higher than the anticipated construction cost. Based on staff’s bid evaluation and discussions with the sole bidder, the Board approved staff’s recommendation to reject the bid and re-advertise the project allowing staff to further define key risk factors associated with the project to help increase contractor interest in the project. Since that time, staff has completed the following efforts:

- Performed a more detailed geotechnical investigation that defines subsurface conditions: The geotechnical borings showed hard rock and ground water should not be encountered in the excavation of the pump well facility. This was unclear in the previous bid and, as a result, the bidder included funds for extensive rock and groundwater removal.

- Pre-purchased pipe and appurtenances: This removes pipe fabrication bidder risk and eliminates potential schedule impacts associated with job site pipe delivery.

- Conducted contractor outreach efforts: By meeting with general contractors, staff identified several contractors that demonstrated interest in bidding this project. Increasing bidders will result in a more competitive bidding environment.

- Refined the original cost estimate and included additional costs to more accurately represent the work required.
Staff plans to advertise a construction contract for public bid this fall, with a construction cost estimate of $490,000 - $540,000. Staff anticipates recommending the Board award a construction contract at the December 2015 meeting.

Prepared by: J. Wade Griffis, Interim Principal Engineer
Reviewed by: Jerry Reed, Director of Engineering
Approved by: Frank Belock, Jr., Deputy General Manager

Attachments: Figure 1 – Location Map
IMPORTED WATER COMMITTEE

AGENDA FOR

SEPTEMBER 24, 2015

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

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.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION/PRESENTATION

1. MWD Issues and Activities Update.
   1-A Update on Metropolitan Water District’s 2015 Integrated Resources Plan. (Presentation)     Deven Upadhyay, Group Manager, Water Resources Management

   1-B Metropolitan Water District Delegates Report. (Discussion) (Supplemental Materials)     MWD Delegates

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

   2-B Report on Colorado River hydrology. (Presentation)     Dan Denham


Larry Purcell

III. INFORMATION

1. Metropolitan Water District Program Report.

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

Melinda Cogle
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 (Revised). 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.
September 16, 2015

Attention: Imported Water Committee

Update on Metropolitan Water District’s 2015 Integrated Resources Plan. (Presentation)

Discussion
Metropolitan Water District (MWD) supplies water to water agencies and cities across six counties in Southern California and provides at least a portion of the water supply to more than 19 million Southern Californians, including 3.2 million San Diego County residents. In 1996, following the prolonged drought in the early 1990s, MWD undertook a regional planning effort to develop a strategy to meet the region’s projected demands over a 25-year horizon. This effort culminated in MWD’s first Integrated Resources Plan (IRP) that included its “Preferred Resource Mix,” which set specific resource development goals to meet projected demands.

Since 1996 MWD completed two updates to the 1996 IRP and the third update (the 2015 IRP) is under development. Last month, this committee received an update on previous IRP processes, and an overview of the current 2015 IRP update. The update also included policy issues the Water Authority previously raised. These issues should be addressed in the 2015 IRP update to ensure its success at developing a supply strategy to meet future demands in a fiscally responsible manner.

This month, Deven Upadhyay, MWD’s Water Resources Management Group Manager, will present to the Imported Water Committee on the 2015 IRP Update. This is an opportunity for Board members to ask questions about MWD’s IRP.

Prepared by: Liz Mendelson-Goossens, Water Resources Specialist
Reviewed by: Amy I. Chen, MWD Program Director
September 16, 2015

Attention: Imported Water Committee

Report on Colorado River hydrology. (Information)

Purpose
This report provides an update on hydrologic conditions, reservoir operations, and shortage predictions for the Colorado River.

Background
The Colorado River Basin is in a fifteen-year prolonged drought. Reduced supply volumes from low annual inflows have caused the supply-demand deficit to be made up through existing storage in Lakes Powell and Mead. While the past few months have seen a boost in the hydrologic outlook for the current year, the persisting drought conditions since 2000 have caused reservoir elevation levels to drop to a point where it is likely that a shortage could occur in the next five years. A shortage declaration would result in reduced allocations to certain water users as well as other restrictions to Lower Basin programs.

Hydrologic Conditions
Typically, the Upper Basin snowpack is the source for the vast majority of the Colorado River’s annual water supply. This water year saw a record low snowpack which both peaked and melted early; giving a dismal outlook for the hydrologic forecasts for the year that persisted into April. Fortunately, tremendous rains in May referred to as “Miracle May” brought much needed precipitation to the Basin. Continued rainfall throughout June and July provided additional inflows that helped turn the forecasts around; resulting in what now appears to be an average year for precipitation and inflows to the river. As of September 8, unregulated inflows to Lake Powell for the water year are forecasted at 10.2 million acre-feet or 94% of average. Precipitation is currently 93% of normal.

Lake Powell and Lake Mead are the two major Colorado River reservoirs with a combined storage capacity of over 50 million acre-feet. Storage in both reservoirs has been on a decreasing trend since the drought period started in 2000. Lake Mead recently fell to its lowest elevation since filling. However, with the recent rains and releases from Powell, the reservoir level has risen several feet and the total combined storage is the same as it was at this time last year. As of September 8, Lake Powell contained 12.6 million acre-feet of storage, which is 52% of its capacity. Lake Mead is 38% full with 9.9 million acre-feet of water.

Reservoir Operations
The Bureau of Reclamation (Reclamation) produces a monthly report called the 24-month study which models the river’s water budget and projects reservoir elevations over the upcoming two years. While these monthly studies are important planning tools throughout the year, the critical report is the August 24-month study, which determines reservoir releases from Lakes Powell and Mead for the coming year. These reservoir releases are based on the projected January 1 elevation levels of Lakes Powell and Mead indicated in the August study. The projected elevation of Lake Powell determines its operational status for the upcoming year and indicates the associated release volume. Release volumes from Lake Powell incorporate conditions at

The August 2015 24-month study shows Lake Powell will be operated in the Upper Elevation Balancing Tier in water year 2016 with an initial annual release volume of 8.23 million acre-feet. When Lake Powell is operating in this tier, an additional review of the conditions at Lake Powell and Lake Mead will be performed the subsequent April, where the release volume can be adjusted. Current projections indicate that 9.0 million acre-feet is the most likely annual release volume for water year 2016 after an expected increase in April. The August 24-month study is also used to categorize Lake Mead’s operations for the upcoming year, which is similarly determined by the projected January elevation of the reservoir. The August 2015 study indicates the January 1, 2016 projected elevation of Lake Mead is 1,082.3 feet, which is above the first shortage trigger elevation of 1,075 feet and places the reservoir into the “Normal/Intentionally Created Surplus” operating condition for 2016 with all users receiving their full allocations.

**Shortage Predictions**

While an official shortage has never been declared for the Lower Basin, projections prior to the heavy rains this year indicated a shortage declaration in the next year or two seemed almost inevitable. Those projections have also turned around after the record precipitation improved conditions on the river and delivered several million acre-feet into the major reservoirs. There is no longer a projected chance of shortage next year and the risk of shortage in 2017 is now reduced to less than a one in five chance—down from 75% likelihood predicted only a few months ago in April 2015. The recent rains have succeeded at delaying a shortage declaration for another year or two but beyond 2017 there is a much greater threat of shortage. Table 1 shows the five-year outlook of the probability of shortage in the Lower Basin.

<table>
<thead>
<tr>
<th>August 2015 Projections of Lower Basin Shortage</th>
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</thead>
<tbody>
<tr>
<td>2016</td>
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<tr>
<td>0%</td>
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The 2007 Interim Guidelines established the rules for allocating shortages of water on the Colorado River. The guidelines established surface elevation triggers on Lake Mead, which indicate the degree of shortage and determine the reductions in water apportioned to each of the Lower Basin States of California, Arizona, and Nevada. Also as part of the Minute 319 binational agreement, Mexico will share in shortage declarations on the river through reductions to its annual allocation of 1.5 million acre-feet. While Arizona, Nevada, and Mexico would face reduced allocations in a shortage, California’s allocation is not affected due to its high priority rights on the river. California’s annual allocation remains at 4.4 million acre-feet in any level of shortage.

Prepared by: Kara Mathews, Water Resources Specialist
Reviewed by: Dan Denham, Colorado River Program Director
Approved by: Maureen A. Stapleton, General Manager
September 16, 2015

Attention: Imported Water Committee


Purpose
This report presents the issues identified during review of the Bay Delta Conservation Plan (BDCP)/California WaterFix Partially Recirculated Draft Environmental Impact Report and Supplemental Draft Environmental Impact Statement (PRDEIR/SDEIS).

Background
On December 13, 2013, the Department of Water Resources (DWR) along with other lead and cooperating agencies released the BDCP document and draft Environmental Impact Report/Environmental Impact Statement (EIR/EIS) for a 180-day public review period ending on June 13, 2014. The BDCP, at that time, was planned as a joint Habitat Conservation Plan/Natural Communities Conservation Plan (HCP/NCCP) intended to meet the state-mandated co-equal goals of restoring and protecting ecosystem health, water supply and water quality within a stable regulatory framework. The BDCP was to obtain 50-year State and Federal Endangered Species Act (ESA) permits for the operation of the State Water Project (SWP) and Central Valley Project (CVP). The Water Authority, under the overview of the Imported Water Committee, conducted extensive review of the BDCP and subsequently submitted a formal comment letter on the draft EIR/EIS in May 2014, followed by a comment letter on the draft Implementing Agreement in July 20141 (Attachment 1 and 2, respectively).

After receiving more than 10,000 comment letters through the environmental review process, including concerns raised by the federal fishery agencies, it became clear to DWR and the lead agencies that the HCP/NCCP path presented insurmountable legal, regulatory, political and practical implementation challenges. On April 30, 2015, Governor Brown announced a new approach that de-coupled the BDCP’s water conveyance and ecosystem restoration objectives into two distinct efforts – California WaterFix and California Eco Restore – with the intention of “accelerating” the projects and overcoming the identified implementation challenges.

The PRDEIR/SDEIS was released for a 51-day public review and comment period commencing on July 10, 2015. The intent is to provide the public and interested agencies with an updated environmental analysis to address revisions to the draft BDCP, to introduce new sub-alternatives, and to address some issues raised in comments received on the draft BDCP and its accompanying

1 On May 30, 2014, the BDCP released a draft Implementing Agreement for public review. The implementing Agreement is typically executed among the ESA permittees and the wildlife agencies, and is intended to describe their respective roles and responsibilities in implementing the BDCP. Of particular interest are obligations related to funding, governance, and regulatory assurances.
environmental documents. The recirculated documents also include engineering refinements made to the BDCP water conveyance facilities and introduce Alternative 4A, also known as the California WaterFix, as the new preferred alternative. Rather than pursuing long-term 50-year permits to operate the proposed conveyance facilities, the California Water Fix is proposed to operate under Section 7 of the Federal Endangered Species Act and corresponding state regulations, similar to the current permit mechanism under which the SWP and CVP operate. On July 22, 2015, the public review period was extended another 60 days, with public comments due no later than October 30, 2015.

Previous Board Action: On March 19, 2014, the Board authorized the General Manager to submit a formal comment letter on the BDCP Draft EIR/EIS.

Discussion
The Board has received numerous briefings on various aspects of the BDCP and California WaterFix over the past two years, including last month’s update on the state’s perspective of the California WaterFix and California Eco Restore by John Laird, Secretary of California Natural Resources Agency, and Deputy Secretary Karla Nemeth. Secretary Laird described the state’s need for the project and how the revised plan would help move the project forward. One central issue the Water Authority had on the prior plan – the BDCP – was the lack of specificity on how much water the San Diego region would gain from the project and how much would it cost its ratepayers. Deputy Secretary Nemeth made it clear, last month, that the state would not ask any agency to “support a project when it does not yet have a financing plan and complete understanding of the cost.” Deputy Secretary Nemeth also shared that the cost allocation discussions between the state and federal entities are still on-going and have not yet been finalized.

The BDCP and associated environmental documents remain as part of the PRDEIR/SDEIS. While the BDCP contained 22 separate Conservation Measures (CM), the draft EIR/EIS only analyzed CM1 (Water Facilities and Operations) in sufficient detail to allow construction and operation. The remaining 21 CMs are examined programmatically and require additional CEQA and/or NEPA review before implementation. With the release of the PRDEIR/SDEIS, the new CEQA/NEPA preferred alternative – the California WaterFix, or Alternative 4a – replaced Alternative 4 in the BDCP, but includes the same basic water conveyance changes that are in the BDCP. As outlined in the PRDEIR/SDEIS, the new preferred alternative shifts from the BDCP effort that pursued combining water conveyance facilities and ecosystem improvements under a single long-term permit framework to a proposal for operating water conveyance facilities only under the ESA section 7 federal biological opinions and Section 2081(b) of the state’s ESA. The public review PRDEIR/SDEIS consists of about 48,000 pages of information.

Because the BDCP/California WaterFix documentation is extensive, the PRDEIR/SDEIS is under review by staff using the inter-departmental, multi-disciplinary approach employed during the review of the BDCP. Water Authority reviewers of the PRDEIR/SDEIS focused on the sufficiency of the document in identifying and analyzing possible impacts on the environment and ways in which the significant effects of the BDCP/California WaterFix might be avoided or mitigated. Key subject areas identified under staff’s review of the BDCP were used to compare changes made under the California WaterFix Preferred Alternative (Attachment 3 for comparison). Staff intends to
return to this committee in October with a draft letter for review, and discussion. Upon the Board’s review, staff will submit a formal comment letter by the October 30, 2015 deadline.

None of the comments submitted by the Water Authority in its May 30, 2014 formal letter, or in any of the prior correspondence specifically related to finance, cost-benefits, and governance issues, have been addressed in the PRDEIR/SDEIS.

**Next Steps**
Following the close of the public review period, the lead agencies will consider all comments received and prepare a written response to each. The responses will be incorporated into the Final EIR/EIS and made available for public review prior to certification/adoptions of the document. Once the Final EIR/EIS is certified/adopted, the lead agencies must decide whether or not to approve the Final BDCP/California WaterFix.

Prepared by: Debbie Discar-Espe, Senior Water Resources Specialist  
Larry Purcell, Water Resources Manager

Reviewed by: Glenn A. Farrel, Government Relations Manager  
Amy Chen, Director of MWD Program

Approved by: Dennis A. Cushman, Assistant General Manager

Attachments:

Attachment 1 – Water Authority Comment Letter, dated May 30, 2014
Attachment 2 – Water Authority Comment Letter, dated July 28, 2014
Attachment 3 – Key Subject Areas for BDCP/California WaterFix
San Diego County Water Authority
4677 Overland Avenue • San Diego, California 92123-1233
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

May 30, 2014

Mr. Ryan Wulff
National Marine Fisheries Service
650 Capitol Mall, Suite 5-100
Sacramento, California 95814
ATTN: BDCP Comments


Dear Mr. Wulff:

The San Diego County Water Authority (Water Authority) is submitting the following comments on the joint Draft Environmental Impact Report (EIR) Draft Environmental Impact Statement (EIS) prepared by the U.S Department of Interior, Bureau of Reclamation (Reclamation), and U.S. Department of Interior, Fish and Wildlife Service; the U.S Department of Commerce, National Oceanographic and Atmospheric Administration, National Marine Fisheries Service; and the California Department of Water Resources (DWR) for the proposed Bay Delta Conservation Plan (BDCP). The BDCP has been developed to support issuance of long-term incidental take permits that meet the requirements of Section 10(a)(1)(B) of the federal Endangered Species Act, as well Section 2800 et seq. of the California Fish and Game Code, for certain actions proposed within the statutorily defined Sacramento-San Joaquin Delta (Delta) for a term of 50 years.

The BDCP proposes to make physical and operational improvements to the State Water Project (SWP) system in the Delta necessary to restore and protect ecosystem health, water supplies of the SWP and Central Valley Project (CVP) south-of-Delta, and water quality within a stable regulatory framework, consistent with statutory and contractual obligations. This comprehensive species conservation strategy generally consists of 22 separate conservation measures that will contribute to the preservation and recovery of 56 species of plants and animals.

The Water Authority is a local governmental entity responsible for providing a safe and reliable imported water supply to 24 member agencies serving the San Diego region's $191 billion economy and its approximately 3.1 million residents. The Water Authority, by State legislative mandate, is the authoritative expert on the San Diego regions’ water supply reliability and long-term water supply planning. The Water Authority imports up to 90 percent of the water used in the San Diego region through
five larger diameter pipelines. The source of imported water is the SWP and Colorado River. Highly dependent on imported supplies, the Water Authority has historically and consistently been a strong advocate for the Delta and for the co-equal goals of providing a more reliable water supply for California, while protecting, restoring and enhancing the Delta ecosystem.

The Water Authority’s goal for providing written comments is to ensure that the Final EIR/EIS, Final BDCP, and any resulting incidental take permits, provide a comprehensive and lasting solution to the conflicts between water supplies and ecosystems in the Delta that have made water supplies less reliable. However, the Water Authority is also convinced that any solution to Delta conflicts must be cost-effective, that the costs be shared equitably among beneficiaries of the improvements, and that beneficiaries be required to make firm commitments to pay their share of constructing and maintaining improvements to the Delta.

GENERAL COMMENTS

1. As has been noted in previous BDCP correspondence to the California Natural Resources Agency dated August 28, 2012, July 30, 2013, and October 7, 2013 (attached and incorporated as additional comments), the Water Authority remains concerned that the financing components of the BDCP have not been explicitly described. As the largest customer of the largest state water contractor – the Metropolitan Water District of Southern California – the Water Authority’s ratepayers have a great deal at stake in the BDCP process and its financing plan. Chapter 8 of the current BDCP does not provide the detailed information necessary for potential participating agencies to evaluate individual agency cost-benefit (or feasibility) of the proposed project. The Final BDCP should contain details on: how participating water contractors intend to guarantee the revenue necessary to pay for the BDCP; the provisions for “step-up” should individual water contractor’s default on funding obligations; and a legal analysis of relying on property taxes as a back-up security for project debt.

2. A necessary component that is missing from BDCP public review documents is the proposed Draft Implementing Agreement, which will be signed by the U.S. Fish and Wildlife Service, National Marine Fisheries Service, California Department of Fish and Wildlife, California Department of Water Resources, and certain water contractors (Authorized Entities). Public review of this document is crucial to understanding exactly what assurances and commitments are being agreed to, and how the various financial and implementation obligations will be distributed among the signatories and, ultimately, ratepayers. The proposed Draft Implementing Agreement should be distributed for a minimum 60-day public review period. If necessary, the public comment period for the Draft EIR/EIS and BDCP documents should be extended, or re-opened, to include sufficient time for public review of the Implementing Agreement.
DETAILED COMMENTS

Draft EIR/EIS Document

Executive Summary

1. Page ES-6, Table ES-1 lists Lead, Cooperating, Responsible, and Trustee Agencies.

   Comment: The table listing is incomplete. All water contractors will be required to consider the Final EIR as part of their decision to participate in BDCP implementation as permittees (Authorized Entities). The Final EIR/EIS should list the water contractors that must approve the Final EIR/EIS as responsible agencies.

2. Page ES-8, line 22 lists Mirant LLC as an applicant for an incidental take permit, yet a footnote states they are no longer an active participant.

   Comment: To avoid confusion, all references to Mirant LLC as a BDCP participant should be deleted from the Final EIR/EIS.

Chapter 4 – Approach to Environmental Analysis

3. Page 4-4, line 33 states that the CEQA baseline consists of those “facilities and ongoing programs that existed as of February 13, 2009 (publication date of the most recent NOP...).”

   Comment: While this approach is consistent with CEQA Guidelines, the exclusive use of this baseline is confusing when the Draft EIR/EIS analysis is compared to the baseline and analysis presented in BDCP Chapter 9 (Economic Analysis Report). We understand that the development and use of these two very different baselines is for different purposes: one to meet CEQA requirements, and the other to reflect assumed additional, potentially severe, regulatory agency restrictions on water exports that will greatly affect the financial viability of the BDCP. However, the much more restrictive conditions in Chapter 9 could actually represent the future “without BDCP” based on preliminary indications from the regulatory agencies. It would be helpful if the Final EIR/EIS also included an impact analysis, for reference only, using a baseline that matched the conditions assumed in the BDCP Economic Analysis Report. This would allow easy comparisons of the potential environmental impacts of the less restrictive CEQA baseline to the more restrictive BDCP Economic Analysis baseline. Such a comparison would highlight the true potential impacts and benefits of the BDCP.
Chapter 30 – Growth Inducement and Other Indirect Effects

4. Page 30-126, line 19 states that “...unavoidable impacts would still be expected to occur”.

Comment: The basis for this statement is unclear. Neither DWR nor Reclamation have land use authority and cannot approve or deny development projects other than their own. Planning for, and approving, future public and private growth and development in areas served by SWP or CVP contractors is the responsibility of various land use agencies (e.g., cities or counties). The Draft EIR/EIS conclusion that unavoidable impacts would occur, especially when the location, magnitude, and timing of future development is unknown, is unsupported by the included information. The Final EIR/EIS should be revised to conclude that future development decisions are the responsibility of appropriate land use jurisdictions and that, in the absence of specific development proposals, it is speculative to make a determination as to the significance of environmental impacts resulting from any future growth in areas served by SWP and CVP contractors.

Draft BDCP Document

Chapter 1 – Introduction

5. Page 1-8, lines 23-25 state that “The BDCP is intended to meet the regulatory requirements for the issuance of Section 10 permits... to allow for the incidental take of the species... resulting from implementation of covered activities by DWR and certain SWP and CVP contractors (e.g., the Authorized Entities).”

Comment: It is unclear if SWP and CVP water contractors that decline to participate in BDCP implementation will continue to receive water under terms of existing contracts pursuant to existing Biological Opinions. It is also not clear if existing contractors deciding to “opt out” of the BDCP can obtain “third party beneficiary” status (and receive the benefits of HCP coverage) through a separate agreement with an entity that does receive a HCP take authorization through BDCP participation. The Final BDCP should explain what happens to any existing in-Delta Biological Opinions (e.g., remain in force, terminate, etc.) should the BDCP be approved, as well as the ability of non-participating entities to obtain HCP coverage through execution of side agreements with a BDCP permittee, or through a separate Section 7 consultation process.

6. Page 1-11, lines 17-18 state that “…DWR and certain water contractors are seeking permits from CDFW that authorize the take of species covered under the Plan...”

Comment: It is unclear if SWP and CVP water contractors that decline to participate in BDCP implementation will continue to receive water under terms of existing contracts pursuant to existing CESA authorizations. It is also not clear if existing contractors deciding to “opt out” of the BDCP can obtain “third
party beneficiary” status (and receive the benefits of NCCP coverage) through a separate agreement with an entity that does receive a NCCP take authorization through BDCP participation. The Final BDCP should explain what happens to any existing in-Delta CESA permits (e.g., remain in force, terminate, etc.) should the BDCP be approved, as well as the ability of non-participating entities to obtain NCCP coverage through execution of side agreements with a BDCP permittee, or through a separate Section 2081 permit process.

Chapter 3 — Conservation Strategy
7. Page 3.4-2, line 26 states that a “structured scientific approach” will be taken to reduce uncertainty about the fall and spring outflow decision trees.

Comment: The specific timing and description of the research necessary to test the fall and spring outflow uncertainties is lacking. The process by which the decision tree outflow and export yield will be determined is important in understanding the value of the BDCP to water contractors. The Final BDCP should include a detailed description of the specific scientific research hypotheses, proposed methods, and schedule that will be undertaken to address the flow uncertainties incorporated into the decision tree.

8. Page 3.D-2, Table 3.D.1, CM1 Water Facilities Operation, Compliance Monitoring Action will “Document compliance with the operational criteria using flow monitoring and models implemented by the Implementation Office. [Details of monitoring to be developed...].”

Comment: The details of compliance monitoring to document flow criteria are lacking. The importance of outflow monitoring cannot be overstated as it forms the basis for the decision tree export yield. The water contractors must have a clear understanding of the research deemed necessary to resolve the fall and spring outflow uncertainties. Stating that “details of monitoring to be developed” is inappropriate given its importance in helping frame whether water contractor participation in the BDCP is warranted. Outflow requirements are the most important issue for water contractors; to defer development of this essential research to a later time does not provide the information needed by water contractors to evaluate the science proposed to resolve decision tree uncertainty. The Final BDCP should provide greater detail on the likely magnitude and scope of research contemplated for the decision tree process.

9. Page 3.D-28, Table 3.D.3, CM1 Water Facilities Operation, Potential Research Actions states that “[Studies necessary to evaluate this uncertainty.... have not yet been determined.]”

Comment: Similar to Comment #7 above. The research necessary to determine the outcome of the decision tree is of the utmost importance to water
contractors. At a minimum, the general scope of these studies should be developed and included in the Final BDCP so water contractors can more fully evaluate the benefits and risks of participation.

Chapter 6 – Plan Implementation

10. Page 6-5, Table 6-2 provides a very aggressive implementation schedule for CM3 (24,396 acres), CM4 (19,150 acres), CM9 (98 acres), and CM10 (900 acres) during the near-term, especially the first 5 years.

Comment: The level of information included in the BDCP does not provide adequate support that restoration of these very large acreages can be achieved within the established time frames. For example, it is very difficult to envision how over 9,500 acres of tidal natural community restoration can be completed within 5 years given the time needed to properly plan, design, permit, and construct this habitat type. At a minimum, additional specific information on the location of identified parcels and conceptual design/planting plans for these near-term lands should be included in the BDCP and FEIR/EIS document to validate the assertion that these acreage targets can be achieved within the identified schedule. If the BDCP intends to rely on one or more interim action projects listed in Table 6-4 (page 6-14) to meet the implementation schedule, then the BDCP should identify those projects where a firm funding commitment has been, or will likely be made. Should restoration take longer than anticipated, legally binding assurances must be provided to permittees that water yields will not be reduced below the minimum described in the decision tree process.

11. Page 6-8, CM4 Tidal Natural Communities Restoration, states that the initial 4,000 acres will take “less time to plan and permit... because... is likely to be implemented first on public lands.”

Comment: We believe this timing assumption to be overly optimistic. The Water Authority’s experience for a 40 acre wetland restoration project on public land took three years just to obtain all necessary federal, state, and local approvals to commence construction. Because tidal natural community habitat type is critical to fish species being considered in the decision tree process, the BDCP and FEIR/EIS should examine the effects on ultimate BDCP success if a longer implementation schedule is required for this initial restoration increment. Should restoration take longer than anticipated, legally binding assurances must be provided to permittees that water yields will not be reduced below the minimum described in the decision tree process.

12. Page 6-29, lines 6-7 state that “…these measures do not involve additional financial commitments or resource restrictions without the consent of the Permittee...”
Comment: This text should be changed to read “...these measures do not involve additional land, water, or financial compensation or additional restrictions on the use of land, water, or other natural resources without the consent of the Permittee...”. This change is consistent with the regulatory assurances provided by the “no surprises” rule.

Chapter 7 – Implementation Structure

13. Pages 7-3 and 7-4, Table 7-1: A significant level of decision-making authority would be granted to the Authorized Entity Group under the proposed BDCP governance framework. For many of the decisions outlined in Table 7-1, the Authorized Entity Group is identified as having a primary decision-making authority role. Additionally, for many BDCP implementation issues, it appears that the Authorized Entity Group is being granted substantial decision-making authority. Even for those decisions where the Authorized Entity Group is not identified as the party making decisions on implementation issues in Table 7-1, the dispute resolution process proposes to grant substantial deference to the Authorized Entity Group.

Comment: Given that the Authorized Entity Group is granted such broad decision-making deference, it would seem that a significantly larger group than is currently contemplated within the BDCP governance framework is warranted. A more inclusive governance model – providing for all permittees to be members of the Authorized Entity Group – would ensure more balanced decision-making by the body. The Final BDCP should revise membership of the Authorized Entity Group to include all BDCP permittees.

14. Page 7-10, line 39 states that “The Authorized Entity Group will consist of the Director of DWR, the Regional Director for Reclamation, and a representative of the participating state contractors and a representative of the participating federal water contractors...”

Comment: Similar to Comment #13 above. The four-member Authorized Entity Group is inadequate to fully represent the interests of all Authorized Entities. As stated on page 7-9, line 14, Authorized Entities includes “…those state and federal water contractors that receive take authorizations...”. The relationship between the very limited membership of the Authorized Entity Group and the much larger group of SWP and CVP Authorized Entities is unclear. Because SWP and CVP Authorized Entities will have been issued permits and maintain a substantial direct financial interest in BDCP implementation, the Authorized Entity Group should include every SWP or CVP contractor that receives a take authorization. An example of this more-inclusive governance model can be found by examining the functions of the Steering Committee for the Lower Colorado River Multi-Species Conservation
Program administered by Reclamation. The Final BDCP should expand membership of the Authorized Entity Group to include all SWP and CVP Authorized Entities.

15. Page 7-12, lines 17-21 state that “The Authorized Entity Group will institute procedures with respect to public notice of and access to its meetings and its meetings with the Permit Oversight Group... All meetings will be open to the public.”

Comment: The Water Authority appreciates that all meetings of the Authorized Entity Group will be conducted in public. However, the BDCP is silent with respect to the requirements under California’s open meeting and records laws, the Federal Advisory Committee Act, the California Public Records Act and the Federal Freedom of Information Act (FOIA), and the applicability of those statutes to the activities and undertakings of the Authorized Entity Group. The Final BDCP should clearly delineate the state and federal statutes relevant to the activities of the Authorized Entity Group.

16. Pages 7-13, lines 9-27 state that “The Permit Oversight Group will be composed of the state and federal fish and wildlife agencies... will be involved in certain decisions relating to the implementation of water operations, and other conservation measures, actions proposed through the adaptive management program or in response to changed circumstances, approaches to monitoring and scientific research.”

Comment: The BDCP document is completely silent with respect to whether or not the Permit Oversight Group must comply with state or federal public meeting and records laws. The Final BDCP should clearly delineate the state and federal statutes relevant to the activities of the Permit Oversight Group.

17. Page 7-13, line 37 states that the Permit Oversight Group will have “decision making regarding real-time operations”. This section goes on to state that the “roles... are still under consideration and will be addressed in Chapter 3, Conservation Strategy”.

Comment: We could not find a detailed explanation of the Permit Oversight Group role in Chapter 3. Understanding the role of the regulatory (i.e., HCP/NCCP permits) agencies during implementation of the BDCP is critical. Most HCP/NCCP’s that the Water Authority is familiar with have the regulators as strictly advisory, without the ability to impose unilateral actions unless the species are in danger of extinction. This places sole responsibility for BDCP success on the permittees. If the regulators have unilateral decision making authority for one or more aspects of BDCP implementation, they then accept some level of responsibility for the ultimate outcome by virtue of any decisions they impose. Keeping the regulators outside the decision process, but in a close
advisory role, allows the permittees to freely implement the BDCP that they voluntarily developed. If the regulators believe the permittees are not acting in compliance with BDCP permits, the Implementing Agreement would normally contain provisions to suspend or revoke the HCP and/or NCCP permits (however, as noted above, there was no Implementing Agreement included in review documents). The Final BDCP should remove all BDCP implementation decision making authority from the Permit Oversight Group.

18. Page 7-16, line 40 through Page 7-17, line 2 states that “The Adaptive Management Team will hold public meetings... noticed and open to the public.”

Comment: The Water Authority appreciates that all meetings of the Adaptive Management Team will be conducted in public. However, the BDCP is silent with respect to the requirements under California’s open meeting and records laws, the Federal Advisory Committee Act, the California Public Records Act and the Federal Freedom of Information Act (FOIA), and the applicability of those statutes to the activities and undertakings of the Adaptive Management Team. The Final BDCP should clearly delineate the state and federal statutes relevant to the activities of the Adaptive Management Team.

19. Page 7-17, line 17 states that “In the event that the Authorized Entity Group and the Permit Oversight Group are unable to resolve the issue at hand, the entity with decision-making authority... will make the final decision”.

Comment: Similar to Comment #17 above regarding the appropriate role of the permitting agencies. Regulatory agencies should not be in a decision making role unless they are prepared to accept responsibility for the eventual outcome of the BDCP. Once the regulatory agencies issue the HCP and NCCP authorizations (i.e., permits), their role is to verify compliance with the BDCP and Implementing Agreement. If permittees are not in compliance, the regulatory agencies can initiate permit suspension or revocation procedures (which should be detailed in the Implementing Agreement). Therefore, all decisions related to BDCP implementation should be made by the Authorized Entity Group (composed of all permittees), in consultation with the Permit Oversight Group. The Final BDCP should be revised to clarify that regulatory agencies provide guidance and advice to the Authorized Entity Group, but do not have BDCP implementation decision making authority.

20. Page 7-20, lines 21-22 state that “Stakeholder Council meetings will be open to the public.”

Comment: The Water Authority appreciates that all meetings of the Stakeholder Council will be conducted in public. However, the BDCP is silent with respect to the requirements under California’s open meeting and records laws, the
Federal Advisory Committee Act, the California Public Records Act and the Federal Freedom of Information Act (FOIA), and the applicability of those statutes to the activities and undertakings of the Stakeholder Council. The Final BDCP should clearly delineate the state and federal statutes relevant to the activities of the Stakeholder Council.

21. Page 7-21, lines 6-26 state that “Any member of the council, however, will have the right to object to any proposal of the Program Manager... If the dispute is not resolved within the 60 day period, the issue will be elevated to the Authorized Entity Group... If the issue remains unresolved... for over 90 days, it will be referred for decision by the entity with the locus of responsibility...recognizing that multiple entities may have some relevant responsibility.”

Comment: This provision needs additional clarification and structure to ensure that the dispute resolution process does not become a de facto delay process for those opposed to BDCP implementation. Gridlock could easily occur if not only prospective, but also prior implementation actions may be challenged at any time. The Final BDCP should include provisions to ensure that multiple or repeated objections do not result in significant disruption of the program.

22. Page 7-27, lines 29-31 state that “The Program Manager, through the Implementation Office... will generally be responsible for the planning, oversight, implementation of actions set out in the conservation strategy.”

Comment: While charged with implementing the BDCP, there is no discussion of the appropriate legal framework within which the Implementation Office, proposed BDCP governance structure, and associated coordinating and dispute resolution mechanisms would be effectuated. Would the legal framework require legislation, a memorandum of understanding/agreement, bylaws, a joint powers authority, or some other structure? The Final BDCP should explain the legal documentation and processes necessary to allow participating entities to fund and implement the BDCP. Again, Reclamation’s Lower Colorado River MSCP provides an example of a legal framework that is working to successfully implement a complex multiple species conservation plan.

Chapter 8 – Implementation Costs and Funding Sources

23. Page 8-1, lines 36-39 state that “Consistent with the ‘beneficiary pays’ principle and in recognition of public benefits associated with environmental restoration of this important region, it is assumed that a state and federal investment will be available and necessary to implement the BDCP, as described in Section 8.3, Funding Sources.”
Comment: BDCP was conceived as a “beneficiary pays” project. However, the BDCP does not include a detailed financial plan. Instead, the public draft relies on the projected benefits afforded to the exporters to gauge funding support for the conveyance facilities (i.e., CM1). Until a detailed financial plan is finalized and cost allocation formula agreed upon by participants, there will continue to be questions and concerns regarding what “beneficiary pays” means in terms of precise cost obligations. Is “beneficiary pays” based on the value the water provides to a specific contractor? Does “beneficiary pays” mean every contractor pays the same unit cost for water received? As envisioned by the BDCP, the water quantity available for export will vary depending on hydrology; how would the benefits be calculated and unit costs be derived for each “beneficiary” under constantly changing hydrological conditions? Many water suppliers in Southern California are seeking to reduce their demand for imported water from the Delta. What happens if contractors’ needs for the water decrease in the future? How would the costs be allocated then? More importantly, how would costs be allocated pursuant to state and federal laws – including, without limitation, the cost-of-service requirements of California Constitution Article XIII A and C (Proposition 26)? Both the HCP and NCCP regulations require the BDCP to demonstrate that it has funding assurances from those expected to pay - including the state and federal governments – rather than relying on assumptions. The Final BDCP should address these issues to ensure the BDCP’s ability to be funded.

24. Page 8-2, lines 22-24 state that the chapter is not a financing plan...“nor does it establish the final allocation of cost or repayment responsibility; rather financing plans will be prepared separately by various funding agencies and through future discussions between state and federal agencies.”

Comment: The final BDCP must make fiscal sense and also be both affordable and financeable. Potential participants in the BDCP must have sufficient detailed information to evaluate the cost-benefit (or feasibility) of participating in the project on the individual participant level. Lack of disclosure on how costs will be shared by beneficiaries does not allow existing water contractors to make an informed decision to invest in the BDCP. This analysis should be included in the Final BDCP.

25. Page 8-66, Footnote “a” states that “…funding estimates from state and federal agencies do not represent commitments and are subject to grant awards, annual appropriations from Congress, and passage of water bonds by the voters of California.”

Comment: The reliance on the funding history of yet to be appropriated federal sources and future water bonds makes it unclear if the project will receive an adequate public share of the funding. To match the comprehensiveness of
BDCP as a planning process, it is important to identify how the public share of the funding source may be composed and from whom the funds may be derived. The Final BDCP should provide greater detail and explain how funding assurances required by HCP/NCCP permits will be achieved given the uncertain nature of future state and federal funds.

26. Page 8-73, lines 5-7 state that “State and federal water contractors that are participating in the development of the BDCP have committed to fund construction, operation, and construction-related costs for implementation of CM1 Water Facilities and Operation, the new water conveyance facilities.”

Comment: Contrary to this statement, there is nothing in the EIR/EIS or BDCP documents that confirms that any state or federal water contractor has made a commitment to fund the project. The Water Authority is not aware of any such commitments. In fact, the Board of Directors of the Metropolitan Water District of Southern California – the largest State Water Project contractor, with an approximate 46-percent share of the existing State Water Project – has never voted to fund construction of any portion of the proposed project (CM1).

Necessary contractual agreements for individual SWP and CVP contractors to fund CM1 are unclear and the process for revising SWP and CVP cost allocations if individual contractors decline to participate, or drop out later, is not defined. To ensure the BDCP is fully funded, any BDCP financing plan must include enforceable agreements to pay for the project, not only from state and federal water contractors directly, but also from the member agencies or units that provide their revenues. It is unclear whether the SWP contractors can rely on the taxing authority afforded to them under the existing SWP project to pay for the BDCP. The projected costs are too high to have confidence that the contractors’ water sales are adequate to cover the BDCP’s costs now or in the future. Specific areas requiring more detail in the Final BDCP include:

- Contractors that are wholesale water agencies should demonstrate that their customers will pay for the project, either through take-or-pay contracts or other enforceable, long-term financial commitments to pay the fixed costs of the project commensurate with the term of the contractors’ BDCP obligation;
- Analysis is needed on the impacts of “step-up” provisions – pledges that require other BDCP participants to assume the debt obligations of defaulting participants;
- Legal analysis should be undertaken to examine the feasibility and appropriateness of relying upon property taxes as additional back-up security for contractors’ BDCP debt; and
- Legal and financial analyses should be undertaken to examine the financial risks to the state of California if bonds issued to fund construction of the project (CM1) are backed by the full faith and credit of the state.
27. Page 8-84, lines 18-21 state that “...the BDCP is expected to secure a large portion of the funds allocated to Delta sustainability, as well as smaller portions of funds allocated to conservation and watershed protection. The water bond will support the public benefits of Plan implementation, particularly natural community restoration and other stressors conservation measures.”

Comment: Firm commitments to ensure state and federal funding for CM 2-22 are lacking. The BDCP expects almost 90 percent of the costs for ecosystem restoration and program administration to be shared by state and federal funding. Most state funding is anticipated to be provided by future water bonds, including one or more bonds scheduled for the November 2014 ballot. A majority of federal funding is expected to be provided by congressional appropriation, which has uncertain support. The uncertainty that voters and Congress would approve the water bonds and federal appropriation, respectively, leads to the question as to whether, and how much, the contractors will be expected to help pay for the costs to obtain the envisioned water supply benefits. If the public funding envisioned does not materialize, will the contractors be expected to fund these costs? If funding is unavailable for restoration, would CM1 operations be changed from those presented in the BDCP? The Final BDCP needs to include a discussion of alternate funding sources, as well as potential impact on available exports, should bonds for CM 2-22 not be approved by the voters.

28. Page 8-80, lines 16-17 state that “Contractors more distant from the Delta provide more funding than contractors close to the Delta because of the capital cost of the California Aqueduct and increased pumping and O&M costs.”

Comment: While this statement may be true for existing SWP contractors, it is unclear whether this same logic is being applied to BDCP funding. Since all Delta improvements will occur upstream of the Banks Pumping Plant at Clifton Court Forebay and will not affect existing south-of-Delta facilities or operations, distance from the Delta has no bearing on BDCP implementation cost. The Final BDCP should clarify that funding obligations for water contractors south of Banks Pumping Plant will not contain any differential based on distance from the Delta.

29. Page 8-99, lines 17-21 state that “…potential federal funding sources are divided into four categories. First, existing federal appropriations relevant to BDCP are expected to continue in amounts and for durations described below. Second, new federal appropriations would be needed to support BDCP. Third, several federal grant programs are expected to provide funding to support BDCP actions. Finally, other federal funding sources are described.”

Comment: See above comment #27.
30. Page 8-122, lines 13-15 state that "...the Authorized Entities will not be required to provide land, water, or monetary resources beyond their commitments in this Plan in the event of a shortfall in state or federal funding."

_Comment:_ Provisions to ensure adequate funding by participants required for HCP/NCCP approval are lacking. It is unclear how CM 1 would be operated as a result of a shortfall in public funding. What operational scenarios and how much export water would be made available absent public funding (and associated reduction in restoration) should be disclosed in the Final BDCP and before HCP/NCCP permits are issued.

Appendix 9A – Economic Benefits of the BDCP and Take Alternatives

31. Page 9.A-7, line 36 states that "Seawater desalination is another supply that is relied on during drought periods."

_Comment:_ The Water Authority concurs with the acknowledgement that seawater desalination can be an important and reliable water supply during both normal and drought periods, as well as with the incorporation of the Carlsbad Desalination Project in the analysis.

32. Page 9.A-12, lines 9-13 and Footnote 5 state that "...models incorporate projections... provided by... San Diego Association of Governments (SANDAG)"

_Comment:_ The SANDAG Series 12 growth forecasts used in the analysis are outdated and do not account for updated Census data and the 2007 recession. Utilizing old growth forecast information likely results in a higher water demand forecast in the initial years. Analysis in the Final BDCP should incorporate the updated SANDAG forecast released last year (Series 13). This forecast incorporates data from the 2010 Census and captures the effects of the 2007 recession.

33. Page 9.A-14, Footnote 6 states that "...SANDAG employment projections were developed before the 2007 recession..."

_Comment:_ The employment projections use an outdated SANDAG growth forecast (Series 12), which doesn't take into account the updated Census data and 2007 recession. Utilizing old growth forecast information likely results in a higher employment (and water demand) forecast in the initial years. Analysis in the Final BDCP should incorporate the updated SANDAG forecast released last year (Series 13). This forecast incorporates data from the 2010 Census and captures the effects of the 2007 recession.
34. Page 9.A-28, lines 36-40 state that “…historical consumption and rate data…were collected directly from retailers with the exception of… San Diego County Water Authority, for which data was acquired from annual surveys conducted by the wholesale member agencies.”

*Comment:* The Water Authority has not prepared an annual survey of water rates since 2004. The Final BDCP should clarify how the Water Authority’s service area retail rate information was derived, and include the date and title of any reference document in the literature cited section.

35. Page 9.A-33, lines 8-14 state that “The cost of the water supply increase resulting from the BDCP Proposed Action is also well below the cost of other alternative supply alternatives. …the implicit water supply cost… ranges from $238 to $321 per acre foot.”

*Comment:* Although we understand that the range of unit costs represents the cost of the incremental yield for the BDCP Proposed Action High-Outflow and Low-Outflow Scenarios relative to the Existing Conveyance High-Outflow and Low-Outflow Scenarios, it is unclear how the $238/AF to $321/AF unit costs were derived or what the exact meaning of “implicit water supply cost” is. We recognize Appendix 9A is an economic analysis to quantify BDCP benefits on an average yield basis. However, the reliance on incremental yield in calculating those economic benefits should be placed into the context of what contractor allocations under Table A will look like post-BDCP implementation. Actual unit costs will vary widely given the expected swings in yield and the fixed cost nature of the contracts. It is also unclear why unit costs are being included in the water supply alternatives discussion because, (as noted in Footnote 9) the costs cannot be used to directly compare other supply alternatives. If the intent of the included alternatives analyses is to compare the implicit water supply cost of the BDCP Proposed Alternative to local supplies, the Water Authority suggests that a unit cost can be developed that is comparable to the local supply cost being cited. Such a unit cost can be calculated based on the following:

\[
\text{Unit Cost} = \text{Annual amortized capital cost for CM1} + \text{Annual operating cost} + \frac{\text{Expected yield expressed in the same year dollars as the local supply cost}}{}
\]

This approach would allow the BDCP to more adequately benchmark its cost to local supply costs, and is more consistent with the method water suppliers (like the Water Authority) use to compare alternative supplies. The Final BDCP should provide more detailed information on the derivation of the unit costs, a definition of implicit water supply costs, and describe why they are being included in this section, especially if the cited unit costs cannot be used to
compare the supply alternatives. To support the analytical conclusions, the Final BDCP should provide a unit cost that can be used to compare supply alternatives.

36. Page 9.A-36, lines 7-11 state that "...costs of... short-term conservation are at the low end of... water supply alternative costs. Because short-term conservation is a feasible option, and because the costs of alternatives cannot be known with precision for any individual agency, for planning purposes it is appropriate to measure BDCP benefits using mandatory short-term conservation costs."

Comment: It is unclear why other alternative water supply costs are discussed in this section when short-term conservation is assumed as the appropriate measure of BDCP benefits. The Final BDCP should clarify the purpose of Section 9.A.2.4.4 and how the alternative water supply volumes and costs are utilized in the economic benefits analysis.

37. Page 9.A-36, lines 14-15 state that "...the analysis of urban water supply benefits... is based on an assumed build-out of alternative water supplies."

Comment: It is unclear how build-out of alternative water supplies is utilized in the BDCP economic benefits analysis. The Final BDCP should clarify how the costs for alternative water supply build-out and mandatory conservation were used in the economic benefits analysis, and the distinction between the two uses.


Comment: There is no backup information to support the assumptions on water supply availability under post-earthquake conditions. The Final BDCP should provide information to support the supply yields assumed to be available from existing conveyance, BDCP Proposed Action, and other take alternatives under post-earthquake conditions.

**Draft Conceptual Engineering Report**
The Conceptual Engineering Report (CER) does not lend itself to the "page and line" comment format as in the above documents. Therefore, the following comments have been grouped in general topical areas. Because these topics are not confined to a single location and are scattered throughout the report, any comment should be considered applicable to every appearance of that topic in the report.

**Schedule**

39. The project’s schedules included as part of the CER’s Executive Summary and Appendix C are not the same.
Comment: These schedules need to be reconciled and the text clarified to discuss any assumptions used in the schedule.

40. The Appendix C schedule contains a number of fixed, or constrained, task completion dates.

Comment: The CER does not include the schedule logic to determine if these constrained dates are achievable or reasonable. At the preliminary engineering stage of a project, completion dates should not be constrained so it can be determined if the schedule is reasonable. All constraints should be removed from the task completion dates and the schedule logic should be provided to determine whether that logic, and therefore the schedule, is appropriate and reasonable.

41. Appendix C of the CER includes an item for property acquisition necessary to complete the project.

Comment: Appendix C provides no detail on how the BDCP team intends to acquire land rights from the hundreds of impacted property owners along the route of the tunnels, at the forebays, the intake facilities, and impacted by the installation or relocation of utilities and roads necessary for the project. A comprehensive property acquisition plan should be included to identify the nature of property rights to be acquired, the schedule for doing so, and the staff or consultant resources necessary to complete this task.

Project Risks:

42. The BDCP infrastructure is subject to a considerable number of risks that could negatively impact the project’s cost and schedule.

Comment: While mostly identified in the CER, these risks must be adequately addressed during the design and construction of the project. The most significant of these risks include:

- **Lack of geotechnical information.** The CER repeatedly states that additional geotechnical information is needed to adequately design the project’s tunnels, intake pumping facilities, levees, tunnel muck disposal sites and forebays.
- **Tunnel construction methodology.** The tunnel methodology is highly dependent on the geologic conditions along the tunnel routes but must address the likelihood of variable soil conditions.
- **Available Resources.** The project as proposed and ancillary efforts such as utility relocation will require numerous specialized engineers, geologists, right of way agents, tunnel boring machines, tunnel boring machine operators, specialized underground contractors, lawyers, court resources (in support of right of way acquisition efforts) and various technical experts. It
is unclear that these resources can be obtained in a timely manner to meet the project’s schedule.

- **Power requirements.** The CER is undecided on how the power will be provided to the project both during construction and during operations and by how many electrical companies. The CER indicates power may be provided to each site by multiple electrical companies. The cost and time associated with a second power source to each project location has not been addressed.

- **Access and utility conflicts.** The project will require the relocation of roads and utilities. It is uncertain whether those conflicts will be addressed by the BDCP or the utility or public agency that owns the utility. The extent of relocations, their cost and how long it will take to resolve utility and road conflicts are not thoroughly defined in the CER.

- **Property rights acquisition.** See item under Schedule above. Property acquisition via the eminent domain process allows the property owner to challenge the project proponent’s right to take their property via eminent domain. Linear projects, such as the BDCP infrastructure, are particularly vulnerable to costly reroutes and delays if a right to take challenge is upheld by the courts. The value of the rights to be acquired can also vary greatly. This uncertainty should be thoroughly detailed in the CER.

- **Recent Court rulings.** On March 13, 2014 the Third Appellate District Court of Appeal ruled the BDCP’s efforts to obtain additional geotechnical and environmental information resulted in a permanent property acquisition (take) from impacted property owners. This contradicts long-standing law that allows public agencies access to private property for study purposes and pay the owner if there are any damages. This ruling, if not overturned, will result in unknown and potentially significant delays to the project.

A comprehensive Risk Registry that identifies risks that could adversely impact the project’s schedule, and cost and how those risks will be mitigated during future design or construction, should be included in the final CER and updated on a regular basis as the design and construction progresses.

**Estimate Accuracy and Project Contingency**

43. The CER (Chapter 8) notes the accuracy of the construction estimate ranges from is +50% to -25%; however, the project cost estimate includes only a 36% contingency.

*Comment:* The CER is unclear on the rationale used to determine the cited accuracy range or the selection of the specific cost estimate contingency. Subsequent communication (February 26, 2014 letter from Mr. Charles R. Gardner Jr., CEO Hallmark Group) noted the construction estimate accuracy had been improved to +30% to -20% and therefore the contingency of 36% was more than adequate. However, no information on how the “more accurate” cost
estimate was prepared has been provided since the October 2013 release of the CER. The final CER should disclose the methodology, including an analysis of project risks, used to derive a project contingency of 36%. It should also disclose and explain the information that allowed a more accurate cost estimate to be prepared. Absent this information the Water Authority believes the project contingency should be set at 50% based upon the upper range of the cost estimate’s accuracy.

The Water Authority appreciates the opportunity to review the proposed project and provide comments on the Draft EIR/EIS and associated documents. As noted above, the Water Authority requires additional information to determine if the BDCP Proposed Action as described and analyzed in the Draft EIR/EIS is a cost-effective long-term solution to Delta water supply and ecosystem conflicts.

Please retain the Water Authority on your mailing list to receive future notifications or documents regarding this project. If you have questions or wish to discuss any of the above concerns in greater detail, please contact Larry Purcell, Water Resources Manager at (858) 522-6752, or by email at lpurcell@sdcwa.org.

Sincerely,

Maureen A. Stapleton
General Manager

Attachments: (1) Meral ltr of 08/28/12
(2) Meral ltr of 07/30/13
(3) Laird ltr of 10/07/13
Dr. Gerald Meral  
Deputy Secretary  
California Natural Resources Agency  
1416 Ninth Street, Suite 1311  
Sacramento, CA 95814  

Dear Jerry:  

Thank you for visiting with us on Wednesday. We enjoyed our discussion, and appreciate the information you shared on the progress of the Bay-Delta Conservation Plan. We very much appreciate the efforts by you, Secretary Laird, Governor Brown, Secretary Salazar and all of the state and federal agencies in bringing the BDCP to this point.

We promised to send you the Water Authority's comments on BDCP Chapter 8. We understand that work is under way to produce a new draft of Chapter 8. It is our hope that the issues outlined below will be considered and addressed.

Introduction  
The San Diego County Water Authority is a wholesale water agency providing a safe and reliable water supply to 24 public agencies in San Diego County, supporting our region's $188 billion economy and the quality of life of 3.1 million Californians. Highly dependent on imported water supplies, the Water Authority has historically and consistently been a strong advocate for the Delta and for the co-equal goals of providing a more reliable water supply for California, while protecting, restoring and enhancing the Delta ecosystem. The Water Authority's board of directors reaffirmed this longstanding support at its February 2012 board meeting. The board also adopted an updated set of policy principles relating to the Bay-Delta outlining the critical issues that must be resolved in the BDCP process; a copy of these Policy Principles is enclosed.

Chief among the Water Authority's concerns is the need to define the various components of the financing plan for the BDCP and the recently announced decision-tree concept in a manner that allows potential participants to evaluate the cost-benefit (or feasibility) of participating in the project. We believe the financing plan must include enforceable agreements to pay for the project, not only from state water contractors directly, but from the member agencies or units.
that provide their revenues. The costs are simply too great to rely on the hope that there will be enough water purchasers over the long-term to pay the project's costs.

As the largest customer of the largest state water contractor – the Metropolitan Water District of Southern California (MWD) – the Water Authority's ratepayers have a great deal at stake in the BDCP process and its financing plan. The Water Authority must be able to assess not only that the project will provide sufficient benefits to be affordable by our ratepayers, but also that they are not at risk of paying BDCP costs associated with the water supplies of other MWD member agencies or state contractors. The Water Authority is already in litigation with MWD over how it allocates its current State Water Project costs.

The Water Authority is concerned that all of the progress that has been made in bringing the BDCP to this point will be stymied, and that the BDCP will fail if participants are not able to evaluate the cost-benefit of the project or reasonably limit the risk their ratepayers are being asked to assume. It is in this light that we offer the following brief comments on the administrative draft of Chapter 8 – Implementation Costs and Funding Sources.

**Comments**

As the largest state water contractor, MWD is the foundation for financing the project. And yet, MWD itself has been struggling over the past several years to pay its current fixed costs – let alone a substantially larger cost associated with the BDCP. The reason is simple: more than 80 percent of MWD's costs are fixed while less than 20 percent of its revenues are paid from fixed charges. More than 80 percent of MWD's revenues come from water sales. Yet, MWD's member agencies are not required to purchase any water from MWD. With its member agencies unwilling to sign take-or-pay contracts or make any other firm financial commitments to MWD to cover its fixed obligations, the agency remains heavily dependent on revenues from variable water sales. MWD's water sales have declined approximately 30 percent since 2008, with its firm sales declining to less than 1.3 million acre-feet in fiscal year 2012. MWD's member agencies – including the Water Authority – have also experienced significant reductions in sales. A direct consequence of these declining sales is sharply higher imported water rates that have made additional local water supply investments economically competitive. As a consequence, MWD's member agencies – and their sub-agencies – are doing what they have been asked to do over the past 20 years: reducing reliance on water supplies imported from the Delta.
Dr. Gerald Meral  
August 28, 2012  
Page 3

We are concerned that the BDCP will become the kind of “big ticket project” that MWD board members vocally and enthusiastically support – at the same time their agencies are unwilling to make enforceable commitments to pay for the project.

A final note on the subject of risk: because the project is anticipated to be financed through project revenues, we are informed that bond underwriters are expected to require a “step up” provision by which each BDCP participant in BDCP-related bonds pledges to assume the obligations of defaulting participants.¹ The current draft of Chapter 8 is silent on this issue, yet it is conceivable that some of the BDCP participants may default, which would cause remaining participants, including MWD, to assume a greater portion of the debt. It is important that Chapter 8 analyze the possible effects of the “step up” provisions on MWD and the other participants in the BDCP.

Some have suggested that property taxes may provide the ultimate security for BDCP payment obligations of individual contractors. Putting aside the question whether property taxes levied under the authorization of the Burns-Porter Act may be used to pay for new projects contemplated by the BDCP, it is important to remember that MWD’s taxing authority is further limited by the provisions of the MWD Act.² Although the Act contains override ability in the event of a fiscal crisis as determined by the MWD board (one year at a time⁵), it effectively limits MWD’s ability to levy taxes to pay its SWP obligations. It is also unclear whether changes to this limit would require voter approval. Thus, a careful legal analysis of MWD taxing authority should be included in the BDCP due diligence process if taxes are contemplated as additional back-up security for project debt.

To effectively evaluate the finances available for the BDCP, the drafters of Chapter 8 need to conduct comprehensive due diligence on all of the facts and

¹ Under Section 50(h) of MWD’s current State Water Project contract, non-defaulting contractors can be assessed to cover payments not made by defaulting contractors, up to 25 percent of the payment not made. Under Section 46(l) of its East Branch Extension of the State Water Project contract, MWD is obligated to cover a default by any and all other participants.
² Section 124.5 of the Metropolitan Water District Act limits MWD’s property tax levy to “the composite amount required to pay (1) the principal and interest on general obligation bonded indebtedness of the district and (2) that portion of the district’s payment obligation under [the SWP contract] which is reasonably allocable, as determined by the district, to the repayment by the state of principal and interest on [SWP bonds] as of [January 1, 1985] and used to finance construction of facilities for the benefit of the district.”
⁵ In such an event, the State of California would be relying upon an annual vote of MWD’s Board of Directors in which it “…finds that a tax in excess of these restrictions is essential to the fiscal integrity of the district….”
circumstances described in this letter. Without such due diligence, the BDCP faces a potential cascading collapse of funding. At a minimum, state water contractors that are wholesale water agencies must demonstrate that their customers – the member agencies or units that buy their water and provide their revenues – have take-or-pay contracts or other enforceable commitments to pay the fixed costs of the project commensurate with the term of the BDCP obligation. The Water Authority continues to stand ready to make such a commitment to MWD that provides benefits commensurate with its payments.

Ultimately, the full faith and credit of the State of California will back up the bonds issued to build the conveyance project. Failure to secure enforceable financial commitments from the member agencies or units of water wholesale contractors could place all of California at significant risk of having tens of billions of dollars of new outstanding debt without sufficient water contractor payments to cover the debt service. This is why all California taxpayers have a stake in ensuring that there is a solid foundation and financing plan for the BDCP going forward.

Thank you again for providing the opportunity to comment on the administrative draft of Chapter 8 of the BDCP. We are committed to working with you and all parties to address and resolve these issues.

Sincerely,

Maureen A. Stapleton
General Manager

Enclosure: Water Authority Bay-Delta Policy Principles
July 30, 2013

Dr. Gerald Meral
Deputy Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Jerry:

Thank you for the efforts that you, your state and federal agency colleagues, and the Administration have made to bring the BDCP to the point where it stands today. We appreciate the opportunity that the release of an administrative draft of the BDCP affords us to provide comments and questions that should be addressed in the next draft. This letter is a follow-up to the Water Authority’s previous correspondence on BDCP Chapter 8, and conversations we have had with you over the past year.

Like many other stakeholders, the San Diego County Water Authority anticipated the May 29 release of the final chapters of the administrative draft of the BDCP document and believed, based upon earlier representations, it would address the questions and concerns the Water Authority has raised over the past several years over project financing. In particular, we were anxious to review the new draft of Chapter 8 in light of the correspondence we sent you 11 months ago (attached), in which we raised a series of BDCP financing issues and concerns. Our subsequent conversations led us to believe these concerns would be addressed in the most current iteration of Chapter 8. Instead, and disappointingly, Chapter 8 begins with this jarring admission:

“Details of the financing... are still being determined through on-going discussion between the state and federal governments and between the government, the state and federal water contractors and other interests.”

After reviewing the newly-revised Chapter 8 of the BDCP administrative draft, seven years into the BDCP planning process, and nearly a year after commenting on the prior draft, the most critical financing issues confronting the BDCP have yet to be addressed.

As we shared with you previously, potential participants in the BDCP must have sufficiently detailed information to evaluate the cost-benefit (or feasibility) of participating in the project. We recently heard David Sunding report to the Metropolitan Water District of Southern California’s (MWD) Board of Directors that a cost-benefit analysis has been produced for all urban and agricultural water contractors, and that it includes an urban cost-benefit analysis for all MWD member agencies. Would you please send a copy of the complete report to me in advance of Dr. Sunding’s Sept. 12 appearance before our Board’s Imported Water Committee?
As we have consistently stated, the Water Authority believes that any BDCP financing plan must include enforceable agreements to pay for the project, not only from state water contractors directly, but also from the member agencies or units that provide their revenues. The costs are far too high to simply rely on the hope that the contractors’ water sales will be adequate over the long-term to pay the project’s costs.

As the largest customer of the largest state water contractor – MWD – the Water Authority’s member agency ratepayers have a great deal at stake in the BDCP process and its financing plan, its risks and contingencies. The Water Authority must be able to assess that the preferred alternative advocated by the BDCP program will provide sufficient benefits to be affordable for our member agency ratepayers. We also must ensure that our ratepayers are not at risk of paying BDCP costs associated with the water supplies of other MWD member agencies or other state or federal water contractors. The Water Authority is already in litigation with MWD over how it allocates its current State Water Project costs.

The Water Authority is concerned that future progress of the BDCP and efforts to resolve seemingly intractable conflicts in the Delta will falter if those expected to be participants in the BDCP are not able to evaluate the cost-benefit of the various alternatives or reasonably limit the risk that their ratepayers will be expected to assume. In this context, we renew our request that our comments and concerns raised in our August 28, 2012 correspondence regarding Chapter 8 of the BDCP administrative draft – Implementation Costs and Funding Sources – be addressed in the next draft.

Comments
In our August 28, 2012 correspondence, we identified three specific issue areas as lacking necessary discussion within Chapter 8:

- State water contractors that are wholesale water agencies should demonstrate that their customers – the member agencies or units that purchase their water and provide their revenue – have take-or-pay contracts or other enforceable, long-term commitments to pay the fixed costs of the project commensurate with the term of the BDCP obligation.

- It is important to analyze the possible effects of “step up” provisions – those bond pledges that may require other BDCP participants to assume the obligations of defaulting participants – on MWD and other participants in the BDCP.

- A careful legal analysis should be undertaken of MWD taxing authority within the BDCP due diligence process, to examine the feasibility and appropriateness of relying upon property taxes as additional back-up security for project debt.

Take-Or-Pay Contracts/Enforceable Commitments
As we have previously pointed out in discussions with you, MWD – which, as the largest state water contracting agency, is the foundation for financing the BDCP project – has been struggling over the past several years to pay its current fixed costs, let alone a substantially larger new cost associated with the BDCP. More than 80 percent of MWD’s costs are fixed – however, less than 20 percent of MWD’s revenues are paid from fixed charges. Conversely, more than 80 percent of MWD’s revenues are from water sales – a variable revenue source – and those sales have
declined by 30 percent since 2007. Furthermore, MWD’s member agencies are not required to purchase any water from MWD. The variability of water sales — and thus uncertain future water sales revenues — coupled with Southern California water agencies’ current and future planned actions to implement the State’s policy to reduce reliance on water supplies imported from the Delta, creates significant uncertainty regarding long-term financing of BDCP obligations. This should be a major concern for the State of California, whose full faith and credit will be expected to back up the financing of the project. And yet, Chapter 8 makes no mention of this material, foundational risk to BDCP financing.

The Water Authority believes that, at a minimum, state water contractors that are wholesale water agencies must demonstrate that their customers have take-or-pay contracts or other enforceable long-term commitments to pay the fixed costs of the BDCP project corresponding to the term of the BDCP obligation. The Water Authority continues to be prepared to make such a commitment to MWD as long as the Water Authority gets the water supplies in return for its payments. We also believe that the willingness to make a financial commitment to a Delta solution will largely determine the demand for Delta water supply, and therefore help inform the best sizing for the conveyance facility. It would not be in the state’s best interest to construct a facility only to have it stranded because no one is willing to pay for it, or hoped-for water sales necessary to pay for it do not materialize.

“Step-Up” Provisions
Existing State Water Project contracts contain provisions under which non-defaulting contractors can be assessed to cover payments not made by defaulting contractors, up to 25 percent of the defaulting contractors’ obligations. Additionally, the East Branch Extension of MWD’s State Water Project contract has a provision obligating MWD to cover default by any and all other participants. These State Water Project contract stipulations are known as “step-up” provisions.

We are informed that bond underwriters for the BDCP project are expected to require a “step-up” provision by which each BDCP participant in BDCP-related bonds pledges to assume the obligations of defaulting participants. In fact, the newly-released Chapter 8, at Section 8.10.1.1.1 (page 8-81) provides that:

“Existing water contracts would need to be amended to include the new costs of the BDCP assigned to the state water contractors and the repayment schedule.”

Since “step-up” provisions are already embodied within, and apply to, MWD’s State Water Project contract, it would appear that such provisions would apply to the “new costs of the BDCP assigned to the state water contractors.” Given those “step-up” provision obligations, we renew our request that Chapter 8 fully analyze the possible financial and economic effects of the “step-up” provisions on MWD and the other participants in the BDCP.

Property Taxes
Some have suggested that property taxes may be contemplated as back-up security for BDCP payment obligations of individual state water contractors. There are very clear and significant limitations in MWD’s existing taxing authority under the provisions of the MWD Act:

- The Act limits MWD’s ability to levy taxes to pay its State Water Project obligations.
MWD is limited to levying taxes for "the composite amount required to pay (1) the principal and interest on general obligation bonded indebtedness of the district and (2) that portion of the district’s payment obligation under [the SWP contract] which is reasonably allocable, as determined by the district, to the repayment by the state of principal and interest on [SWP bonds] as of [January 1, 1985] and used to finance construction of facilities for the benefit of the district."

- Although the Act contains override ability in the event of a fiscal crisis, as determined by the MWD board, the override is limited to only one year at a time. In such an event, the State of California and bondholders would be relying upon an annual vote of MWD’s Board of Directors in which it “...finds that a tax in excess of these restrictions is essential to the fiscal integrity of the district....”

- It is unclear whether changes to the limitations provided under the MWD Act would require voter approval and/or new legislation. Chapter 8 should address and answer these questions.

Given these limitations and uncertainties, it is difficult to consider MWD’s existing taxing authority as a meaningful back-up security for BDCP payment obligations. It is also highly questionable whether the financing of BDCP can be – or should be – backed by taxing authority that was authorized by voters decades ago, when the program was much different than is being discussed today. A careful legal analysis of MWD taxing authority should be included in the BDCP due diligence process if taxes are going to be relied upon as additional back-up security for BDCP project debt. The newly-released version of Chapter 8 is silent on this issue.

Based on the assurances that you previously provided to the Water Authority, we expected that the full consideration and analysis of the issues we have raised would be integrated in to the Chapter 8 analysis and conclusions. And yet, the current version of Chapter 8 of the BDCP administrative draft does not comprehensively or adequately conduct due diligence on all of the facts and circumstances described in this letter and our previous correspondence. We remain concerned that a potential cascading collapse of funding could occur if the proper due diligence is not undertaken in a timely manner.

We appreciate the opportunity to provide comments on the newly-released Chapter 8 of the BDCP administrative draft. We remain committed to working with you and all parties to evaluate, address, and resolve these critical financing issues.

Sincerely,

Maureen A. Stapleton
General Manager

Attachment: August 28, 2012 letter
October 7, 2013

Secretary John Laird  
California Natural Resources Agency  
1416 Ninth Street, Suite 1311  
Sacramento, CA 95814

Dear Secretary Laird:

On behalf of the San Diego County Water Authority (Water Authority), thank you for your September 11, 2013 letter to Chair Wornham and me responding to a January 2013 multi-agency letter requesting analysis of the Natural Resources Defense Council’s portfolio approach to statewide water management and the Bay-Delta Conservation Plan (BDCP).

We look forward to working with you to help develop a BDCP project that achieves the co-equal goals and is affordable. As the largest member agency of the largest State Water Contractor, the Metropolitan Water District, the Water Authority and its ratepayers are being counted upon to pay the second-largest share of BDCP costs.1 Yet, we have been relegated to the status of an outside observer who may have no financial stake in the BDCP. Accordingly, we request the opportunity to become more directly engaged in the BDCP cost allocation discussions and negotiations process – and be part of the solution. The stakes are sufficiently high for the San Diego region to be afforded the opportunity to be at the cost allocation negotiating table.

As you know, the Water Authority has not endorsed any alternative that has been considered by the BDCP program or advanced by others, including the Natural Resources Defense Council’s Portfolio Alternative and the Delta Vision Foundation’s BDCP-Plus. However, we firmly believe that a thorough and comprehensive analysis of Delta fix alternatives is critical to help inform the ultimate selection of an implementable plan for achieving the co-equal goals.

The Water Authority is committed to helping find a Delta solution, and to that end, is continuing its multi-year effort to inform our Board of Directors and civic and business leaders in our region on a variety of issues associated with the Delta. In addition, over the past several months, the Water Authority Board and staff have been engaged in an intensive, comprehensive review of BDCP-related alternatives to assess how various options may improve the San Diego region’s water supply reliability along with risks associated with each. This review process is ongoing, and is scheduled to continue into 2014. We were disappointed to learn from Natural Resources Agency Deputy Secretary Jerry Meral at our September 12 Board workshop that determinations regarding the cost allocation among contractors will not be concluded when the BDCP and its environmental documents are released for public review next month. Although we plan to

1 Among MWD’s member agencies, and second only to the Kern County Water Agency.

A public agency providing a safe and reliable water supply to the San Diego region.

A public agency providing a safe and reliable water supply to the San Diego region.
submit a formal comment letter during the BDCP environmental review process, the allocation of BDCP costs and the resultant rate impacts on San Diegans will remain a central element in our Board’s consideration of which option to support.

While we had hoped that your Agency’s evaluation of the Portfolio Alternative would be helpful to the Water Authority’s ongoing review and analysis, some of the information contained in your September 11 letter raises more questions than it answers.

- The letter states that a single-tunnel, 3,000 cfs conveyance facility (which is proposed in the Portfolio Alternative) would cost $6 billion less than the BDCP preferred alternative (9,000 cfs twin tunnels) - $8.5 billion compared to $14.5 billion. However, on September 16, a corrected version of the evaluation was posted on the BDCP website, which indicates that the 3,000 cfs single-tunnel conveyance facility would only cost $3 billion less than the BDCP preferred alternative. Further, none of these numbers match Dr. David Sunding’s economic benefit analysis, which he shared with us at our September 12 Board of Directors workshop, which identified the cost at $10 billion.

Many entities that are undertaking review and analysis of the Delta fix options, like the Water Authority, would benefit from reliable cost estimates for the conveyance features of the Portfolio Alternative. The lack of clarity in the cost estimate has made it challenging to have a meaningful cost comparison of the various conveyance feature sizes. Could you please provide an apples-to-apples cost comparison of the 3,000 (single tunnel), 6,000 and 9,000 cfs conveyance project sizes?

- In terms of the benefit cost ratio of alternatives, your evaluation indicates that “the 3,000-cfs tunnel has a negative benefit cost ratio, largely because the cost of the 3,000-cfs tunnel is approximately two thirds of building the proposed 9,000-cfs twin tunnels but the water yield is much smaller.” The evaluation may be accurate; we are not attempting to dispute or refute the calculations and findings. However, with the numerous cost estimates for the conveyance features included in your own evaluations it is difficult to definitively understand the benefit cost ratio at which the evaluation arrives. A more comprehensive evaluation and identification of the appropriate assumptions would be valuable for those seeking to undertake independent analysis of cost-related information.

- The evaluation regarding the potential water supply yield in water recycling and water use efficiency projects that could be achieved from a $3B investment in local and regional water supply projects requires additional analysis. Your evaluation indicates, that with respect to investments in local and regional water recycling projects and water conservation projects, “it is doubtful that a $3 billion investment would produce even 100,000 acre-feet of reliable new water supply in urban areas, and would do nothing for agricultural users.” This evaluation appears at odds with the Department of Water Resources’ California Water Plan Update, which provides an analysis from which it may be concluded that a $3 billion investment in water recycling projects could actually
produce approximately 400,000 acre-feet of new water supplies (2009 Water Plan Update, Page 11-10). In addition, data developed by the Water Authority on local project costs and implementation also indicates that BDCP’s estimate is very low. We believe this warrants additional analysis to better understand how your evaluation arrived at a potential yield of 100,000 acre-feet or less. We would be happy to share the Water Authority’s data and our observations on local supply development with your staff.

- The evaluation with respect to the ability to export water from the south Delta following a significant seismic event stated that, “It may take from one to 10 years to rebuild enough Delta levees to once again allow substantial exports from the south Delta.” While certainly more work remains to be completed in terms of the efforts that have been undertaken through the Delta Emergency Rock and Transfer Facilities Project and the Delta Emergency Response Program to secure water supply reliability following a significant seismic event, it is our understanding that significant progress has been made to reduce the worst-case export outage. A more comprehensive analysis on this issue would be beneficial.

We look forward to working with you to consider a BDCP project that is implementable, achieves the co-equal goals, and improves water supply reliability and is affordable within the San Diego region and the rest of the state. In addition, we look forward to arranging a meeting with you in the near-term to explore avenues for additional information sharing and the Water Authority’s participation in the cost allocation negotiation process.

Sincerely,

Maureen A. Stapleton
General Manager

Attachments:

1. January 2013 multi-agency letter regarding NRDC Portfolio Alternative
2. September 11, 2013 correspondence and Portfolio Alternative evaluation from Secretary John Laird
July 28, 2014

Mr. Ryan Wulff  
National Marine Fisheries Service  
650 Capitol Mall, Suite 5-100  
Sacramento, California 95814  
ATTN: BDCP Comments

Re: Draft Environmental Impact Report/Environmental Impact Statement for the  
Proposed Bay Delta Conservation Plan, Alameda, Contra Costa, Sacramento,  
Solano and Yolo Counties, California – Additional Comments on Draft  
Implementing Agreement

Dear Mr. Wulff:

The San Diego County Water Authority (Water Authority) is submitting the following  
additional comments on the joint Draft Environmental Impact Report (EIR) Draft  
Environmental Impact Statement (EIS) prepared by the U.S. Department of Interior,  
Bureau of Reclamation (Reclamation), and U.S. Department of Interior, Fish and  
Wildlife Service (USFWS); the U.S. Department of Commerce, National Oceanographic  
and Atmospheric Administration, National Marine Fisheries Service (NMFS); and the  
California Department of Water Resources (DWR) for the proposed Bay Delta  
Conservation Plan (BDCP).

While these comments are directed to the Draft Implementing Agreement (IA) dated  
May 30, 2014, the inter-related nature of the Implementing Agreement, the BDCP and  
the Draft EIR/EIS make these comments equally applicable to all three documents.  
Therefore, this letter should be considered a supplement to the previous Water  

GENERAL COMMENTS

1. While the extension of the review period to accommodate release of the Draft  
Implementing Agreement is appropriate and appreciated, the Water Authority  
believes there is a substantial lack of specificity regarding the financial  
commitments required to approve the BDCP and issue any necessary incidental  
take permits. The IA provides no additional clarity on how these legally binding  
funding commitments are expected to be made and the timeline by which they  
are expected to be executed. We believe the IA should address whether existing  
water contracts will contain such language, or whether some other type of
funding agreement (that includes back-stop and assurances for long-term financial commitments) will be developed and executed by the BDCP participants. The Final IA should specify how firm funding commitments with all participants will be assured.

2. The commitment of individual State Water Project (SWP) or Central Valley Water (CVP) contractors to participate in the BDCP has not been determined, and it is possible that some contractors will decline. The Final IA should specify the criteria to be used by DWR and Reclamation in determining how to coordinate and allocate water between the SWP and CVP, and among the BDCP participants and non-participants.

3. The Draft IA specifically notes that neither the state nor federal government can commit to providing funds in the amounts expected or within the established BDCP implementation schedule. Yet, state and federal funding contributions remain crucial to overall BDCP success. Without such commitments, it remains unclear how the funds required to fully implement the BDCP will be obtained. The Final IA should explain the process that will be followed to make up for any sporadic or prolonged shortfall in BDCP funding by the state or federal governments.

DETAILED COMMENTS

1. Page vi: The Table of Contents lists the exhibits attached to the BDCP Draft IA.

Comment: None of the listed exhibits were attached to the public review draft. The exhibits form an integral part of the commitments and assurances made by the participants. Please attach the completed exhibits to the Final IA.

2. Page 1, Section 1: Lists the parties to the IA, but does not list the individual State Water Contractor or Central Valley Project contractor agencies that would be signatories.

Comment: It is not possible to determine BDCP financial impacts or overall viability without the full list of participating agencies. The Final IA and Final BDCP should list the individual contractor agencies that have financially committed to, and their level of financial participation in the BDCP.

3. Page 2, Section 2.1.6: States that “Reclamation is not a permit applicant... under the ESA or NCCPA”.

Comment: This position is further reinforced by the statement on page 1, section 1 that Reclamation has “no obligations” established in the IA. It is
unclear how an agency can participate in the BDCP, yet not be bound by implementation commitments established in the IA. This would seem to suggest that Reclamation can act independent of implementation actions taken by BDCP participants. The Final IA needs additional clarification describing Reclamation’s commitments to conform to the terms of the BDCP while not being a signatory to the IA.

4. Page 3, Section 2.1.8: States that “...the BDCP...provides an allocation of responsibility among the Parties for BDCP requirements......”.

Comment: The term “Parties,” especially as it relates to individual SWP or CVP contractors, is not specifically defined. Does it mean the signatories to the IA, or is there some broader list of agencies that will participate in BDCP implementation without signing the IA? This term should be defined in the Final IA, and include the list of agencies that have committed to sign the IA. Additionally, the “allocation of responsibility” presumably includes funding obligations. To date, no state or federal water contractor has formally committed, in writing, to fund any aspect of the BDCP. As such, the structure of financing the underlying credit for long term debts, and the sources of funds for day-to-day operations are not defined. Without such legally binding commitments, it is unclear how the BDCP can be approved and long-term endangered species act permits can be issued.

5. Page 3, Section 2.1.10: States that “DWR and the participating SWP/CVP Contractors have submitted the BDCP....”.

Comment: This indicates that individual SWP/CVP contractors have executed and submitted the appropriate permit applications to the federal and state wildlife agencies on behalf of their respective agencies. If so, the individual SWP/CVP agencies that are requesting HCP/NCCP permits should be listed in the Final IA.

6. Page 5, Section 3.1: Describes the membership and roles of the Adaptive Management Team (AMT), including voting members.

Comment: It is unclear exactly what the AMT will “vote” on or if the “vote” is expected to be binding on the IA signatories. Implementation of the BDCP is the sole responsibility of those entities receiving incidental take authorizations through the ESA and NCCPA permit process (i.e., an expanded Authorized Entity Group consisting of all permit holders). It is one thing to have the AMT vote to submit a proposed management change to the Authorized Entity Group (the permittees) for consideration. It is quite another if the AMT can unilaterally impose management changes without the consent of the permit holders. The
Final IA and Final BDCP should clarify that the AMT acts strictly in an advisory capacity to the permit holders.

7. Page 7, Section 3.18: States that: “Coordinated Operation Agreement means the agreement... for the coordinated operation of the Central Valley Project and the State Water Project dated November 24, 1986.”

Comment: Given that both the SWP and CVP operations will be modified under the BDCP, the Final IA should describe how operations under the BDCP will be coordinated between the two projects and how the Coordinated Operation Agreement will be modified as a result.

8. Page 9, Section 3.46: States that “Permittees means DWR and SWP/CVP Contractors”.

Comment: Since the permit applications have been submitted to the wildlife agencies (see Section 2.1.10 above), the individual contractor agencies that have requested incidental take authorization should be listed in the Final IA.

9. Page 10, Section 3.55: States that “Supporting entity...performs task at the request of the Program Manager...”.

Comment: Since a supporting entity will not be a BDCP permit holder, implementation of BDCP actions will need to be authorized by a permit holder. Yet, the Program Manager is not a signatory to the IA and is not a permit holder. The Final IA will need to explain how the non-permitted Program Manager can authorize permit coverage for another non-permitted entity.

10. Page 10, Section 3.56: States that “SWP/CVP Contractors means the individual water agencies that hold water delivery contracts... and that have executed this Agreement.”

Comment: The listed definition of “SWP/CVP Contractors” also includes joint exercise of power agencies that execute the IA. However, it is unclear how a joint exercise of power agency can be granted a permit unless it has also submitted a permit application and committed to fund, on behalf of all its member agencies, BDCP implementation. In this case, the member agencies of the joint exercise of powers agency will need to have developed and executed a legally binding cost-sharing agreement to ensure adequate funding as required by the ESA and NCCPA permit processes. The Final IA should clarify if any joint exercise of power agency has formally committed to fund and participate in BDCP implementation and include a copy of the actual funding agreement.
11. Page 15, Section 7.1: States that "... Authorized Entities will fulfill all of their respective obligations..."

"• Participating in the Authorized Entity Group....".

*Comment:* As noted in our May 30 comment letter, because permit holders are funding BDCP implementation and are responsible for ultimate success, the Authorized Entity Group should consist of all permit holders, not just the limited subset currently defined in the Draft BDCP and Draft IA. The Final BDCP and Final IA should be revised to state that the AEG includes all individual permit holders.

"• Conferring with the... Permit Oversight Group... and obtaining approval ...where required."

*Comment:* As noted in our May 30 comment letter, the POG should not have any unilateral BDCP implementation decision authority. Implementation is rightfully the sole obligation of the BDCP permit holders. The POG role is limited to ensuring compliance with the BDCP and permits, and providing implementation advice to the Authorized Entity Group. The Final IA and Final BDCP should be revised to reflect this more appropriate compliance oversight role for the POG.

12. Page 17, Section 8.1.1: States that "... take authorizations will cover the Permittees, including all of their respective officers, directors, employees, agents, subsidiaries, member agencies, contractors, and the Supporting Entities ...who engage in any Covered Activity. All contracts... will require compliance with the Permits...".

*Comment:* While this addresses permit compliance for contractual relationships, it is silent on other relationships. For example, what sort of written documentation, if any, is required for an agent, subsidiary, member agency, or Supporting Entity to claim permit coverage? The Final IA should clarify that to obtain take authorization coverage through an existing permit holder, an entity must have a legally binding agreement stating that the entity is acting directly for, and on behalf of the permittee.

13. Page 18, Section 8.2: States that "An Other Authorized Entity will receive take authorization... after executing a Certificate of Inclusion that meets minimum requirements... set forth in Exhibit C... to ensure compliance with... Plan and Permits."
Comment: Exhibit C was not attached to the Draft IA, so it is not possible to comment on the specifics contained in the “Certificate of Inclusion” or its applicability to covered activities contemplated by non-SWP/CVP contractors. In particular, it is not clear if the Certificate of Inclusion is the only mechanism available to non-SWP/CVP contractors to allow the use of SWP or CVP facilities for water transfers. The Final IA needs to address the process for non-SWP/CVP contractors to implement water transfers; specifically from willing sellers north of the Delta to willing buyers south of the Delta.

14. Page 20, Section 8.9: The third paragraph duplicates text in the first two paragraphs.

Comment: The Final IA should be revised to delete redundant text.

15. Page 21, Section 9.1: States that “Covered Activities and Associated Federal Actions encompass all actions that are proposed for coverage under Take Authorizations to be issued by the Fish and Wildlife agencies on the basis of the BDCP.”

Comment: It is unclear, since Reclamation is not a signatory to the IA, how a federal agency can, or even needs to obtain state take authorizations under the NCCPA. It is typical for federal agencies to obtain take coverage for their actions through a federal ESA Section 7 process; for the BDCP, this has been described as the Integrated Biological Opinion. The BDCP permits to be issued pursuant to the IA will provide take authorizations to non-federal agencies pursuant to ESA Section 10 and NCCPA Section 2835. The Final IA should explain how Reclamation will obtain state and federal ESA coverage through issuance of the BDCP permits when that agency is not signatory to the IA.

16. Page 22, Section 9.5: States that “... If CDFW determines....”

Comment: The entire section should be revised to replace all occurrences of “CDFW” with “the fish and wildlife agencies”, and the remaining text modified accordingly. The current text is specific to the CDFW process, with no mention of a parallel process for the federal wildlife agencies. This text change is suggested to make it clear that both the state and federal wildlife agencies are included in the conference process. Alternately, a new IA section that mimics this wording, but focuses specifically on the federal agencies (USFWS and NMFS) should be added.

17. Page 25, Section 10.2.1.1: States that “... the applicants propose a project with operational and flow criteria intended to achieve the biological goals and
objectives...”. It further states that “It is expected that the USFWS, CDFW, and NMFS will issue Permits for...the high outflow scenario...”.

**Comment:** While the range of outflow criteria proposed by the BDCP are intended to achieve the biological goals and objectives for the smelt, there is no certainty that those goals will be achieved, even with the proposed “decision tree” process. Page 23, Section 10.1 states that “failure to achieve biological goals and/or objectives shall not be a basis for a determination ... of non-compliance with the Plan or for the suspension or revocation of Permits....” The Final IA should specifically state that the high spring and fall outflow scenarios as described in the BDCP are the maximum and will not be increased even if biological goals and objectives are not met.

18. Page 26, Section 10.2.1.2 (3): States that “Completion and peer review....will be administered by the Implementation Office under the direction of the Adaptive Management Team.”

**Comment:** The Implementation Office is the focal point for BDCP implementation. All implementation decisions need to be distributed from this single office. None of the support groups, whether it be the Permit Oversight Group or Adaptive Management Team, can have independent decision making authority for implementation or the BDCP is no longer that same one submitted by the permit applicants. For this reason, the following text should be revised as shown:

“This step will be administered by the Implementation Office in coordination with under the direction of the Adaptive Management Team”.

19. Page 26, Section 10.2.1.2(4): States that “… the Implementation Office will provide the report... to the Authorized Entity Group and the Permit Oversight Group for decision pursuant to....).

**Comment:** Once Permits are issued, the Permit holders are legally responsible for BDCP implementation. Consequently, this group retains sole decision making authority for all aspects of implementation. The POG should have no independent decision making authority when it comes to BDCP implementation. The role of the permitting agencies is to ensure compliance with the terms of the BDCP and Permits, and to provide advice and guidance to the Permit holders on implementation issues. The decision making role of the POG is a repeating theme throughout the Draft IA and Draft BDCP. The Final IA and Final BDCP should be changed to reflect a more limited Permit oversight and compliance role for the POG.
20. Page 26, Section 10.2.1.4: States that "The outflow criteria applicable to CM1 may be within the range of outflow criteria analyzed in the decision tree...."

Comment: The BDCP was developed by the Permit applicants with a very specific range of proposed outflow criteria. No outflow should exceed the maximum contemplated in the BDCP. For this reason, the following text should be revised as shown:

"The outflow criteria applicable to CM1 will may be within the range of outflow criteria...."

21. Page 26, Section 10.2.1.5: States that "...changes to the outflow requirements of CM1 associated with these other fish species..."

Comment: This provision infers that the maximum outflows contemplated in the BDCP can be increased beyond those in the "decision tree" to encompass other fish species. As already noted in Section 10.1, "failure to achieve biological goals and/or objectives shall not be a basis for a determination .... of non-compliance with the Plan or for the suspension or revocation of Permits...." It is important that the outflows not exceed the amounts proposed in the BDCP, even if all biological goals are not achieved. The Final IA and Final BDCP should state that alternate management methods will need to be considered if flows beyond those in the BDCP are suggested.

22. Page 27, Section 10.2.2.1: States that "The primary BDCP agencies (CDFW, USFWS, NMFS, DWR, and Reclamation will collaborate in making real time operational adjustments."

Comment: This approach excludes the permit holders from any decision making regarding implementation of this aspect of the BDCP. If Permit holders are excluded, then additional language needs to be added to the Final BDCP and Final IA that relieves the Permit holders of responsibility for any adverse effects on BDCP implementation that result from decisions in which they have been excluded from making.

23. Page 27, Section 10.2.2.2.1: States that "The RTO Team will also include one representative of the SWP contractors and one representative of the CVP contractors, who will serve as non-voting members."

Comment: This organizational structure precludes the SWP and CVP contractors from meaningful involvement in deciding how the BDCP will be implemented. Yet, Permit holders are solely responsible for BDCP implementation success. As noted above, if Permit holders are excluded from
the decision making process, then additional language needs to be added to the Final BDCP and Final IA that relieves the Permit holders of any responsibility for any adverse effects on BDCP implementation that result from decisions in which they have been excluded from making.

24. Page 27, Section 10.2.2.2.2: Describes the functions of the RTO Team.

Comment: The RTO Team was not fully described in the Draft BDCP (as noted in the preamble to Section 3.4.1.4.5). Consequently, the applicability of state and federal open meeting laws that pertain to this Team have not been described. The Final BDCP should describe this Team in greater detail and reflect that it is bound by the same open meeting laws as all other groups that are assisting in BDCP implementation. It should also clarify how the 1986 Coordinated Operation Agreement will be modified as a result of RTO decisions.

25. Page 28, Section 10.2.2.2.3: States that “The RTO Team shall operate by consensus...”.

Comment: This is in conflict with Section 10.2.2.2.1 which lists SWP and CVP contractors as non-voting members. It is not clear if SWP/CVP contractor representatives on the RTO Team will be part of the consensus process or not. The Final IA needs to be revised to reflect that SWP and CVP contractors that are part of the RTO Team have the same roles and rights as other team members. It should also describe the process to follow if consensus could not be reached by the RTO members.

26. Page 29, Section 10.3.2.1: States that “The Adaptive Management Team....shall have authority to make decisions...”.

Comment: As noted repeatedly, the Permit holders (represented by an expanded Authorized Entity Group that includes all permit holders), are solely and legally responsible for the successful implementation of the BDCP and compliance with issued permits. Having the Adaptive Management Team function autonomously from the entities legally responsible for BDCP implementation is inappropriate and could undermine overall program success. The Adaptive Management Team should only provide implementation recommendations to the Authorized Entity Group (i.e. permit holders) for decision, and should not be authorized to make any decisions unilaterally. The Final BDCP and Final IA should be revised to reflect this supporting role.

27. Page 30, Section 10.3.2.3: States that “On a periodic basis, the Adaptive Management Team shall open its meetings to the Public.”
Comment: To maximize transparency and provide the greatest public involvement, all meetings of the Adaptive Management Team should be open to the public and follow all state and federal open meeting laws. The Final IA should be revised to reflect that all meetings will be open to the public.

28. Page 32, Section 10.3.5.1.1: States that “...decisions of the Adaptive Management Team shall not be subject to review and consideration of the Authorized Entity Group and Permit Oversight Group...”.

Comment: See above comment 26. All decisions that can affect BDCP implementation must to be made by those entities legally responsible for BDCP implementation and compliance with permits. No other group should be making unilateral decisions that affect the BDCP or the permits. Every group or team formed to assist in BDCP implementation, whether the Permit Oversight Group, Adaptive Management Team, RTO Team or any other body, are all supporting the permit holders in implementing the BDCP. The Final BDCP and Final IA should be revised to reflect that all BDCP implementation and permit compliance decisions must be made by the permit holders.

29. Page 33, Section 10.3.5.1.1: States that “...if the Authorized Entity Group and the Permit Oversight Group are unable to reach agreement, the Permit Oversight Group will decide the matter.”

Comment: See above comments 26 and 28. The Permit Oversight Group should only be responsible for ensuring compliance with the permits. If the Authorized Entity Group (permit holders) takes an action that the permit issuing agencies believe violates permit terms and conditions, the IA contains specific permit suspension and revocation procedures to force compliance. Only the permit holders can, and should, make decisions regarding BDCP implementation; they are the ones legally and financially responsible. The Final BDCP and Final IA should be revised throughout to note this more limited role for the Permit Oversight Group.

30. Page 36, Section 10.3.5.1.1: States that “In the event that the Authorized Entity Group and the Permit Oversight Group are unable to reach agreement...the appropriate Fish and Wildlife Agency official with authority over the matter...shall decide...”.

Comment: See above comments 26, 28, and 29. The Draft BDCP and Draft IA contain multiple and repeated references to groups, teams or individuals other that the permit holders being authorized to make decisions that affect BDCP implementation. This approach is entirely inappropriate. The BDCP is a voluntary plan prepared and submitted by the permit applicants. Therefore, the
only entities responsible for funding and implementing the BDCP are the permit holders. If another entity/agency demands decision authority, then that entity or agency must be willing to accept responsibility for the outcome of those decisions. However, by doing so, the permit holders will be relieved of any responsibility for future consequences of those decisions. The Final BDCP and Final IA should be revised to remove all references to decisions made by any entity other than the permit holders. If not, additional text needs to be added to the Final BDCP and Final IA that relieves the Permit holders of responsibility for any adverse effects on BDCP implementation that result from decisions not made by them.

31. Page 37, Section 10.3.7.3.2: States that “... the Supplemental Adaptive Management Fund may be used at any time, provided the following actions have occurred or determinations have been made....”.

Comment: The text then goes on to list six bulleted items necessary to trigger use of the supplemental fund. However, it is unclear if all six of the bullets have to be satisfied to access funds, or just one. Recommend changing the text as shown below:

“... may be used at any time, provided one or more of the following actions....”

32. Page 39, Section 10.4.2: States that “The Adaptive Management Team, shall have primary responsibility....”.

Comment: To reinforce that all entities working on BDCP implementation recognize the overall responsibility of the permit holders, the text change shown below is recommended:

“Under the direction of the Authorized Entity Group, the Adaptive Management Team shall have primary...”

33. Page 39, Section 10.4.3: States that “In the event the Authorized Entity Group and the Permit Oversight Group are unable to reach agreement,... the Permit Oversight Group will determine whether the proposed plan... will be adopted.”

Comment: See above comments 11, 19, 29, and 30. It is inappropriate for any entity other than the permit holders to make decisions regarding BDCP implementation.
34. Page 40, Section 11.1: States that "The Implementation Office will ensure that the Conservation Measures are implemented substantially in accordance with the Implementation Schedule, Exhibit D."

Comment: None of the exhibits referenced, including Exhibit D, were included in the Draft IA. All exhibits should be included in the Final IA.

35. Page 40, Section 11.1.1: States that "If Conservation Measures are implemented in accordance with the Implementation Schedule..., Rough Proportionality will be considered by CDFW to be maintained...".

Comment: Rough proportionality is only discussed in the context of CDFW NCCPA permits. The Final IA should also indicate if the USFWS and NMFS will also follow this Rough Proportionality standard in evaluating BDCP implementation under their ESA Section 10 permits. Further, it is unclear if Rough Proportionality can be maintained if federal or state funding commitments are not met. The Final IA should include text that suspends the Rough Proportionality requirement if state or federal funding obligations are not met.

36. Page 42, Section 11.4.1: States that "The Fish and Wildlife Agency(ies).... shall respond to the Implementation Office within sixty (60) days."

Comment: To minimize potential implementation delays, text should be revised as shown below:

"The Fish and Wildlife Agency(ies).... shall respond to the Implementation Office within sixty (60) days or such revision shall be deemed approved."

37. Page 45, Section 13.0: States that "... the State and federal governments have committed to provide additional funding to implement the Plan."

Comment: It is unclear how the state or federal governments can legally commit to fund their portions of the BDCP in advance of actions by the Legislature or Congress to appropriate and allocate funds. Without such legally binding commitments, it is unclear how the BDCP can be approved and long-term endangered species act permits can be issued. The Final BDCP and Final IA should cite provisions in the NCCPA and ESA regulations that allow Permits to be issued in the absence of assured funding.

38. Page 46, Section 13.1.2: States in a note to reviewer that "... while the United States has been engaged in development of this draft Agreement, there is no
federal position... regarding potential funding obligations... The Parties anticipate reaching agreement on a federal and state cost share.”

Comment: This sentence conflicts with the statement on page 45 where the state and federal governments have definitively committed to provide additional funds for the BDCP. The cost share eventually agreed to by the state and federal governments should be included in the Final IA, as well as a description of how long-term state and federal funding will legally be assured. Without such assurances, we are unsure how the BDCP can be approved and long-term endangered species act permits can be issued. The Final BDCP and Final IA should cite provisions in the NCCPA and ESA regulations that allow Permits to be issued when funding is uncertain.

39. Page 48, Section 14.0: States that “The State and federal agencies may use a variety of tools at their disposal... to ensure the needs of species affected by unforeseen events are adequately addressed.”

Comment: To provide assurances to the Authorized Entity Group (all permit holders) that no additional funds or resources will be required, the Final IA should include text that protects the Authorized Entity Group (permittees) from being subject to new or revised regulations or fees, the intent of which is to obtain the funding or resources necessary to address unforeseen events.

40. Page 53, Section 15.1: States that “The implementation of the BDCP will generally be effectuated through an Implementation Office, which will be... governed by the Authorized Entities through the Authorized Entity Group”.

Comment: Consistent with our prior comment letter, we strongly believe that all permit holders must be included in the Authorized Entity Group; a small subset cannot truly represent the interests of all permit holders or provide for the broadest public interest.

41. Page 53, Section 15.1: States that “Through the Permit Oversight Group, the Fish and Wildlife Agencies will be involved in certain specified implementation decisions...”

Comment: It is important that the POG and Fish and Wildlife Agencies provide input into relevant decisions, but they should not be making the actual decision. All decisions related to BDCP implementation are the purview of the permit holders. Once the permits are issued, the POG and wildlife agencies role is to ensure that the permit terms are met. The Final BDCP and Final IA should be clear that neither the POG nor Fish and Wildlife Agencies make decisions related to BDCP implementation.
42.  Page 55, Section 15.2.1: States that “The Implementation Office shall not administer the Adaptive Management and Monitoring Program.”

Comment: While it is appropriate to have the Adaptive Management Team administer the monitoring program, the Implementation Office should provide overall direction for the adaptive management effort. The Adaptive Management and Monitoring Program is a key component of BDCP implementation. Having an entity other that the Implementation Office, which is charged with BDCP implementation through the Authorized Entity Group, direct this work is inappropriate and counterproductive to BDCP success. The Final BDCP and Final IA should be revised to reflect that the Implementation Office will provide overall direction in the administration of the Adaptive Management and Monitoring Program.

43.  Page 58, Section 15.2.4.4: States that “The Implementation Office shall be responsible for... implementation of Conservation Measures... and will not require the approval... of the Authorized Entities, the Fish and Wildlife Agencies, or the Adaptive Management Group.”

Comment: The Implementation Office should not act unilaterally. The permit holders (i.e., Authorized Entities) are responsible for all aspects of BDCP implementation, including all the Conservation Measures. Consequently, no actions should be undertaken by the Implementation Office or any other group without the approval or concurrence of the Authorized Entities (permit holders). This presumably can be accomplished through approval of the annual work plan. The Final BDCP and Final IA should be revised to reflect Authorized Entities approval is required for any implementation action.

44.  Page 60, Section 15.3.3: States that “The Authorized Entity Group will meet....at a minimum on a quarterly basis. ...On a periodic basis, the Authorized Entity Group will hold meetings that are open to the public.”

Comment: All, not just some, meetings of the Authorized Entity Group should be open to the public and comply with state and federal open meeting laws. The Final IA and Final BDCP should be revised to state that all meetings of the AEG will be open to the public and comply with open meeting laws.

45.  Page 60, Section 15.4.1: States that “… the Fish and Wildlife Agencies will retain responsibility for monitoring compliance with the BDCP, approving certain actions, and enforcing the terms and conditions of their respective regulatory authorizations.”
Comment: Having the Fish and Wildlife Agencies responsible for monitoring BDCP compliance, and the terms and conditions of the permits is entirely appropriate once permits are issued. However, having them make unilateral decisions on BDCP implementation actions is not appropriate. As noted previously, once permits are issued, the sole responsibility for BDCP implementation belongs to the permit holders. Consequently, the permit holders should be making all decisions that affect BDCP implementation. If the Fish and Wildlife Agencies (issuers of the permits) disapprove of action taken by the permit holders, there are permit suspension and revocation procedures in the IA to ensure permits are not violated. The Final BDCP and Final IA should be revised to remove any reference to the Fish and Wildlife Agencies “approving certain actions”.

46. Page 61, Section 15.4.1: States that “The Permit Oversight Group will have the following roles...

- Participate in decision-making regarding real-time operations....”.

Comment: It is appropriate for the Permit Oversight Group to provide guidance to the permit holders in the decision making process, but that involvement should strictly be advisory. The permit holders are ultimately responsible for all aspects of BDCP implementation. No other group should be making unilateral decisions regarding BDCP implementation. The Final BDCP and Final IA should be revised to make it clear that the permit holders make all decisions, with other groups providing guidance and advice.

47. Page 66, Section 15.8.1: States that “With respect to implementation matters for which the Authorized Entity Group and Permit Oversight Group have joint-decision making authority...”

Comment: There should be no joint-decision making authority when it comes to BDCP implementation. Once the permits are issued, the permit holders have sole and complete responsibility to meet the terms and condition of the permits. There are no further decisions for the Permit Oversight Group to make once the permits are issued. The POG’s role is to ensure compliance with terms of the permits. There is already a procedure in the IA for the Fish and Wildlife Agencies to follow if the permit holders are not in compliance with the permits. The Final BDCP and Final IA should be revised to note that the POG provides guidance and advice to ensure compliance with the permits.

48. Page 66, Section 15.8.2: States that “If... the matter remains unresolved, the entity with decision-making authority... will make the final decision.”
Comment: The only entity with decision making authority should be the Authorized Entity Group (i.e., permit holders). There should be no need for a review process to challenge a decision by the permit holders. The Permit Oversight Group can certainly provide advice and guidance to the permit holders, but the ultimate decision belongs to those who have been issued permits and are responsible for BDCP compliance. The Final BDCP and Final IA should be revised to delete any reference to any BDCP implementation decisions being made by the Permit Oversight Group. As a result, there is no need for Section 15.8 and it should be deleted in its entirety.

49. Page 72, Section 17.2.2: States that “… the Permit Oversight Group… will provide written concurrence…that the draft plan… makes adequate provisions for… joint decision of the Authorized Entity Group and the Permit Oversight Group or decisions of an agency with authority over the matter.”

Comment: As has been stated repeatedly throughout these comments, the only entity authorized to make BDCP implementation decisions should be the permit holders. They are the ones ultimately responsible for BDCP implementation and permit compliance. The Final BDCP and Final IA should be revised to state conclusively that the permit holders are the final decision making authority for all BDCP implementation actions.

50. Page 72, Section 17.2.3: States that “…implementation of the applicable joint decisions of the Authorized entity Group and the Permit Oversight Group or decisions of an agency with authority over the matter.”

Comment: See above comments 47 and 49. The only entity authorized to make BDCP implementation decisions should be the permit holders. They are the ones ultimately responsible for BDCP implementation and permit compliance. The Final BDCP and Final IA should be revised to state conclusively that the permit holders are the final decision making authority for all BDCP implementation actions.

51. Page 79, Section 21.4: States that “In the event of withdrawal by DWR, the Permits will be terminated.”

Comment: This proposal is unwarranted. It is unclear why withdrawal by DWR would trigger termination of all other permits, especially if the BDCP is being implemented by other permit holders in accordance with the permits. The DWR is only one of many permit holders; each has legal responsibility for BDCP implementation. Terminating all permits without cause may be in direct conflict with provisions of the “Permit Revocation Rule” and “assurances” authorized under ESA Section 10 and NCCPA permits. The withdrawal of DWR should be
52. Page 79, Section 21.4.1: States that “As a condition of withdrawal, the withdrawing Party(ies) shall remain obligated to ensure implementation of... Conservation Measures required under this Agreement, the BDCP and the Permits...”

Comment: It is appropriate for withdrawing parties to remain obligated for impacts of take caused by their actions prior to withdrawal. However, if DWR withdraws, and all permits are terminated as currently proposed in Section 21.4, then DWR should bear the sole burden of, and responsibility for, meeting all obligations of the permit holders that did not request to withdraw and had permits unilaterally terminated. The Final IA should be revised to reflect this additional obligation of DWR should it choose to withdraw without the concurrence of the other permit holders.

53. Page 80, Section 22.0: States that “... none of the parties will be liable in damages to any other Party or to any other person or entity for any breach of this Agreement...”

Comment: If there is no penalty for non-compliance, why would a participant place a priority on performing? If Parties fulfilling their obligations are hindered, or incur greater costs because one or more other Parties are not performing as expected, damages should be recoverable from the non-performing Parties. The Final IA should be revised to allow for damages claims against non-performing parties.

54. Page 80, Section 22: States that “The Authorized Entities use their best efforts to remedy their inability to; and”

Comment: This sentence is incomplete. Text should be revised as shown below:

“The Authorized Entities use their best efforts to remedy their inability to perform; and”

55. Page 86, Section 23.2.1: States that “The Fish and Wildlife Agencies... may submit comments on the proposed minor modification..... The Authorized Entities must agree to any proposed minor modification.”
Comment: This paragraph can be interpreted several ways. To make it clear that the Authorized Entities have approval authority for minor modifications, the text should be changed as follows:

"The Authorized Entities must agree to any proposed minor modification before it is incorporated into the Plan."

56. Page 87, Section 23.3: States that "Formal amendments include, but are not limited to... • Changes to Biological Goals."

Comment: Requiring a formal amendment for changes to biological goals directly conflicts with the conservation strategy (page 24, Section 10.1.2), which specifically allows biological goals to be modified through the adaptive management process. This is a significantly streamlined process when compared to the formal amendment process. In keeping with the relatively informal adaptive management process, the Final IA should move "Changes to Biological Goals" from the Formal Amendment process to the Minor Modification process.

57. Page 91, Section 24.15: States that "Nothing in this Agreement is intended or shall be construed to require the ... expenditure of funds by the United States...Nothing in this Agreement will be construed by the Parties to require... expenditure of any money from the Treasury of the State of California..."

Comment: This section allows the State and Federal governments to avoid funding commitments if monies are not appropriated by their respective authorizing bodies. To make it clear that permits will not be revoked or suspended by the lack of state or federal funds, the Final IA should add language as follows:

"Failure of the federal or state to provide funds as required to implement the BDCP will not be justification to initiate permit suspension or revocation."

The Water Authority appreciates the opportunity to review and provide comments on the Draft Implementing Agreement. As noted above and in a prior comment letter, the intention of our comments is to obtain additional information and clarification in the Final environmental documents to determine if the Proposed Action as described in the Draft BDCP and Implementing Agreement, and analyzed in the Draft EIR/EIS, is a cost-effective, long-term solution to Delta water supply and ecosystem conflicts.

Please retain the Water Authority on your mailing list to receive future notifications or documents regarding this project. If you have questions or wish to discuss any of the
above concerns in greater detail, please contact Larry Purcell, Water Resources Manager at (858) 522-6752, or by email at lpurcell@sdcwa.org.

Sincerely,

Maureen A. Stapleton
General Manager
# Key Subject Areas for BDCP/California WaterFix Comment Letter

<table>
<thead>
<tr>
<th>2014 Draft BDCP</th>
<th>California WaterFix Preferred Alternative PRDEIR/SDEIS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governance</strong></td>
<td><strong>x</strong> = Not Addressed in Revised Environmental Documents</td>
</tr>
<tr>
<td>Permit Oversight Group</td>
<td>Active participation of permitting agencies in day-to-day decision-making, including having veto authority, during implementation is inappropriate.</td>
</tr>
<tr>
<td>Responsible Agencies</td>
<td>All HCP/NCCP permit applicants should be listed as CEQA responsible agencies.</td>
</tr>
<tr>
<td>Authorized Entity Group</td>
<td>Current membership is too limited; must include all HCP/NCCP permit holders.</td>
</tr>
<tr>
<td>Implementation Office</td>
<td>Unclear how this new governmental office would be organized; extent of authority is confusing.</td>
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<tr>
<td><strong>Implementation</strong></td>
<td></td>
</tr>
<tr>
<td>CM1</td>
<td>Lack of a minimum guaranteed supply yield resulting from Decision Tree Process. Discussion on non-contractor access to facilities for water transfers is lacking.</td>
</tr>
<tr>
<td>CM4</td>
<td>Permit timing assumptions for tidal community restoration on public lands seem unrealistically optimistic without further substantiation. Additional time to implement restoration affects timing and availability of potential supply yields.</td>
</tr>
<tr>
<td>CM3, CM4, CM 9, CM10</td>
<td>Implementation schedule to restore over 44,000 acres of habitat in first five years seems unrealistically optimistic without further substantiation. Additional time to implement restoration affects timing and availability of potential supply yields.</td>
</tr>
<tr>
<td>Implementation Agreement</td>
<td>Proposed Implementing Agreement that HCP/NCCP permit recipients must sign is missing and should be included in Final document.</td>
</tr>
<tr>
<td><strong>Funding</strong></td>
<td></td>
</tr>
<tr>
<td>Contractor Obligations</td>
<td>Necessary contractual agreements for individual SWP and CVP contractors to fund CM1 is unclear; process for revising SWP/CVP allocations if individual contractors decline to participate is not defined.</td>
</tr>
<tr>
<td>State/Federal Obligations</td>
<td>Firm commitments to ensure state and federal funding for CM 2-22 is lacking.</td>
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<tr>
<td><strong>Public Obligations</strong></td>
<td>Discussion of alternate funding sources should bonds for CM 2-22 not be approved by the public is missing.</td>
</tr>
<tr>
<td><strong>HCP/NCCP Findings</strong></td>
<td>Provisions to ensure adequate funding by participants as required for HCP/NCCP approval are lacking.</td>
</tr>
<tr>
<td><strong>Economic Benefits</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Unit Costs</strong></td>
<td>Calculation of unit cost of BDCP Alternative and alternate supplies appear to be based on different cost methodologies.</td>
</tr>
<tr>
<td></td>
<td>Cost comparison between BDCP and alternate supplies should be on “apples to apples” basis e.g. annual debt service plus operating costs divided by annual yield.</td>
</tr>
<tr>
<td><strong>Alternative Water Supplies</strong></td>
<td>The purpose of incorporation of alternative water supplies in benefits analysis is unclear and may lead to a comparison that is not “apple to apples” in terms of what makes up the costs.</td>
</tr>
<tr>
<td><strong>Reduced Seismic Risk</strong></td>
<td>The basis for the estimated amount of water supply available for post-earthquake scenario is not included in the document and the assumptions used need to be detailed.</td>
</tr>
<tr>
<td><strong>Demand Forecast</strong></td>
<td>Analysis uses outdated SANDAG growth forecast which likely overestimates future demand in early years. Updated Series 13 forecast should be used in final document.</td>
</tr>
<tr>
<td><strong>Environmental Analysis</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Growth Inducement Impacts</strong></td>
<td>Significant findings not supported by analysis, which details unknowns concerning when and where growth will occur and lack of state jurisdiction over land use decisions. Speculative to determine significance with so much uncertainty.</td>
</tr>
<tr>
<td><strong>Water Use by Hydrologic Region</strong></td>
<td>Water use estimates used in Growth Inducement analysis do not have most up to date demographic forecast, which affects demand forecast model output.</td>
</tr>
</tbody>
</table>
### Environmental Baseline

| Multiple Baselines | Use of different baselines for CEQA/NEPA and economic analysis is confusing and requires better explanation as to the purpose, basis and use of each baseline. |

### Decision Tree

| Future Studies | Timing and extent of future scientific studies to determine spring and fall outflows is not defined. |
| Water Operations | Incomplete information on timing and extent of studies and monitoring required ensuring flow compliance. |

### 2014 Conceptual Engineering Report

<table>
<thead>
<tr>
<th>Schedule</th>
<th>California WaterFix Preferred Alternative PRDEIR/SDEIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Schedules</td>
<td>The schedules in the Summary and Appendix C are inconsistent</td>
</tr>
<tr>
<td>Constrained Project Tasks</td>
<td>Several of the tasks identified in the Appendix C schedule have their completion dates constrained.</td>
</tr>
<tr>
<td>Cost Estimate Accuracy</td>
<td>Cost estimate accuracy is listed as +50 percent to -25 percent accurate, yet 36 contingency percent is stated. Inappropriately low contingency estimate given current 10% level of design.</td>
</tr>
<tr>
<td>Project Risks</td>
<td></td>
</tr>
<tr>
<td>Risk Matrix</td>
<td>Project risks should be identified and managed using a risk matrix.</td>
</tr>
<tr>
<td>Property Acquisition</td>
<td>A property acquisition plan is missing.</td>
</tr>
<tr>
<td>Tunnel Methodology</td>
<td>Additional design is necessary to define the type of tunnel boring machines (TBM); how many TBMs will be needed; tunnel muck disposal; tunnel ventilation; and adequate skilled labor to operate the TBMs.</td>
</tr>
<tr>
<td>Power Requirements</td>
<td>Cost and impact of providing two separate power supplies to key BDCP facilities are not identified or analyzed compared to benefits of redundancy.</td>
</tr>
<tr>
<td>Access and Utility Conflicts</td>
<td>Time and resources necessary to relocate roads and associated utilities at two Sacramento River intake locations has not been identified.</td>
</tr>
<tr>
<td>Access and Utility Conflicts</td>
<td>Plan to address relocation or avoidance of known and unknown natural gas wells is missing.</td>
</tr>
<tr>
<td>Lack of Geotechnical Information</td>
<td>Additional discussion of required geotechnical information is needed and how it will be obtained in order to proceed to the next phase of design.</td>
</tr>
<tr>
<td><strong>Project Delivery Method</strong></td>
<td>No evaluation of possible alternate project delivery methods.</td>
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<tr>
<td><strong>Available Resources</strong></td>
<td>No evaluation of the availability of tunnel boring machines, borrow material, specialized contractors and technical experts necessary to complete the project.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>2014 Implementing Agreement</strong></th>
<th><strong>California WaterFix Preferred Alternative PRDEIR/SDEIS</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Financial Commitments</strong></td>
<td>Lack specificity regarding financial commitments required to approve the BDCP and issue any necessary incidental permit.</td>
</tr>
<tr>
<td><strong>Commitment of Individual Contractors</strong></td>
<td>No details on how to coordinate and allocate water between the SWP and CVP Contractors and among the BDCP participants and non-participants.</td>
</tr>
<tr>
<td><strong>Source of Funds</strong></td>
<td>Lack of details on source of funding required to implement BDCP.</td>
</tr>
</tbody>
</table>
September 16, 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 agencies and organizations.

Discussion
Metropolitan Water District (MWD). This section provides a summary of anticipated key actions of the MWD Board of Directors’ September 21 and 22 meetings, which were rescheduled to avoid conflicts with holidays. The next committee and board meetings will take place October 12 and 13, 2015.

Approve Forbearance Agreement Allowing Central Arizona Water Conservation District to Add Intentionally Created Surplus to Lake Mead.
In December 2007, the MWD Board authorized the General Manager to enter into agreements to improve MWD’s access to Colorado River water, including the Forbearance Agreement among the Lower Basin States’ agencies. The forbearance agreement sets forth the rules under which the parties agreed how Intentionally Created Surplus (ICS) water is developed, and stored in and recovered from Lake Mead. Land fallowing, canal lining, desalination, and other defined projects and programs may be developed to create Extraordinary Conservation ICS. In April, the Arizona Department of Water Resources and the Central Arizona Water Conservation District (CAWCD) requested MWD’s approval of an exhibit to the December 2007 Forbearance Agreement agreeing to forbear MWD’s claim of ICS water created by CAWCD this year and next year. The creation of Extraordinary Conservation ICS by CAWCD would be limited to 100,000 acre-feet per year. The conserved water would be stored in Lake Mead, and CAWCD would not request delivery of Extraordinary Conservation ICS prior to January 1, 2020, unless Lake Mead’s January 1 elevation is projected (in August of a prior year) to exceed 1,145 feet. MWD staff recommends authorizing the General Manager to execute this exhibit to the December 2007 Forbearance Agreement.

Authorize Entering into an Amendment to the Operational Agreement with the Southern Nevada Water Authority and Colorado River Commission of Nevada; and Approve Payment of $44.375 Million.
In 2004, MWD, Southern Nevada Water Authority (SNWA), the Colorado River Commission of Nevada (CRCN), and the Bureau of Reclamation entered into a Storage and Interstate Release Agreement (SIRA) that allows interstate banking to occur between MWD and SNWA. In conjunction with the SIRA, MWD, SNWA, and CRCN entered into an agreement (Operational Agreement) that governs operational and financial matters for the storage of water under the SIRA. The Operational Agreement was amended twice to take into consideration the parties’ changing water supply needs. Through 2014, MWD has utilized SIRA to “store” 205,225 acre-feet of water in MWD’s service area to mitigate its supply shortage. This stored water is subject to return to SNWA by 2022 or earlier under extreme drought conditions. Under a proposed amendment to the Operational Agreement, MWD would pay SNWA almost $44.4 million for an additional 150,000 acre-feet of water apportioned to, but not used by SNWA during 2015. Upon SNWA’s request,
MWD would return up to 125,000 acre-feet to SNWA in future years and SNWA would reimburse MWD annually for an equivalent proportion of the amount paid by MWD based on the amount of water returned, including inflation. This transaction is essentially an unbalanced water transfer exchange in which the 150,000 AF of water stored in MWD’s service area can be put to immediate use, and MWD is obligated to sell back a lower amount of water to SNWA in the future for the same price (adjusted for inflation) that MWD pays to SNWA in 2015.

Because diverting this water to MWD rather than leaving it in Lake Mead could increase the risk of Lake Mead reaching critical low elevations, the proposed amendment would also include a provision to help protect Lake Mead’s elevation. If MWD returns less than 75,000 acre-feet to SNWA prior to 2027 and Lake Mead’s elevation declines to or below elevation 1,045 feet, MWD would create 50,000 acre-feet of ICS in Lake Mead annually until the combination of ICS-created and returned water equals 75,000 acre-feet. The agreement also stipulates that prior to 2027 MWD may only request delivery of such ICS water if Lake Mead is at or above elevation 1,080 feet. The current elevation of Lake Mead is about 1,078 feet.

Discussion on acquisition of real property located in Imperial and Riverside counties within the Palo Verde Irrigation District and real property located in Contra Costa and San Joaquin Counties.

In closed session, the MWD board anticipates discussing its interest in acquiring approximately 3,500 additional acres of farmland located within the Palo Verde Irrigation District service area. If acquired, MWD would own 25,700 acres within PVID, which would make it the largest landowner in the district with nearly 30 percent of land ownership. In addition, MWD would control about 25 percent of eligible votes in PVID elections. See attached map for PVID properties under consideration (Attachment 1).

Also in closed session, the MWD board anticipates discussing its interest in acquiring nearly 20,000 acres of property located in Contra Costa and San Joaquin counties. The parcels under consideration comprise a water storage and mitigation project known as the Delta Wetlands Project, comprised of four “islands” in the Bay Delta located north of the Clifton Court Forebay, the location of the State Water Project export pumps. Two of the four islands – Bacon and Bouldin – also lie within the alignment of the proposed California WaterFix twin tunnels project. The parcels account for approximately six miles of the proposed 30-mile path of the tunnels. See attached map for properties under consideration (Attachment 2).

In another item on MWD’s agenda, MWD proposed to issue $500 million in water revenue bonds. It is unclear if any of the proceeds of the sale will be used to fund property acquisition.

The MWD Committees and Board is also expected to:

- In closed session, hear a 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; and in connection with these matters authorize an increase in maximum amount payable under contract for legal services with Miller Barondess, LLP by $350,000 to an amount not to exceed $600,000; with this action, the MWD board authorized $24.7 million in legal expenses related to the rate litigation against the Water Authority.
- Receive a report on a Potential Regional Recycled Water Program (see related report under MWD Member Agencies, below);
o Authorize entering into an agreement with Securitas to provide security guard services for a maximum period of five years at a total cost not to exceed $38.1 million;
o Appropriate $19.8 million, and award a $16.64 million contract to Kiewit Infrastructure West Co. for canal improvements on the Colorado River Aqueduct;
o Express Support and Seek Amendments to S. 1894 (Feinstein, D-CA) – California;
o Hear an oral update on Information Technology Strategic Plan for period ending June 2015;
o Hear a recap on MWD’s new Information Technology Strategic Plan;
o Hear an oral report on Desert Remote Facilities;
o In closed session, conference with labor negotiators;
o Hear a report on Water Supply Drought Management Plan; and
o Receive an update on its Conservation Program.

MWD Member Agencies.
Municipal Water District of Orange County (MWDOC).
At MWDOC’s September 8 meeting, its staff presented a brief information item on a Regional Recycled Water Program that MWD is discussing with the Los Angeles County Sanitation Districts. The potential project includes three phases to provide up to 179,200 acre-feet of recycled water annually to replenish the Central Basin, Long Beach, Orange County, West Basin, San Gabriel, Raymond and Chino groundwater basins. Some of the water would be stored in MWD’s conjunctive use programs in the Orange County and Chino basins. MWDOC’s General Manager reported that this project will be a supply alternative identified in MWD’s 2015 Update Integrated Resources Plan. See Attachment 3 for MWDOC’s memo in this item.

Prepared by: Sarah Taylor, Assistant Water Resources Specialist
Reviewed by: Amy Chen, Director of MWD Program
Approved by: Dennis A. Cushman, Assistant General Manager

Attachments:
1. Palo Verde Irrigation District Map
2. Delta Wetlands Project Map
3. MWDOC Memo Item No. 5 regarding MWD Regional Recycled Water Program, dated September 8, 2015
Total MWD Land Owned in PVID
25,700 acres*
25% Voting Entitlement
29% Water Toll Acres

* "Total MWD Land Owned in PVID" includes 3,407 acres of proposed acquisition being discussed in September

Existing MWD Parcels within PVID (9,424 acres) (2001 purchase)
Existing MWD Parcels outside PVID (6,823 acres) (2001 purchase)
Newly Acquired MWD Parcels within PVID (12,835 acres) (July 2015 purchase)
Proposed Acquisition (3,407 acres) (Sept. 2015 Discussion item)
Palo Verde Irrigation District (PVID)

* Aerial imagery acquired in 2012

Map created 09/15/2015
INFORMATION ITEM
Board Meeting Date

TO: Planning & Operations Committee

FROM: Robert Hunter, General Manager

SUBJECT: MET Regional Recycled Water Program

STAFF RECOMMENDATION

Staff recommends the Planning & Operations Committee: Receive and file the information.

DETAILED REPORT

The Metropolitan Water District of Southern California (MET) is in discussions with the Los Angeles County Sanitation District (LACSD) concerning a Regional Recycled Water Program. The first phase of that program has a significant involvement for MWDOC as the anchor customer for the recycled water. MWDOC would sell the recycled water to OCWD for groundwater replenishment. OCWD currently has a ten year purchase order agreement with MWDOC to purchase an average of 65,000 acre-feet per year (afy). The recycled water would meet part of this need.

This project will be an informational item at the September MET board and committee meetings with an initial funding request thereafter. The project will require 3-4 years to bring on line.

The regional recycled water program consists of purifying secondary effluent from the LACSD's Joint Water Pollution Control Plant (Carson) and distributing the finished water to groundwater basins within the Metropolitan service area. The program would be implemented in phases.

Demonstration Phase – 1 mgd advanced water treatment facility
Phase 1 – Treatment and distribution of up to 60 mgd (67,200 afy) of recycled water to replenish Central Basin (LA), Long Beach and Orange County groundwater basins and store regional supplies in MET's Orange County conjunctive use program.
Phase 2 – Treatment and distribution of up to 70 mgd (78,400 afy) of recycled water to replenish West Basin, Central Basin, and San Gabriel groundwater basins and to store regional supplies in MET's San Gabriel cyclic storage account.
Phase 3 – Treatment and distribution of up to 30 mgd (33,600 afy) of recycled water to replenish Raymond and Chino groundwater basins and to store regional supplies in MET's Chino Basin conjunctive use program.

<table>
<thead>
<tr>
<th>Budgeted (Y/N):</th>
<th>Budgeted amount:</th>
<th>Core ___</th>
<th>Choice ___</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action item amount:</td>
<td>Line item:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fiscal Impact (explain if unbudgeted):
September 16, 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 matter at the September 24, 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
September 16, 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 September 24, 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
ADMINISTRATIVE AND FINANCE COMMITTEE

AGENDA FOR

SEPTEMBER 24, 2015

Gary Arant – Chair     Mark Muir
Doug Wilson – Vice Chair     DeAna Verbeke
Halla Razak – Vice Chair     Ron Watkins
Lois Fong-Sakai     Mark Watton
Ed Gallo     Mark Weston
Frank Hilliker     Ken Williams
Tom Kennedy     Tom Wornham
Keith Lewinger

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.

I. CONSENT CALENDAR

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

2. Adopt an ordinance making clean-up amendments to chapters 1.00, 1.08, 2.00, and 5.00 of the Administrative Code and a resolution designating newspapers for publication of official notices.
   Staff recommendation:
   a) Adopt Ordinance No. 2015-___, an ordinance of the Board of Directors of the San Diego County Water Authority making clean-up amendments to chapters 1.00, 1.08, 2.00, and 5.00 of the Administrative Code. Dan Hentschke
b) Adopt Resolution No. 2015-__, a resolution of the Board of Directors of the San Diego County Water Authority designating newspapers for publication of official notices pursuant to section 1.08.050 of the Administrative Code. (Action)

II. ACTION/DISCUSSION/PRESENTATION

1. Adjustment of Board Member Compensation. (Discussion)  Mark Weston

2. Rating Agency Drought Perspective. (Presentation)  Lisa Marie Harris


III. INFORMATION

1. Controller’s report on monthly financial statements.  Rod Greek

2. Report on purchase orders and contracts for goods and services above $10,000.  Baldemar Troche

3. Board calendar.

IV. CLOSED SESSION

V. ADJOURNMENT

Melinda Cogle
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.
September 16, 2015

Attention: Administrative and Finance Committee

Monthly Treasurer’s Report on Investments and Cash Flow

Purpose
The purpose of the Treasurer’s Report is to provide monthly financial information to the Board of Director’s.

Attached for review by the Administrative and Finance Committee and the Board of Directors is the Treasurer’s Report as of August 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.

Chandler Portfolio Summary: This one page snapshot shows the Chandler Asset portfolio holdings including average duration, coupon, yield and ratings; account summary; top issuers; issuer allocation; maturity distribution; and the managed portfolio yield compared to the benchmark.

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 74 percent currently invested in AAA rated or AAA/AA+ split-rated securities. In August 2015 the Water Authority’s overall portfolio yield held steady at 0.76 percent and continues to exceed the investment benchmark of 0.49 percent. 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 August 31, 2015

#### PORTFOLIO PERCENTAGES

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Permitted By Board Policy</th>
<th>Portfolio Percentage</th>
<th>Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$50 Million</td>
<td>12.96%</td>
<td>$49,512,725</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>15.98%</td>
<td>61,019,426</td>
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<tr>
<td>Agency Securities</td>
<td>85%</td>
<td>53.00%</td>
<td>202,443,059</td>
</tr>
<tr>
<td>Supranational Securities</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>9.14%</td>
<td>34,901,527</td>
</tr>
<tr>
<td>Medium Term Notes/Corporates</td>
<td>30%</td>
<td>6.32%</td>
<td>24,141,423</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>2.48%</td>
<td>9,460,829</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>15%</td>
<td>0.12%</td>
<td>453,314</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100.00%</td>
<td>$381,932,303</td>
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<tr>
<td>Accrued Interest (unavailable for investing)</td>
<td></td>
<td></td>
<td>30,181</td>
</tr>
<tr>
<td>Checking/Petty Cash/Available Funds (unavailable for investing)</td>
<td></td>
<td></td>
<td>1,670,890</td>
</tr>
<tr>
<td><strong>Subtotal for Pooled Funds:</strong></td>
<td></td>
<td></td>
<td>$383,633,374</td>
</tr>
</tbody>
</table>

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

- Treasury Securities
- Agency Securities
- Placement Service Certificates of Deposit
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- JPA Pools (CAMP)
- Money Market Funds and Cash

Accrued Interest (unavailable for investing)

**Subtotal for Bond/CP Fund (available for CIP expenditures):** $80,408,291

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

- Trinity Plus - Reserve (GIC) - Series 1998A COPs

**Subtotal for Debt Service Reserve Funds (unavailable for CIP expenditures):** $12,240,775

**Total Cash and Investments:** $476,282,440

---

#### 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>0.70%</td>
<td>0.33%</td>
<td>5.55%</td>
<td>0.76%</td>
</tr>
<tr>
<td>Average Term</td>
<td>902</td>
<td>1</td>
<td>1</td>
<td>726</td>
</tr>
<tr>
<td>Average Days to Maturity (730 Days Maximum)</td>
<td>413</td>
<td>1</td>
<td>1</td>
<td>333</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 July 29th, the FOMC maintained the target for the federal funds rate at a range of 0-25 basis points. The next meeting is September 17th.
## Portfolio Summary
As of 8/31/2015

### Portfolio Characteristics

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Duration</td>
<td>3.34</td>
</tr>
<tr>
<td>Average Coupon</td>
<td>1.78%</td>
</tr>
<tr>
<td>Average Purchase YTM</td>
<td>1.57%</td>
</tr>
<tr>
<td>Average Market YTM</td>
<td>1.72%</td>
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<tr>
<td>Average S&amp;P/Moody Rating</td>
<td>AA+/Aa1</td>
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<tr>
<td>Average Final Maturity</td>
<td>3.52 yrs</td>
</tr>
<tr>
<td>Average Life</td>
<td>3.48 yrs</td>
</tr>
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</table>

### Account Summary

<table>
<thead>
<tr>
<th></th>
<th>Beg. Values as of 7/31/15</th>
<th>End Values as of 8/31/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value</td>
<td>22,071,555</td>
<td>24,004,854</td>
</tr>
<tr>
<td>Accrued Interest</td>
<td>117,752</td>
<td>97,092</td>
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<tr>
<td>Total Market Value</td>
<td>22,189,307</td>
<td>24,101,946</td>
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<tr>
<td>Income Earned</td>
<td>29,407</td>
<td>32,388</td>
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<tr>
<td>Cont/WD</td>
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</tr>
<tr>
<td>Par</td>
<td>21,950,000</td>
<td>23,950,000</td>
</tr>
<tr>
<td>Book Value</td>
<td>22,141,603</td>
<td>24,141,423</td>
</tr>
<tr>
<td>Cost Value</td>
<td>22,141,603</td>
<td>24,141,423</td>
</tr>
</tbody>
</table>

### Issuer Allocation

- Apple Inc: 16.47%
- Wal-Mart Stores: 8.43%
- Procter & Gamble Company: 8.19%
- Microsoft: 16.55%
- Berkshire Hathaway: 16.66%
- Exxon Mobil Corp: 16.72%
- ChevronTexaco Corp: 10.75%

### Maturity Distribution

- 0 - .25: 33.3%
- .25 - .5: 33.4%
- .51 - 1: 33.3%
- 1 - 2:
- 2 - 3:
- 3 - 4:
- 4 - 5:
- 5+:   

### 12-Month Yield Comparison

- SDCWA
- BAML 1-5 Year AAA - US Corp index
# Portfolio Details - Investments

**August 31, 2015**

## Managed Pool Accounts

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issue</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 YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH35</td>
<td>73</td>
<td>CAMP - OPERATING/POOLED</td>
<td>9,460,829.49</td>
<td>0.120</td>
<td>9,460,829.49</td>
<td>9,460,829.49</td>
<td>AAA</td>
<td>0.120</td>
<td>1</td>
<td></td>
<td></td>
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<tr>
<td>CASH45</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td>1,045,264.90</td>
<td>0.120</td>
<td>1,045,264.90</td>
<td>1,045,264.90</td>
<td>AAA</td>
<td>0.120</td>
<td>1</td>
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<tr>
<td>CASH43</td>
<td>4001</td>
<td>GOLDMAN - 2010B BONDS-BABS</td>
<td>0.00</td>
<td>[0.00]</td>
<td>0.00</td>
<td>0.00</td>
<td>AAA</td>
<td>0.020</td>
<td>1</td>
<td></td>
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<tr>
<td>CASH11</td>
<td>0002</td>
<td>GOLDMAN - OPERATING/POOLED</td>
<td>453,313.87</td>
<td>0.020</td>
<td>453,313.87</td>
<td>453,313.87</td>
<td>AAA</td>
<td>0.020</td>
<td>1</td>
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<tr>
<td>CASH13</td>
<td>72</td>
<td>LAIF - OPERATING</td>
<td>49,512,725.04</td>
<td>0.330</td>
<td>49,512,725.04</td>
<td>49,512,725.04</td>
<td>AA+</td>
<td>0.330</td>
<td>1</td>
<td></td>
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<tr>
<td>CASH41</td>
<td>4002</td>
<td>LAIF - 2010B BONDS-BABS</td>
<td>79,363,022.76</td>
<td>0.330</td>
<td>79,363,022.76</td>
<td>79,363,022.76</td>
<td>AA+</td>
<td>0.330</td>
<td>1</td>
<td></td>
<td></td>
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<tr>
<td>CASH17</td>
<td>204</td>
<td>TRINITY PLUS - 1998A</td>
<td>12,240,775.00</td>
<td>5.550</td>
<td>12,240,775.00</td>
<td>12,240,775.00</td>
<td>AA+</td>
<td>5.550</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH33</td>
<td>208</td>
<td>US BANK MONEY MARKET FUND</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>AAA</td>
<td>0.001</td>
<td>1</td>
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**Subtotal and Average:** 169,818,744.45

## Medium Term Notes

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issue</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 YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
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</thead>
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<tr>
<td>037833AQ3</td>
<td>20001</td>
<td>APPLE INC.</td>
<td>1,950,000.00</td>
<td>0.98</td>
<td>1,975,486.50</td>
<td>1,982,662.50</td>
<td>AA+</td>
<td>0.98</td>
<td>2019-05-06</td>
<td>2015-02-26</td>
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<tr>
<td>037833AJ9</td>
<td>20004</td>
<td>APPLE INC.</td>
<td>2,000,000.00</td>
<td>0.98</td>
<td>2,017,640.00</td>
<td>2,030,400.00</td>
<td>AA+</td>
<td>0.98</td>
<td>2019-02-02</td>
<td>2015-06-19</td>
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<tr>
<td>084670BH0</td>
<td>20002</td>
<td>BERKSHIRE HATHAWAY INC.</td>
<td>2,000,000.00</td>
<td>0.98</td>
<td>2,041,540.00</td>
<td>2,060,200.00</td>
<td>AA+</td>
<td>0.98</td>
<td>2019-02-02</td>
<td>2015-06-19</td>
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<td>084670BL1</td>
<td>20009</td>
<td>BERKSHIRE HATHAWAY INC.</td>
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**Report Ver. 7.3.3b**
SDCWA - Fiscal Year 2016
Portfolio Management

Page 2

Portfolio Details - Investments
August 31, 2015
CUSIP

Investment #

Issuer

Average
Balance

Purchase
Date

Par Value

Market Value

Book Value

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04/25/2013
09/19/2014
10/28/2014
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05/21/2015
05/07/2013
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03/18/2015
04/29/2015
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S&P

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Maturity
Date

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Run Date: 09/02/2015 - 16:13

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10/26/2017

Portfolio CWA2
CC
PM (PRF_PM2) 7.3.0


# SDCWA - Fiscal Year 2016
## Portfolio Management
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#### August 31, 2015

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<td>0.992</td>
<td>791</td>
<td>10/31/2017</td>
<td></td>
</tr>
<tr>
<td>912828C73</td>
<td>10125</td>
<td>UNITED STATES TREASURY</td>
<td>04/24/2014</td>
<td>6,000,000.00</td>
<td>6,021,564.00</td>
<td>5,998,828.13</td>
<td>0.875</td>
<td>AA+</td>
<td>0.882</td>
<td>592</td>
<td>04/15/2017</td>
<td></td>
</tr>
<tr>
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<td>UNITED STATES TREASURY</td>
<td>01/27/2015</td>
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<td>4,014,376.00</td>
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<td>0.875</td>
<td>AA+</td>
<td>0.626</td>
<td>592</td>
<td>04/15/2017</td>
<td></td>
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<tr>
<td>912828UZ1</td>
<td>10153</td>
<td>UNITED STATES TREASURY</td>
<td>04/15/2015</td>
<td>10,000,000.00</td>
<td>9,902,340.00</td>
<td>9,930,859.38</td>
<td>0.625</td>
<td>AA+</td>
<td>0.856</td>
<td>972</td>
<td>04/30/2018</td>
<td></td>
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</tbody>
</table>

**Treasury Securities - Coupon**

Subtotal and Average | 61,019,426.57 | 61,000,000.00 | 61,010,261.00 | 61,019,426.57 | 0.657 | 489 |

**Total and Average**

<table>
<thead>
<tr>
<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>
<th>Subtotal Average</th>
<th>8.867</th>
<th>674</th>
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<tbody>
<tr>
<td>492,002,415.78</td>
<td>466,076,931.06</td>
<td>468,310,663.11</td>
<td>474,611,547.05</td>
<td>0.763</td>
<td>333</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>
### Portfolio Details - Cash

**August 31, 2015**

#### Passbook/Checking Accounts

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</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>
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</thead>
<tbody>
<tr>
<td>CASH01</td>
<td>48</td>
<td>PETTY CASH</td>
<td>07/01/2015</td>
<td>2,500.00</td>
<td>2,500.00</td>
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<td></td>
<td>0.000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>CASH02</td>
<td>1000</td>
<td>WELLS FARGO - OPERATING/POOLED</td>
<td>07/01/2015</td>
<td>1,669,120.87</td>
<td>1,669,120.87</td>
<td>1,669,120.87</td>
<td>0.001</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH03</td>
<td>1001</td>
<td>WELLS FARGO - PAYROLL ZBA</td>
<td>07/01/2015</td>
<td>-730.80</td>
<td>-730.80</td>
<td>-730.80</td>
<td></td>
<td>0.000</td>
<td>1</td>
<td></td>
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<tr>
<td>CASH39</td>
<td>4000</td>
<td>WELLS FARGO - 2010B BONDS-BABS</td>
<td>07/01/2015</td>
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<td>3.78</td>
<td>3.78</td>
<td></td>
<td>0.000</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

**Average Balance**

- 0.00

**Total Cash and Investments**

- 492,002,415.78
- 467,749,824.91
- 469,981,556.96
- 476,282,440.90
- 0.763
- 333
## SDCWA - Fiscal Year 2016
### Portfolio Management
#### Activity Summary
August 2014 through August 2015

<table>
<thead>
<tr>
<th>Month End</th>
<th>Year</th>
<th>Number of Securities</th>
<th>Total Invested</th>
<th>Yield to Maturity</th>
<th>Managed Pool Rate</th>
<th>Number of Investments Purchased</th>
<th>Number of Investments Redeemed</th>
<th>Average Term</th>
<th>Average Days to Maturity</th>
</tr>
</thead>
<tbody>
<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>
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<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>
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<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>
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<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>
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<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>321</td>
</tr>
<tr>
<td>January</td>
<td>2015</td>
<td>77</td>
<td>564,646,521.95</td>
<td>0.547</td>
<td>0.507</td>
<td>1</td>
<td>4</td>
<td>587</td>
<td>258</td>
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<tr>
<td>February</td>
<td>2015</td>
<td>76</td>
<td>511,772,265.16</td>
<td>0.601</td>
<td>0.615</td>
<td>5</td>
<td>6</td>
<td>651</td>
<td>286</td>
</tr>
<tr>
<td>March</td>
<td>2015</td>
<td>79</td>
<td>514,766,492.71</td>
<td>0.621</td>
<td>0.640</td>
<td>3</td>
<td>0</td>
<td>671</td>
<td>288</td>
</tr>
<tr>
<td>April</td>
<td>2015</td>
<td>72</td>
<td>463,900,626.75</td>
<td>0.695</td>
<td>0.636</td>
<td>7</td>
<td>14</td>
<td>683</td>
<td>361</td>
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<tr>
<td>May</td>
<td>2015</td>
<td>78</td>
<td>476,626,587.53</td>
<td>0.716</td>
<td>0.681</td>
<td>6</td>
<td>0</td>
<td>701</td>
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<tr>
<td>June</td>
<td>2015</td>
<td>79</td>
<td>470,842,737.73</td>
<td>0.738</td>
<td>0.716</td>
<td>2</td>
<td>1</td>
<td>718</td>
<td>364</td>
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<tr>
<td>July</td>
<td>2015</td>
<td>80</td>
<td>469,298,162.29</td>
<td>0.752</td>
<td>0.746</td>
<td>1</td>
<td>0</td>
<td>728</td>
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<tr>
<td>August</td>
<td>2015</td>
<td>81</td>
<td>474,611,547.05</td>
<td>0.753</td>
<td>0.735</td>
<td>1</td>
<td>0</td>
<td>726</td>
<td>333</td>
</tr>
</tbody>
</table>

**Average:**
- Total Invested: 518,225,482.05
- Yield to Maturity: 0.627%
- Managed Pool Rate: 0.636%
- Number of Investments Purchased: 3
- Number of Investments Redeemed: 3
- Average Term: 650
- Average Days to Maturity: 316
September 16, 2015

Attention: Administrative and Finance Committee

Adopt an ordinance making clean-up amendments to chapters 1.00, 1.08, 2.00, and 5.00 of the Administrative Code and a resolution designating newspapers for publication of official notices. (Action)

Purpose
This action will make amendments to chapters 1.00, 1.08, 2.00, and 5.00 of the Administrative Code and will designate the newspapers for publication of official notices.

Staff recommendation
1. Adopt Ordinance No. 2015-__, an ordinance of the board of directors of the San Diego County Water Authority making clean-up amendments to chapters 1.00, 1.08, 2.00, and 5.00 of the Administrative Code.

2. Adopt Resolution No. 2015-__, a resolution of the board of directors of the San Diego County Water Authority designating newspapers for publication of official notices pursuant to section 1.08.050 of the Administrative Code.

Alternative
Do not adopt the ordinance and resolution.

Fiscal impact
Replacement of the publication requirement for ordinances with a requirement for posting on the Water Authority website will reduce costs in an undetermined amount while increasing public access to adopted ordinances. Expenditures for publication of ordinances was $8,916.48 in 2014 and $8,612.20 in 2015.

Discussion
The proposed ordinance makes the following clean-up amendments to the Administrative Code:

- The requirement for publication of adopted ordinances is replaced with a requirement to post the ordinances on the Water Authority website;
- The authorization to specify the newspaper for publication of official notices (such as procurement, CEQA, and statutorily mandated public hearing notices) is modified to eliminate reference to the publication of ordinances;
- The provision relating to the start time for standing committees is modified to allow greater flexibility in scheduling, while maintaining the 3:00 start time for board meetings consistent with the practices that resulted from the Committee on Committees process;
- The description of the Water Authority’s rate structure is updated to reflect the results of the most recent rate setting process.
The proposed resolution will designate the Daily Transcript and San Diego Union-Tribune as the newspapers for publication of official notices of the Water Authority. Generally, these are notices inviting bids, public hearing notices, and CEQA documents. The resolution authorizes the clerk to select either or both of the newspapers for a particular notice and directs the clerk to generally select the newspaper that offers the lowest publication cost.

Prepared by: Daniel S. Hentschke, General Counsel
Approved by: Maureen A. Stapleton, General Manager

Attachment: Ordinance No. 2015-__
Resolution No. 2015-__
ORDINANCE NO. 2015-___

AN ORDINANACE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY MAKING CLEAN-UP AMENDMENTS TO CHAPTERS 1.00, 1.08, 2.00, AND 5.00 OF THE ADMINISTRATIVE CODE

The Board of Directors of the San Diego County Water Authority does ordain as follows:

1. Article 1, chapter 1.00 of the Administrative Code is amended by the amendment of section 1.00.040, subdivision (g) to read as follows:

   (g) Ordinances and resolutions shall be effective upon adoption. Within fifteen seven days after the adoption of an ordinance the Clerk of the Board shall publish the text of the ordinance or a summary thereof prepared by the General Counsel in one or more newspapers published in the territory of the Authority and designated pursuant to section 1.08.050, cause the ordinance to be posted in full in a prominent location on the Water Authority’s website for not less than 30 days along with the votes for and against the ordinance. The failure to publish an ordinance or a summary in a timely manner shall not affect its validity or effective date.

2. Article 1, chapter 1.08 of the Administrative Code is amended by the amendment of section 1.08.050 to read as follows:

   1.08.050  Designation of Newspapers for Publication of Official Notices

   The Board shall may by resolution designate the newspaper or newspapers for publication of ordinances and official notices of the Authority.

3. Article 2, chapter 2.00 of the Administrative Code is amended by the amendment of section 2.00.080, subdivision (b) to read as follows:

   (b) Times. Regular meetings of the Board will commence at the time stated on the agenda but no earlier than 9:00 a.m., or as soon thereafter as a quorum is present. Regular meetings of standing committees listed in subdivision (a) of section 2.00.060 will commence at the same time and in the same location as the Board meeting and may continue throughout the day. A a schedule of the time for each the agenda states a specific time for commencement of a standing committee meeting is posted, the committee meeting shall not commence before the time stated on the schedule agenda. The formal Board meeting for the conduct of business other than deliberations or actions of the Board previously taken pursuant to section 2.00.060, subdivision (j) will convene at 3:00 p.m. on the day of the regular meeting or as soon thereafter as the committee meetings are completed.

4. Article 5, chapter 5.00 of the Administrative Code is amended by the amendment of section 5.00.050, subdivision (b) to read as follows:
Pursuant to Ordinance No. 2002-03 the Authority established a new structure for water rates and charges according to five categories called: Customer Service, Storage, Transportation, Treatment, and Supply. The Authority’s rates and charges for delivery and supply of water, use of facilities, and provision of services to its member agencies include: a customer service charge, a storage charge, a supply reliability charge, an infrastructure access charge, a transportation rate, a treatment rate, and supply charges. The Board may establish additional or different rates and charges, including special agricultural rates based on service differentials.

5. The General Counsel shall incorporate these changes into the Administrative Code. The highlighting of text in this ordinance is for convenience and will not be incorporated into the codified text.

6. This ordinance shall be effective upon adoption.

7. The Clerk of the Board shall cause this ordinance to be posted in full in a prominent location on the Water Authority’s website pursuant to Section 1.00.040 of the Administrative Code.

ADOPTED this ___ day of __________, 2015.

AYES:

NOES:

ABSTAIN:

ABSENT:

__________________________________  
Mark Weston, Chair

ATTEST:

__________________________________  
Jim Madaffer, Secretary

I, Melinda Cogle, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Ordinance No. 2015-__ was duly adopted at the meeting of the Board of Directors on the date stated above.

__________________________________  
Melinda Cogle, Clerk of the Board
RESOLUTION NO. 2015-___

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY DESIGNATING NEWSPAPERS FOR PUBLICATION OF OFFICIAL NOTICES

The Board of Directors of the San Diego County Water Authority resolves as follows:

1. Pursuant to section 1.08.050 of the San Diego County Water Authority Administrative Code, the following newspapers are designated for publication of official notices of the Water Authority:

   Daily Transcript

   San Diego Union-Tribune

2. The Clerk of the Board may select either or both newspapers for publication of an official notice. In making a selection, the clerk will generally select the publication that offers the lowest price for publication.

3. This resolution is effective upon adoption.

   ADOPTED this ___ day of __________, 2015.

   AYES:

   NOES:

   ABSTAIN:

   ABSENT:

   ____________________________________________
   Mark Weston, Chair

ATTEST:

____________________________________________
Jim Madaffer, Secretary

I, Melinda Cogle, Clerk of the Board 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.

____________________________________________
Melinda Cogle, Clerk of the Board
September 16, 2015

Attention: Administrative and Finance Committee

Adjustment of Board Member Compensation (Discussion)

Purpose
This item is to consider whether to direct amendments to the Administrative Code to increase the per diem amount payable to Directors and Board Officers.

Board Officers recommendation
The Board Officers recommend that the Board discuss whether to increase the amount of per diem compensation payable to Directors and Board Officers.

Background
Per diem is payable for meetings and other designated activities in accordance with section 2.05.010 of the Administrative Code. Section 2.05.010 of the Administrative Code sets the amount of per diem compensation payable to Directors at $150 and the per diem compensation for Board Officers at $180. Under Water Code section 20202, the board could adjust the per diem amount. The amount of any increase is limited to a maximum of five percent for each calendar year following the date of the last adjustment. The General Counsel advises that according to the California Attorney General, the percentage increase is not compounded, but is limited to five percent times the number of years since the last increase. (89 Ops Cal. Atty. Gen. 159 (2006).) The per diem amount was last adjusted by Ordinance No. 2002-02, effective January 1, 2002. The Board considered, but rejected, an adjustment in 2005/2006 during the discussions that led to the adoption of Chapter 2.05 of the Administrative Code following the passage of AB 1234 (Salinas) (2005 Stats., ch. 700.).

Discussion
A survey was recently done by one of the member agencies which lists the amount of per diem paid by Water Authority member agencies and other representative agencies. A copy of the survey is attached. The General Counsel has advised that based on applicable law, the per diem amount payable to Directors could be increased by a maximum amount of $97.50 and for Board Officers by a maximum amount of $117. The Board Officers make no recommendation and are bringing this matter to the Board for discussion since it has been nearly a decade since the last consideration of this matter.

Prepared by: Mark Weston, Chair

Attachment: Per Diem Survey
<table>
<thead>
<tr>
<th>DISTRICT</th>
<th>Compensation 2015</th>
<th>Compensation 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Elsinore Valley MWD</td>
<td>$221.43</td>
<td>$221.43</td>
</tr>
<tr>
<td>2 Eastern MWD</td>
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<td>3 Yuima MWD</td>
<td>$206.00</td>
<td>$202.00</td>
</tr>
<tr>
<td>4 Helix Water District</td>
<td>$200.00</td>
<td>$200.00</td>
</tr>
<tr>
<td>5 Rancho Calif. Water District</td>
<td>$200.00</td>
<td>$175.00</td>
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<td>6 Vallecitos Water District</td>
<td>$200.00 (effective 5/18/15)</td>
<td>$150.00</td>
</tr>
<tr>
<td>7 Vista Irrigation District</td>
<td>$189.00</td>
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</tr>
<tr>
<td>8 Encina Wastewater Authority</td>
<td>$182.00</td>
<td>$182.00</td>
</tr>
<tr>
<td>9 Leucadia Wastewater</td>
<td>$180.00</td>
<td>$180.00</td>
</tr>
<tr>
<td>10 Rincon Del Diablo MWD</td>
<td>$160.00</td>
<td>$150.00</td>
</tr>
<tr>
<td>11 SDCWA Directors/Officers</td>
<td>$150/$180</td>
<td>$150/$180</td>
</tr>
<tr>
<td>12 Olivenhain MWD</td>
<td>$150.00</td>
<td>$150.00</td>
</tr>
<tr>
<td>13 Rainbow MWD</td>
<td>$150.00</td>
<td>$150.00</td>
</tr>
<tr>
<td>14 Santa Fe Irrigation District</td>
<td>$150.00</td>
<td>$200.00</td>
</tr>
<tr>
<td>15 Sweetwater Authority</td>
<td>$150.00</td>
<td>$150.00</td>
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<tr>
<td>16 Padre Dam MWD</td>
<td>$134.00 (effective 7/1/15)</td>
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</tr>
<tr>
<td>17 Fallbrook PUD</td>
<td>$127.63</td>
<td>$121.55</td>
</tr>
<tr>
<td>18 Lakeside Water District</td>
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<td>$125.00</td>
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</tr>
<tr>
<td>20 Ramona MWD</td>
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<tr>
<td>21 San Dieguito Water District</td>
<td>$100.00</td>
<td>$100.00</td>
</tr>
<tr>
<td>22 South Bay Irrigation District</td>
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<td>$100.00</td>
</tr>
<tr>
<td>23 Valley Center MWD</td>
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<td>$100.00</td>
</tr>
</tbody>
</table>

The average per diem is $156.48

The median per diem is $150.00
September 16, 2015

**Attention: Administrative & Finance Committee**

**Rating Agency Drought Perspective. (Presentation)**

**Purpose**  
This informational item provides a summary of each of the Rating Agencies Perspectives on the California Drought.

**Fiscal Impact**  
There is no fiscal impact.

**Discussion**  
As California experience’s one of the worst droughts on record, each of the Rating Agencies: Fitch Ratings, Standard & Poor’s Rating Services, and Moody’s Investor Service have recently provided commentary, special reports and an industry sector outlook to the general public.

In general, each of the rating agencies expects California water utilities to maintain strong operational and financial performance over the next year, despite the effects of the statewide drought. Also, overall all credit quality remains stable and solid with most ratings in the high investment-grade category. Rating agencies monitor various factors to assess credit quality such as water supply and demand, diversity of water supply, water pricing, drought response, debt service coverage, and other financial metrics.

A board presentation at the September committee meeting will summarize each of the Rating Agencies’ perspectives on the drought in California highlighting credit risks, financial impacts, industry trends.

Prepared by:  Beth Chevalier, Management Analyst  
Reviewed by:  Lisa Marie Harris, Finance Director/Treasurer  
Approved by:  Sandra L. Kerl, Deputy General Manager

Attachment 1: Fitch Ratings: California Drought Impact on Utilities  
Attachment 2: Fitch Ratings: California Water – Striving for 25% Conservation  
Attachment 3: Moody’s: Frequently Asked Questions about the Drought in California  
Attachment 4: Standard & Poor’s: US Municipal Water and Sewer Utilities 2015 Sector Outlook  
Attachment 5: Standard & Poor’s: Credit Frequently Asked Questions – How Will California Water Utilities Fare Amid the Long Drought and New Conservation Mandates?
Public Power and Water & Sewer / U.S.A.

California Drought Impact on Utilities
Water and Public Power Utilities: Built to Last
Special Report

Prepared for Drought: Fitch Ratings expects its rated California water and public power utilities to maintain strong operational and financial performance over the next year, despite the effects of the statewide drought. Factors including the state’s water supply diversity, infrastructure investments made to date, and rate structure considerations should continue to support performance, consistent with observed trends through prior droughts. However, ratings could eventually be pressured if the severity and duration of this drought were to result in sustained (more than one year) weakness in utility credit quality.

California Experiencing Extreme Drought: California is experiencing one of the worst droughts on record. Water deliveries from two of the state’s key water supplies have been cut to zero. The governor declared a state of emergency and has called on all Californians to conserve water in every way possible.

Diverse Water Resource System: The direct impact to water utilities will depend heavily on their individual water source characteristics. California’s water resources are made up of a diverse collection of sources, a number of which transport water long distances across the state. The diversity of supply sources makes it difficult to generalize the drought’s effect on Fitch’s rated utilities.

Water Sales Declines Expected: Fitch expects water sales to decline across the state. We expect usage to decline with the statewide conservation message and the governor’s request for all citizens to voluntarily reduce water usage by 20%. The resulting financial impact will be delayed until fiscal 2015 for most utilities, and will depend on rate structure design, financial reserves, and the ability to decrease water purchase expenditures.

Reduced Hydroelectric Production: California’s public power agencies appear well positioned to withstand anticipated declines in low-cost hydropower production as a result of the drought. This is due in part to various mechanisms previously adopted to address the variability of hydropower production. While some agencies may see reduced financial margins or the increased use of reserves, Fitch expects the overall financial impact to be manageable in 2014.

Credit Risks

<table>
<thead>
<tr>
<th>Water Utilities</th>
<th>Power Utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Sales</td>
<td>Risk is greater for utilities with mandatory curtailments announced but Fitch expects most utilities to see softer sales as a result of the statewide conservation message.</td>
</tr>
<tr>
<td>Supply Shortages</td>
<td>Risk is greater for utilities with a high reliance on the SWP and CVP; Risk is highly dependent on individual water supply portfolio.</td>
</tr>
</tbody>
</table>

SWP – State Water Project. CVP – Central Valley Project.
Source: Fitch Ratings.

Related Research
Fitch Fundamentals Index - U.S. Index Trend Analysis — 4Q13 (January 2014)
Peer Review: California Water and Sewer Credits (Strong Metrics, Vulnerable Supplies, Tough Regulation, and Tougher Politics) (December 2013)
California Public Power Agencies (July 2013)
U.S. Public Power Peer Study — June 2013 (June 2013)

Analysts
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Extreme Drought

California’s drought has been well publicized in recent months. The state is in its third year of below average water conditions, and Governor Jerry Brown declared a statewide drought in January 2014. At that time, the snowpack level, which is a primary water supply for the state, was only 20% of average conditions. Although recent large storm events have brought some precipitation, the drought remains severe, with the U.S. Drought Monitor indicating more than 88% of the state is experiencing extreme or exceptional drought conditions. Although the snowpack level has increased as of the state’s most recent survey (Feb. 27), it still remains well below average (24%).

Regardless of the drivers for the current drought and whether or not droughts may become more frequent, California is accustomed to recurring droughts, and its utilities have made investments to prepare themselves for a reasonable level of drought conditions. Fitch’s ratings take into account a level of ongoing cyclicality in water supply conditions. However, Fitch believes an extended drought that causes a sustained, multiyear decline in a utility’s financial margins or traditionally held reserve levels could potentially result in rating pressure. A utility’s ability and willingness to exercise its rate flexibility and recover lost revenues will be a key rating factor in assessing any impact on ratings. The chart below from the Department of Water Resources (DWR) shows the frequency and duration of water conditions in the state.

California’s Overall Water Use

Water use in the state is spread across a variety of stakeholders. Approximately 41% is used to serve agricultural users. This is not surprising, given the state’s role as a producer of one-third of the fruits and vegetables consumed in the U.S. Another 49% is used to meet environmental obligations, such as wetland mitigation and required river flows. Urban use accounts for only 10% of the state’s water use. The table below from the California Water Plan shows the state’s most recent usage percentages by sector.

<table>
<thead>
<tr>
<th>California Water Use</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Rainfall</td>
<td>127.0</td>
<td>62.0</td>
<td>77.0</td>
<td>77.0</td>
<td>104.0</td>
</tr>
<tr>
<td>Urban</td>
<td>8.7</td>
<td>12.5</td>
<td>11.9</td>
<td>11.9</td>
<td>10.0</td>
</tr>
<tr>
<td>Agriculture</td>
<td>31.2</td>
<td>47.9</td>
<td>47.4</td>
<td>48.0</td>
<td>41.4</td>
</tr>
<tr>
<td>Wetlands</td>
<td>1.5</td>
<td>2.1</td>
<td>2.1</td>
<td>2.0</td>
<td>1.9</td>
</tr>
<tr>
<td>Delta Outflow</td>
<td>9.3</td>
<td>5.8</td>
<td>5.8</td>
<td>6.3</td>
<td>6.6</td>
</tr>
<tr>
<td>Instream Flow</td>
<td>7.8</td>
<td>8.4</td>
<td>7.9</td>
<td>8.4</td>
<td>8.5</td>
</tr>
<tr>
<td>Wild and Scenic Rivers</td>
<td>41.1</td>
<td>23.5</td>
<td>25.0</td>
<td>24.1</td>
<td>31.4</td>
</tr>
</tbody>
</table>

Note: Totals may not add to 100% due to rounding.
Source: California Department of Water Resources, California Water Plan Update 2013.
While urban water users are expected to proportionately reduce their usage in the current
drought, their conservation will account for a small percentage of the state’s overall response to
the drought. Reduced usage throughout the agricultural sector will have a much greater impact.
Although most of Fitch’s rated utilities serve urban populations, some also provide water and
power to agricultural customers.

Electric generation from water supply is not categorized as a use since most of the state’s
producing facilities are run-of-the-river units, where water flows are redirected downstream
from sources to generate electricity. Power generators typically may not alter flows for the
purpose of generation, but instead must use prevailing water flows dictated by other purposes.

Water Supply Diversity

Water sources for direct sale or electric generation vary widely, resulting in a range of credit
concerns from moderate to limited for each of our rated utilities. The majority of California’s
water utilities are positioned to withstand the drought from a supply perspective despite recent
concerns that 17 small water utilities in the state face the possibility of running out of water in
the current year. One of the primary factors supporting the operations and credit quality of
California’s water utilities is that most benefit from multiple water supply sources or redundant
supplies, albeit often at a higher cost. By comparison, the small communities at risk, in most
cases, draw water from a single river source or limited groundwater access.

Two of the key water resources being affected by the current drought are the State Water
Project (SWP) and the similar but federally owned, Central Valley Project (CVP). The SWP is a
key water source for urban users in Southern California, although it accounts for a relatively
small percentage of overall state supply. The SWP delivers water from Northern California
snowmelt via a 444-mile aqueduct (the California Aqueduct) to 29 agencies in Northern and
Southern California. DWR has curtailed allocations from both the SWP and
CVP to 0% in this water year, an unprecedented level, reflecting the severity of the current
drought.

However, as Fitch has highlighted in past publications, allocations on the SWP typically
fluctuate depending on water conditions in the northern Sierra Mountains (see the table at left
for initial and final SWP allocations for the past 10 years). CVP operations are similarly affected
by Sierra snowpack fluctuations. Since 2008, lower allocations have been the norm, reflecting
weather conditions and court-ordered restrictions on pumping. This supply reduction has
prompted heavy investment by SWP contractors in alternatives such as water recycling,
conservation, desalination, and conjunctive use, which are designed to reduce reliance on the
project for immediate supply requirements.

Water Infrastructure Investments to Accommodate Drought

Given the arid climate and the complexity of the state’s water supplies and delivery systems,
considerable investments have been made to prepare for hydrologic cycles. Metropolitan
Water District, the entity that provides the balance of water supply to more than 18 million
people in Southern California, has increased water storage from around 1 million acre-feet
(MAF) in 1994 to just less than 6 MAF in 2014. As a result, the agency currently has around
3 MAF in stored water, compared with system demand of around 1.75 MAF–1.95 MAF
annually. Similar investments in storage have been made over the last 20 years by other
California water utilities with supplies of their own, making the region better situated in terms of
water storage.
There is greater concern about certain Northern and Central Valley water supplies at this time, since a number of those utilities have fewer storage facilities and are more reliant on non-adjudicated groundwater supplies that have been on the decline for decades.

There is statewide support among stakeholders to increase funding for water storage projects. A proposed $11.14 billion state general obligation water bond is scheduled to go before voters in November 2014. Fitch anticipates a portion of the proceeds would be used to fund new storage projects. Multiple bills have been introduced in the state legislature to modify the proposed bond amount and allocated use of proceeds, but support remains to fund additional water storage in the state at some level.

The debate surrounding the Delta Plan is also central to California’s current consideration of infrastructure investment. The Delta Plan, as currently proposed, would consist of two 35-mile long tunnels designed to carry water in the SWP underneath the ecologically sensitive Sacramento-San Joaquin Bay Delta instead of through it. A wide variety of stakeholders continue to debate and litigate California’s balancing of multiple demands on the Sacramento-San Joaquin Bay Delta, including water supply, flood control, recreation, the fishing industry, and environmental concerns. While the proposed project would not provide any additional allocations to SWP contractors, proponents argue it would provide greater reliability in the receipt of their existing allocations.

Water Sales Expected to Decline

Fitch believes water utility sales will decline as a result of the drought. While only two of the utilities rated by Fitch have enacted mandatory water use curtailments (Sacramento and the San Juan Water District), all of the state’s utilities are supportive of the statewide conservation message, and will likely experience some demand softening as consumers heed the call for conservation. Most utilities have either enacted stage one of their drought plans or have called on customers to conserve water and voluntarily reduce demand. Stage one measures typically include voluntary conservation and may also include limitations on outdoor watering.

Many of Fitch’s rated utilities have a June 30 fiscal year end. Therefore, the effect of weaker sales on financial performance is not likely to be fully realized until fiscal 2015. Specifically, the revenue impact from lower usage during the spring and summer months will be reflected in late summer and fall 2014 results given the two-month billing lag between usage and revenue receipt for utilities with monthly billing (and longer for those with bimonthly or quarterly billing).

During the most recent California drought, which occurred from 2007 to 2009, water utilities that experienced pressure on their sales and financial margins generally exhibited declines one to two years following the drought occurrence (fiscals 2010 and 2011). Water storage in place buffered the immediate impact of the drought to water supplies by one to two years in most cases. Utilities were therefore able to forestall mandatory curtailments to customers over the same period. Cash reserves and rate mechanisms in place also muted the full financial impact to their margins.

Fitch notes that during the last drought, the state also grappled with recession. Water sales declines at that time also reflected lower economic activity. Fitch expects the pressure during this recession to be driven primarily by water supply pressures as opposed to economic pressures.
The chart below shows a few water utilities in Southern California and their all-in debt service coverage levels in fiscals 2009–2013. It also shows a slight tightening of debt service coverage occurring in fiscals 2010–2011 and improvement occurring in fiscals 2012–2013.

### Water Utility Coverage Trends

<table>
<thead>
<tr>
<th>Year</th>
<th>MWD</th>
<th>Pasadena</th>
<th>San Diego Water</th>
<th>Otay</th>
<th>Rancho</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

MWD – Metropolitan Water District of Southern California. LADWP – Los Angeles Department of Water and Power. Source: Fitch Ratings.

### Rate Structure Flexibility Provides Stability

Many highly rated California water agencies have partially insulated themselves from demand fluctuations through rate design structures that provide a level of fixed cost recovery, regardless of demand. These improved rate features became more prevalent during the 2007–2009 drought, when utilities pursued strategies such as drought-specific rates for use during times of rationing; higher monthly fixed charges and lower volumetric charges; rate design that recovers a specific revenue requirement, regardless of usage; and the use of designated rate stabilization funds.

Fitch believes the structural rate features provide a degree of timely cost recovery. The rate features described above may be more insulated from the political pressure associated with a deliberate rate action vote at the governing body. The adjustments, when initially approved, complied with California’s Proposition 218 notification and procedural requirements, as required by law. An issuer may avoid additional expenses related to Proposition 218 for an unanticipated rate action that is instead picked up by the rate feature already in place.

Fitch considers rate flexibility a key factor in its rating analysis. Rate flexibility, much like water supply, varies widely among issuers. One measure of rate flexibility is the average monthly bill compared with median household income (MHI). Fitch views average water bills of 1% of MHI as an affordability threshold. California’s median rates are just under this level, indicating a degree of flexibility statewide. A snapshot of California utilities compared with Fitch’s 2014 medians by rating category, system size, and region is provided in the table below.

### Fitch’s 2014 Water and Sewer (W/S) Medians

<table>
<thead>
<tr>
<th>Category</th>
<th>California</th>
<th>AAA Category A</th>
<th>AAA Category A</th>
<th>Large Systems</th>
<th>Small Systems</th>
<th>Far West</th>
<th>Midwest</th>
<th>Northeast</th>
<th>Southeast</th>
<th>Southwest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual W/S Utility Avg. Month Bill ($)</td>
<td>44</td>
<td>37</td>
<td>35</td>
<td>46</td>
<td>30</td>
<td>46</td>
<td>42</td>
<td>27</td>
<td>28</td>
<td>37</td>
</tr>
<tr>
<td>Individual W/S System Bill, as % MHI</td>
<td>0.9</td>
<td>0.6</td>
<td>0.9</td>
<td>1.0</td>
<td>0.7</td>
<td>0.9</td>
<td>0.9</td>
<td>0.5</td>
<td>0.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Avg. Annual Projected Water Rate Increase</td>
<td>5.1</td>
<td>3.0</td>
<td>4.3</td>
<td>3.3</td>
<td>4.5</td>
<td>3.1</td>
<td>5.1</td>
<td>6.2</td>
<td>4.8</td>
<td>3.0</td>
</tr>
</tbody>
</table>

MHI – Median household income. Source: Fitch Ratings.
Fitch notes that, in addition to the affordability measure, community tolerance for rate action also plays a role in determining a utility’s rate flexibility. There are utilities with water rates above the 1% threshold that could quickly pass a rate increase, if needed, with support from its governing body and customer base. Conversely, there are other utilities with rates below the 1% threshold that struggle to achieve rate increases to keep pace with cost recovery. Fitch’s analysis, if drought conditions persist, will focus on the risk of a utility’s nearing or reaching its own individual tipping point with regards to water rates, whether it is through structural rate features or deliberate rate action by the governing body.

**Public Power Utilities Well Positioned**

Fitch believes public power utilities in California are also well positioned to address the challenges brought on by the current drought and the financial and operational effects will be manageable across the sector. The drought has resulted in reduced hydroelectric generation throughout the state and Fitch expects below average production to continue as the drought persists. The lower availability of hydropower will require some retail public power systems to replace the lost production with more costly power supply. Although financial margins and/or cash reserves may be weakened as a result, the overall financial impact is expected to be limited in 2014.

**The Role of Hydroelectric Power in California**

Hydroelectric generation plays an important role in California’s power market, but statewide reliance on hydropower has been reduced over the past decade due to increased natural gas-fired generating capacity and reduced allocations from federally run hydroelectric facilities (effective in 2005).

The U.S. Energy Information Administration (EIA) notes California’s hydroelectric capacity ranks third among all states, accounting for nearly 14% of the nation’s total hydroelectric capacity, behind only Washington and Oregon. While the sizable hydroelectric generating capacity accounted for 13.6% of the state’s power supply from 1992 through 2012, annual output is subject to significant variation due to various factors including weather, precipitation amounts in both the current and previous years, and reservoir water levels. For example, over the same period noted above, hydroelectric production ranged from as high as 20% (1995) of the state’s annual total power supply, to as little as 8% (2008).

The state generally relies on the increased use of natural gas-fired generation and energy imports during years with lower hydropower production. The statewide grid and marketplace, operated by the California Independent System Operator (CAISO) facilitates the purchase of replacement power on a real-time basis or through advance purchases. As shown, the use of

**Hydro, Natural Gas, and Energy Imports**

(As a Percentage of California Power Supply Since 2000)

![Graph showing hydroelectric, natural gas, and energy imports as a percentage of California's power supply from 2000 to 2012. Shaded areas represent drought years. Source: The California Energy Commission, Fitch Ratings.]
natural gas-fired generation and energy imports tend to increase as a percentage of the state’s total power supply as hydropower declines, which typically occurs during below average water and drought years.

Numerous factors play a role in setting power market prices. However, decreased hydroelectric generation generally contributes to increased prices (and vice versa) as more costly resources are used to replace lower cost hydropower. Low water conditions were recently cited by the CAISO as one of the top three primary drivers behind increased power market prices in the fourth quarter of 2013. The chart below shows the operating costs of running different types of generation and illustrates that, on average, hydropower is less costly to operate than thermal generation resources due to its very low variable costs.

**Average Power Plant Operating Expenses for Major U.S. Investor-Owned Electric Utilities**
(2007–2012)

Note: Hydroelectric category consists of both conventional hydroelectric and pumped storage. Source: EIA Electric Power Annual 2012.

### Hydropower's Importance to Public Power Systems Varies

Fitch rates 14 retail public power systems in California. Each of these utilities relies on different fuel types and generation resources, including purchase power agreements, to meet their power supply needs. Hydropower plays a varying role in each utility’s resource base, with many Northern California systems relying on hydropower more than Southern California systems, reflecting geographic, service area, hydrologic, and historical differences between regions. The chart below compares Fitch-rated utilities based on the amount of hydropower used to meet their retail energy needs in 2012.

**Hydropower as Percentage of 2012 Retail Power Supply**

Retail public power systems obtain hydroelectric capacity and energy through both direct ownership of generation assets and through purchase power agreements. The single most significant purchase power agreement, particularly for those systems in Northern California, is with the Western Area Power Administration (Western), one of four power marketing administrations that sells and transmits electricity generated by multipurpose water projects, including the CVP. The CVP has 2,099 MW of installed generating capacity. A portion of the power produced is used for water pumping, and the remaining amount is sold to preference customers under contracts at cost-based rates.

Eight of Fitch’s rated public power utilities have contractual agreements with Western through 2024 for capacity and nonfirm energy from CVP’s hydroelectric generation, that collectively account for approximately 19% of total hydropower capacity for the rated utilities. Systems with agreements for CVP-generated power expect to receive less this year as the drought conditions lower expectations for the amount and timing of water releases. Since the utilities are required to pay their respective shares of the operating and maintenance costs, the kilowatt-hour cost of power is expected to increase. Historically, CVP has generated less energy during drought years with a notable decline in 2006–2008 as shown in the chart below.

![CVP Hydropower Output By Water Year](chart)

**CVP Hydropower Output By Water Year**

GWh = Gigawatt hours. Note: Shaded areas represent drought years. Source: Bureau of Reclamation-MidPacific Region, Fitch Ratings.

**Strategies to Reduce Financial Effects**

Individual utilities are subject to many of the same general trends observed on a statewide basis during years with lower hydropower, including replacing lost production with more expensive generation or purchased power. However, the specific effects may vary based on a system’s ability to dispatch other economic resources, as well as its ability to use water storage systems and reservoirs to influence production levels and better align hydropower production and energy demand. Hydropower generation is generally dependent on seasonal water flows, with the most significant flows occurring during spring and early summer. California’s electricity demand peaks during late summer as high temperatures increase air conditioning usage.

Most utilities budget and plan conservatively regarding hydropower availability, and have developed policies and tools to help them recover higher power costs associated with reduced access to hydroelectric production. Although each utility has adopted measures to meet its individual needs, common approaches among Fitch’s rated utilities include maintaining designated cash reserves, structuring rates with automatic adjustors that pass along higher power costs, and directly owning or entering into long-term agreements for a diverse set of generation resources.
The table below identifies the mechanisms used by the 9 public power agencies with the highest reliance on hydropower to meet retail needs in 2012.

<table>
<thead>
<tr>
<th>Mechanisms to Offset Hydro-Variability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issuer</strong></td>
</tr>
<tr>
<td>----------------------------------------</td>
</tr>
<tr>
<td>SMUD</td>
</tr>
<tr>
<td>Redding</td>
</tr>
<tr>
<td>Silicon Valley Power (Santa Clara)</td>
</tr>
<tr>
<td>Alameda</td>
</tr>
<tr>
<td>Turlock Irrigation District</td>
</tr>
<tr>
<td>Roseville</td>
</tr>
<tr>
<td>Imperial Irrigation District</td>
</tr>
<tr>
<td>Lodi</td>
</tr>
<tr>
<td>Pasadena</td>
</tr>
</tbody>
</table>

N.A. – Not applicable. SMUD – Sacramento Municipal Utility District. IID – Imperial Irrigation District.
Source: Issuer data, Fitch Ratings.

Automatic rate adjustors that pass through power cost changes to ratepayers are generally viewed positively by Fitch, although an assessment of the system’s rate flexibility remains a key part of Fitch’s analysis.

Utilities with rates below the state average and those of neighboring systems are generally better positioned to raise rates to support financial margins, and therefore, viewed as having a higher degree of rate flexibility by Fitch. As noted in the chart below, most of the California public power utilities rated by Fitch have preserved some measure of rate flexibility, by virtue of rates that compare favorably to the state average and the largest investor-owned utilities.
Fitch notes that competitiveness is only one factor in measuring rate flexibility. Political sensitivity, community wealth levels, and the public's perception of the utility are also among the factors that influence a system's willingness to implement rate increases or structural changes, and the overall flexibility of the system. Similar to its analysis of water utilities, if drought conditions persist, Fitch's assessment of public power utilities will focus on the actions taken by the system's governing body to support financial performance.
Appendix A

U.S. Drought Monitor — California
(Released Thursday, March 13, 2014, Valid 7 a.m. EDT)

Drought Conditions

<table>
<thead>
<tr>
<th>(%) Area</th>
<th>None</th>
<th>D0–D4</th>
<th>D1–D4</th>
<th>D2–D4</th>
<th>D3–D4</th>
<th>D4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>0.01</td>
<td>98.99</td>
<td>94.56</td>
<td>90.81</td>
<td>65.89</td>
<td>22.37</td>
</tr>
<tr>
<td>Last Week — 3/4/14</td>
<td>0.00</td>
<td>100.00</td>
<td>94.56</td>
<td>90.82</td>
<td>65.89</td>
<td>22.37</td>
</tr>
<tr>
<td>Three Months Ago — 12/10/13</td>
<td>2.61</td>
<td>97.39</td>
<td>94.15</td>
<td>82.53</td>
<td>27.59</td>
<td>0.00</td>
</tr>
<tr>
<td>Start of Calendar Year — 12/31/13</td>
<td>2.61</td>
<td>97.39</td>
<td>94.25</td>
<td>87.53</td>
<td>27.59</td>
<td>0.00</td>
</tr>
<tr>
<td>Start of Water Year — 10/1/13</td>
<td>2.63</td>
<td>97.37</td>
<td>95.95</td>
<td>84.12</td>
<td>11.36</td>
<td>0.00</td>
</tr>
<tr>
<td>One Year Ago — 3/13/13</td>
<td>15.63</td>
<td>64.37</td>
<td>46.23</td>
<td>24.19</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Intensity:
- D0 — Abnormally Dry
- D1 — Moderate Drought
- D2 — Severe Drought
- D3 — Extreme Drought
- D4 — Exceptional Drought

Note: The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Source: The U.S. Drought Monitor is jointly produced by the National Drought Mitigation Center at the University of Nebraska-Lincoln, the United States Department of Agriculture, and the National Oceanic and Atmospheric Administration. Map courtesy of NDMC-UNL.
## Appendix B

### Drought Actions and Water Supply Summaries

<table>
<thead>
<tr>
<th>Fitch Rated Action</th>
<th>Water Supply Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Anaheim (CA)</strong></td>
<td>Groundwater — Orange County Water District (64%); imported water — MWD (36%)</td>
</tr>
<tr>
<td><strong>Beverly Hills (CA)</strong></td>
<td>Imported water — MWD (90%); local groundwater (10%)</td>
</tr>
<tr>
<td><strong>Burbank Water and Power (CA)</strong></td>
<td>Imported water — MWD</td>
</tr>
<tr>
<td><strong>Castaic Lake Water District (CA)</strong></td>
<td>Imported water — SWP; recycled water</td>
</tr>
<tr>
<td><strong>Contra Costa Water District (CA)</strong></td>
<td>Sacramento-San Joaquine Delta — Los Vaqueros Reservoir and three other reservoirs</td>
</tr>
<tr>
<td><strong>Cucamonga Valley Water District (CA)</strong></td>
<td>Imported water — MWD; groundwater — Chino and Cucamonga basins</td>
</tr>
<tr>
<td><strong>Dublin San Ramon Service District (CA)</strong></td>
<td>Imported Water — SWP; small amount of rainfall runoff</td>
</tr>
<tr>
<td><strong>East Bay Municipal Utility District (CA)</strong></td>
<td>Local Surface Water — Mokelumne River</td>
</tr>
<tr>
<td><strong>East Valley Water District (CA)</strong></td>
<td>Groundwater — Bunkerhill groundwater basin (80% of supply); Santa Ana River surface water through North Fork Water Comp. (20%), and SWP (3%–5% of supply)</td>
</tr>
<tr>
<td><strong>Eastern Municipal Water District (Riverside County) (CA)</strong></td>
<td>Imported water — MWD; recycled water</td>
</tr>
<tr>
<td><strong>Elsinore Valley Municipal Water District (CA)</strong></td>
<td>Imported Water via Western Municipal Water District; local wells and surface water from Canyon Lake</td>
</tr>
<tr>
<td><strong>Escondido (CA)</strong></td>
<td>Imported Water — San Diego County Water Authority (70%); local water supply — Lake Henshaw and Lake Wohlford (30%)</td>
</tr>
<tr>
<td><strong>Fresno (CA)</strong></td>
<td>Imported surface water — MWD; local groundwater basin</td>
</tr>
<tr>
<td><strong>Glendale (CA)</strong></td>
<td>Verdugo and San Fernando basins</td>
</tr>
<tr>
<td><strong>Helix Water District (CA)</strong></td>
<td>Groundwater — Fresno aquifer</td>
</tr>
<tr>
<td><strong>Hillsborough (CA)</strong></td>
<td>Groundwater — MWD via Western Municipal Water District; local wells and surface water from Orange County basin.</td>
</tr>
<tr>
<td><strong>Indian Wells Valley Water District (CA)</strong></td>
<td>Imported Water — MWD; groundwater — Chino Aquifer</td>
</tr>
<tr>
<td><strong>Irvine Ranch Water District (CA)</strong></td>
<td>Local groundwater basin</td>
</tr>
<tr>
<td><strong>Jurupa Community Services District (CA)</strong></td>
<td>Groundwater — Orange County Groundwater Basin and Irvine and Lake Forest sub-basins (48%); imported water — MWD (27%); recycled water (21%), and water banking — Kern County</td>
</tr>
<tr>
<td><strong>Lake Arrowhead Community Services District (CA)</strong></td>
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<td><strong>Lomita (CA)</strong></td>
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<td><strong>Los Angeles Department of Water &amp; Power (CA)</strong></td>
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<tr>
<td><strong>Lynwood Utility Authority (CA)</strong></td>
<td>Marin watershed reservoirs (75%) and Sonoma County Water Agency — Lake Sonoma and Lake Mendocino water released into the Russian River (25%)</td>
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<td>Water Supply — San Diego County Water Authority (70%); local reservoirs — Jennings, Cuyamaca, and El Capitan</td>
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<td><strong>Mesa Consolidated Water District (CA)</strong></td>
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<td><strong>Metropolitan Water District of Southern California (CA)</strong></td>
<td>Imported water — SWP; Colorado River</td>
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<tr>
<td><strong>Modesto (CA) (Bonds issued by Modesto Irrigation District)</strong></td>
<td>Surface water — Tuolumne River; local groundwater</td>
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<tr>
<td><strong>Mojave Water Agency (CA)</strong></td>
<td>Groundwater (recharged via Mojave River); imported water — SWP</td>
</tr>
<tr>
<td><strong>Moulton Niguel Water District (CA)</strong></td>
<td>Imported water — MWD (78%); recycled water (25%); emergency storage via Upper Chiquita Reservoir</td>
</tr>
</tbody>
</table>

MWD – Metropolitan Water District of Southern California. SWP – State Water Project. SFPUC – San Francisco Public Utility Commission. SDCWA – San Diego County Water Authority. Note: Fitch notes the designation "none to date" reflects no drought-specific action was announced on the utility’s Web site or on the centralized Association of California Water Agencies (ACWA) database. However, a number of these utilities have ongoing conservation programs and outdoor water restrictions in place already. Continued on next page.

Source: Fitch Ratings.
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<tr>
<th>Fitch Rated Utility</th>
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<th>Outlook</th>
<th>Drought Action</th>
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<tr>
<td>Napa (CA)</td>
<td>AA+</td>
<td>Stable</td>
<td>Voluntary reduction of 20% requested</td>
<td>Lake Hennessey (60%); Milliken Reservoir (1%–2%); SWP (40%)</td>
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<td>Nevada Irrigation District (CA)</td>
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<tr>
<td>Olivenhain Municipal Water District (CA)</td>
<td>AA+</td>
<td>Stable</td>
<td>Voluntary conservation requested</td>
<td>Imported surface water — MWD</td>
</tr>
<tr>
<td>Orange County Water District (CA)</td>
<td>AAA</td>
<td>Stable</td>
<td>None to date — 19 offtakers responsible for</td>
<td>Groundwater — Santa Ana River; imported water — MWD</td>
</tr>
<tr>
<td>Olaty Water District (CA)</td>
<td>AA</td>
<td>Stable</td>
<td>voluntary conservation measures</td>
<td></td>
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<tr>
<td>Padre Dam Municipal Water District (CA)</td>
<td>AA–</td>
<td>Stable</td>
<td>Voluntary reduction of 20% requested</td>
<td>Imported water — San Diego County Water Authority; recycled water</td>
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<tr>
<td>Palmdale Water District (CA)</td>
<td>A+</td>
<td>Stable</td>
<td>Voluntary reduction of 20% requested</td>
<td>Imported water — SWP; Littlerock Dam</td>
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<tr>
<td>Pasadena (CA)</td>
<td>AA+</td>
<td>Stable</td>
<td>Voluntary conservation requested — no amount specified. Mentioned governor’s request of 20%.</td>
<td>Imported water — MWD (60%); local groundwater (40%)</td>
</tr>
<tr>
<td>Rancho California Water District (CA)</td>
<td>AA+</td>
<td>Stable</td>
<td>None to date</td>
<td>Imported water — MWD (40%); local groundwater (40%); recharge water and recycling (20%)</td>
</tr>
<tr>
<td>Redwood City (CA)</td>
<td>AA</td>
<td>Stable</td>
<td>Requested voluntary 10% reduction in use</td>
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<tr>
<td>Riverside (CA)</td>
<td>AA+</td>
<td>Stable</td>
<td>Voluntary conservation requested</td>
<td>Local groundwater</td>
</tr>
<tr>
<td>Sacramento (CA)</td>
<td>AA</td>
<td>Stable</td>
<td>20% mandatory use reduction; one-day-a-week watering</td>
<td>Local surface water — Sacramento and American Rivers</td>
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<tr>
<td>San Diego</td>
<td>AA</td>
<td>Stable</td>
<td>Voluntary conservation requested</td>
<td>Imported Water — SDCWA; local runoff</td>
</tr>
<tr>
<td>San Diego County Water Authority (CA)</td>
<td>AA+</td>
<td>Stable</td>
<td>Voluntary conservation requested</td>
<td>Imported water — MWD and Imperial Irrigation District; desalination source under construction</td>
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<tr>
<td>San Juan Water District (CA)</td>
<td>AA+</td>
<td>Stable</td>
<td>25% mandatory conservation</td>
<td>Local surface water — American River, Folsom Lake</td>
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<tr>
<td>San Luis Obispo (CA)</td>
<td>AA</td>
<td>Stable</td>
<td>None to date</td>
<td>Local surface water — Whale Rock Reservoir, Salinas Reservoir, Nacimiento Reservoir</td>
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<tr>
<td>Santa Maria (CA)</td>
<td>AA</td>
<td>Stable</td>
<td>None to date</td>
<td>Imported water — SWP via the Central Coast Water Authority; groundwater rights</td>
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<tr>
<td>Sonoma County Water Agency (CA)</td>
<td>AA+</td>
<td>Stable</td>
<td>20% voluntary requested Feb. 3, 2014</td>
<td>Lake Sonoma, Lake Mendocino</td>
</tr>
<tr>
<td>South Coast Water District (CA)</td>
<td>AA+</td>
<td>Stable</td>
<td>Voluntary conservation requested</td>
<td>Imported surface water — MWD via Western Municipal Water District; groundwater — San Juan basin</td>
</tr>
<tr>
<td>South Tahoe Public Utility District (CA)</td>
<td>AA+</td>
<td>Stable</td>
<td>None to date</td>
<td>Groundwater</td>
</tr>
<tr>
<td>Stockton (CA)</td>
<td>BBB</td>
<td>Stable</td>
<td>None to date</td>
<td>Groundwater wells (25%) and Stockton East Water District</td>
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<tr>
<td>Vallecitos Water District (CA)</td>
<td>AA+</td>
<td>Stable</td>
<td>Voluntary conservation requested</td>
<td>Imported surface water — MWD</td>
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<tr>
<td>Western Municipal Water District (CA)</td>
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<td>Voluntary conservation requested</td>
<td>Imported water — MWD</td>
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<tr>
<td>Westlands Water District (CA)</td>
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<td>Stable</td>
<td>None to date</td>
<td>Imported Water — CVP; groundwater</td>
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<tr>
<td>Yorba Linda Water District (CA)</td>
<td>AA</td>
<td>Stable</td>
<td>None to date</td>
<td>Imported water — MWD via Western Municipal Water District; Groundwater Orange County basin</td>
</tr>
<tr>
<td>Yuba City (CA)</td>
<td>AA</td>
<td>Stable</td>
<td>Voluntary conservation of 20% requested</td>
<td>Surface water via Feather River</td>
</tr>
</tbody>
</table>

MWD – Metropolitan Water District of Southern California. SWP – State Water Project. SFPUC – San Francisco Public Utility Commission. SDCWA – San Diego County Water Authority. Note: Fitch notes the designation "none to date" reflects no drought-specific action was announced on the utility’s Web site or on the centralized Association of California Water Agencies (ACWA) database. However, a number of these utilities have ongoing conservation programs and outdoor water restrictions in place already.

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**California Water — Striving for 25% Conservation**

Rates and Charges Increase, Financial Margins Dip

Special Report

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California Demands Water Sales Reductions: California adopted emergency drought regulations in May 2015 that require a statewide 25% reduction in water sales. Each retail water utility is assigned a mandatory conservation amount (between 4% and 36%) by the California State Water Resources Control Board (SWRCB). The cutback levels and short compliance time frame present revenue challenges and heighten credit risk for California’s retail water utilities. Initial indications in the state are positive in that utilities appear poised to meet their conservation targets.

Lower Financial Performance Expected: As a result of reduced water sales, many utilities will experience reduced financial margins in fiscals years 2015 and 2016. Fitch Ratings believes water rate changes will begin to gain traction in fiscal 2016, with a more robust recovery of financial margins expected in fiscal 2017 even in the event the severe drought continues. Based on utility forecasts, median all-in debt service coverage for Fitch-rated California water utilities is projected to decline from 2.45x in fiscal 2014 to 1.80x in fiscal 2015, with a slight recovery to 1.84x in fiscal 2016.

Utilities Respond with Rate Increases: California water utilities entered the drought with financial and operational tools to buffer the impacts of the state’s typical hydrological cycles. However, the persistence and severity of the drought have begun to outstrip those tools. Fitch surveyed its rated water utilities to determine what additional actions utilities are implementing to protect credit quality. The most commonly reported action is rate increases, with 78% of utilities responding that they would implement one in the coming year. The median rate increase expected in fiscal 2016 is 5%, although the range is wide, between 0% and 31%.

Strong Characteristics to Buffer Impact: California utilities have two significant characteristics that Fitch believes will continue to buffer the near-term credit impacts of the drought: adaptable rate structures and strong financial flexibility. Rating pressure could arise for utilities that fail to act quickly.

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**Risk Indicators**

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<th>Risk Indicator</th>
<th>Description</th>
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<tr>
<td>Unwillngness or Inability to Raise Rates</td>
<td>California utilities have responded to a number of cost pressures in the past decade by raising rates. Rate fatigue exists across the state to varying degrees. Additional rate increases are needed to offset mandated lower sales, and asking customers to pay the same or more for lower water consumption may be a difficult task. Utilities that forego full cost recovery at the expense of lower financial margins for bondholders risk rating downgrades.</td>
</tr>
<tr>
<td>Large Gap Between Conservation Achieved and State Mandate</td>
<td>Utilities with the largest delta between conservation levels reported by the state between June 2014 and April 2015 and the mandated reduction by the state have the greatest potential for large decreases in fiscal 2016 revenues. Improved conservation levels in May and June 2015 may reduce the risk of noncompliance with the state mandate but still pose the risk of revenue pressure in fiscal 2016.</td>
</tr>
<tr>
<td>Modest or Weak Financial Flexibility</td>
<td>Utilities with weaker (at or below 1.25x) or mid-range (approximately 1.50x) debt service coverage and limited cash reserves will have fewer financial tools at their disposal to help buffer financial performance until rate revenues can be increased.</td>
</tr>
<tr>
<td>Highly Volumetric Rate Structure</td>
<td>Water utilities with highly volumetric rate structures are most at risk for revenue declines as a result of lower sales.</td>
</tr>
<tr>
<td>Low Expenditure Flexibility</td>
<td>Utilities with a higher percentage of water purchase costs as a component of operating expenditures (typically utilities in Southern California reliant on imported water) will have a greater ability to offset lower revenues with reduced expenditures. Utilities with little to no water purchases as a percentage of operating expenditures will have lower expenditure flexibility. Fitch notes that the lower overall water costs for utilities that do not rely on imported water are viewed as a positive credit factor. However, these utilities may be less able to lower expenditures quickly given the present drought mandates.</td>
</tr>
</tbody>
</table>
Increasing State Requirements for Water Utilities as Drought Persists

California’s water woes have been well publicized in recent years as the state enters its fifth year of drought conditions. Governor Jerry Brown declared a statewide drought in January 2014 and the California Department of Water Resources took the unprecedented step of warning that there might not be water available from the State Water Project. Hydrological conditions in the state have only worsened since that time.

The state has taken increasingly aggressive steps to reduce water consumption in light of the declining supplies and concerns that the drought could potentially continue for years beyond 2016. In April 2014, December 2014 and April 2015, the governor issued emergency orders that included specific actions designed to increase water conservation and preserve water supplies in the event the drought lingers for years more.

The April 2015 executive order escalated the stakes for water utilities by mandating a 25% reduction in water usage across the state. To achieve the reduction, rules were quickly adopted by the SWRCB on May 4, 2015 that establish nine tiers of mandated curtailment (ranging from 4%–36%) for all retail water utilities in the state. Compliance with the mandated conservation percentages will be measured based on the average conservation achieved between June 2015 and February 2016. Achievement is determined by comparing each utility’s usage against a baseline average across those same months two years prior (June 2013 to February 2014).

While the conservation mandates do not take into account local water supply investments, the governor has recently indicated these may be included in the future.

The magnitude of the cutback levels and the short compliance time frame present challenges for water agencies and heighten revenue risk. California’s legal and regulatory framework around water rate setting may constrain the pace at which utilities can send price signals to customers and recover lost revenues from lower water sales.

Statewide Conservation Trend is Positive

Early indications in May and June 2015 show promise that statewide conservation efforts should be sufficient to reach the state’s 25% goal. The April 2015 executive order appears to have kicked efforts into higher gear across the state. Efforts until then had been posting mixed results since the drought declaration in January 2014. As shown in the table above, modest conservation levels were recorded in the early months of 2015, which may have been part of what prompted the state’s intervention in May and assignment of conservation tiers. As a result, statewide average conservation levels improved notably, and May and June conservation levels were strong.

Most water utilities exceeded their conservation tiers in May, one month ahead of the achievement time frame’s start date. While the strong statewide message and the direct and
meaningful behavior changes by Californians were evident in the improved conservation numbers, a portion of the increase in May was believed to be attributable to above-average rainfall and cooler weather in parts of the state (as compared to the May 2013 baseline). However, conservation was similarly strong in June 2015, which was California’s hottest June on record. The continued positive trend despite hot weather conditions across the state bodes well for the likelihood of utilities meeting the ambitious conservation tiers mandated by the state.

Lower Financial Performance Expected

Fitch expects California water agencies to experience revenue declines and reduced financial margins in fiscal 2015 as a result of lower water sales. As one would expect, asking any business to cut sales by between 4% and 36% over a nine-month period will result in significant revenue declines. California’s water utilities are no different. The short notice provided to California water agencies (less than 30 days) limits how quickly corresponding revenue and expenditure adjustments could be put into place. (SWRCB rules were adopted on May 4, 2015, with compliance beginning June 1.) While utilities began demonstrating significant conservation levels in May 2015, much of the revenue impact will be delayed into fiscal 2016 given the two-month billing lag between usage and revenue receipt for utilities with monthly billing (and longer for those with bimonthly or quarterly billing). Most water utilities have a June 30 fiscal year end.

Fitch expects the median all-in debt service coverage for its rated water utilities to decline from strong coverage of 2.45x in fiscal 2014 to still-adequate 1.80x in fiscal 2015. The table above shows a breakout of median debt service coverage movement by conservation tier. While audited results are not yet available, this expectation is based on estimated financial results provided by the utilities to Fitch. The decline in coverage is occurring one year after the governor’s emergency order regarding the drought and a couple of years into the drought. Only one tier (24%) shows an increase in median all-in debt service coverage in fiscal 2015, and this is the result of one utility’s projected increase and a small data set. That utility expects an increase in coverage due to a self-adjusting rate structure already in place that is designed to produce stable revenues apart from sales levels.

Based on utility-provided projections for fiscal 2016, a slight recovery in the median all-in debt service coverage, to 1.84x, is expected fiscal 2016. Two conservation tiers (in the top three highest) show further decline in fiscal 2016, and the results across utilities were mixed. Rate increases being put into place at many utilities are anticipated to boost revenues in fiscal 2016, although the full financial impact of those rate changes will occur in fiscal 2017. Fitch notes that actual median all-in coverage in fiscal 2016 may be below the estimates provided by utility management in its survey, given the early nature of planning for both expected rate actions and actual conservation levels.
California’s own recent history provides context to investors regarding the drought’s impact on debt service coverage. During the previous California drought, which occurred from 2007–2009, water utilities experienced downward pressure on water sales, and financial margins generally exhibited slight declines one to two years following the drought’s onset (fiscal years 2010 and 2011). As with the present (albeit more severe) drought, water storage buffered the impacts of the previous drought during the initial years before the serious reductions in consumption were needed. Cash reserves and rate mechanisms in place in 2007–2009 muted the full financial impact on utilities’ margins, and the same is occurring now. Rate mechanisms’ adaptability and ability to decouple revenues from sales have improved even from what was in place in 2007–2009. Fitch notes that during the previous drought, the state also grappled with recession. As such, water sales declines at that time also reflected lower economic activity.

Constraints on the Pace of Rate Setting

The ability of water utilities to preserve their financial performance in fiscal 2016 is further complicated by the legal and regulatory constraints on water rate setting in California. California’s Proposition 218 and subsequent legal decisions regarding its applicability to water rates have significantly shaped the rate-setting framework in the state. Water utilities are required to notify all property owners in writing of any proposed rate changes and hold a public hearing to receive protests to the rate action no sooner than 45 days after notification. If written protests are filed by a majority of property owners, the utility cannot impose the proposed rates. Once the public hearing is complete, the utility’s governing body can adopt the proposed rates.

Proposition 218 also requires that water charges be limited to recovery of only the actual cost of service. A recent final legal decision upheld a challenge to the city of San Juan Capistrano’s use of tiered water rates as they relate to cost of service as required by Proposition 218. As discussed in Fitch’s commentary dated April 2015, “Fitch: CA Court Decision Limited, May Pressure a Few Utilities,” credit implications are expected to be limited, but the court decision is an example of the increasing scrutiny and legal considerations regarding water rate design in California.

Many of California’s utilities report they are currently engaged in a cost-of-service study, initiated following the SWRCB’s adoption of individual conservation tiers in May. A cost-of-service study can typically take six months, with the Proposition 218 notification and hearing requirements adding another couple of months to the rate-setting time frame in advance of the utility’s own city council or board of directors adoption process. The result is that rate changes needed to adapt utility revenues to the anticipated lower sales and recover the true cost of service across customers can require an eight- to 12-month process in the California rate-setting framework. As a result, cost-of-service studies in progress are expected to result in water rate changes in mid- to late fiscal 2016, with the full impact on revenues occurring in fiscal 2017.

Utilities Plan to Respond Primarily with Rate Increases

Fitch’s rated water utilities as a group are responding quickly to the state’s mandated curtailments, despite legal constraints on rate setting noted above. While many had increased their ability to operate within the state’s drought conditions in the past two years, the state-mandated conservation amounts generally exceed previous conservation targets enacted by most utilities in the state. Utility responses will be two-pronged: to comply with the magnitude of curtailment dictated by the state and to protect utility revenues from the results of achieving
that goal. Fitch is primarily concerned with the second of these goals, although failure to achieve the first invites regulatory risk of noncompliance.

Utilities across the state plan to use rate increases in the upcoming year more than any other revenue stability tool. This finding is the result of a survey Fitch conducted of 49 water utilities in the state to assess what types of actions utilities were taking specifically to protect revenues. Responses were received from 46 utilities, although the nature of the responses received indicated that plans regarding the level of rate increases and financial performance in fiscal 2016 will likely continue to evolve and take shape through calendar 2015. Responses indicated that 78% of utilities rated by Fitch are expecting rate adjustments in the upcoming year and have already begun the process. Utility responses about the magnitude and structure of rate increases under consideration have shaped Fitch’s expectation that while fiscal 2015 will show lower financial margins for many of the agency’s rated utilities, results could show modest improvement in fiscal 2016, with the full rate impact benefiting financial margins in fiscal 2017, even if the drought continues at its present level of severity.

Utility Responses to Protect Revenues

In responses provided to Fitch, utilities indicated that they planned to use traditional base rate increases, drought rates and rate redesigns that would favor lower outdoor allocations for water budget-based rates and a higher reliance on the fixed-charge component of rates. A number of utilities reported being in the middle of a cost-of-service study at the present time, many of which were initiated following the mandatory conservation order. To a lesser extent, utilities reported that they will reduce operating expenditures and use cash reserves to absorb the financial impact in fiscal 2016. While almost all utilities indicated their intentions to keep operating expenditures under control, the affirmative responses in the chart above indicate only those that will actively cut expenditures as a coping mechanism. This includes utilities with imported water costs that can be reduced as less water is purchased. A modest number of utilities reported that they expect to divert capital spending toward managing the drought impacts, while only one indicated that it may use debt restructuring to manage expenses.

Finally, utilities did not report any expectation that the present drought would curb growth in their service areas or lead to reduced permitting for new development. The state’s mandatory conservation tiers are designed for a short-term period linked to the present drought; they are not a reflection of long-term regional water supply availability. New development is tied to each issuer’s water-providing ability, which respondents believe is still adequate for planned growth. Water utilities in California have long-term planning horizons over which future growth and future supplies are mapped, as required by the California Urban Water Management Plan Act, which requires all urban water suppliers within the state to prepare and update a plan every five years.
Two Strong Characteristics Continue to Support Credit Quality

Fitch believes two key characteristics continue to support credit quality of California’s water utilities. The two characteristics — existing rate structure adaptability and financial flexibility — provide short-term support to credit quality as more long-term rate adjustments gain traction by fiscal 2017. These characteristics help to mitigate the constraints associated with California’s rate-setting framework.

Rate Structure Adaptability

Many highly rated California water agencies have rate design structures that decouple revenues from water sales and provide a higher level of fixed cost recovery. Adaptable or revenue-neutral rate structures became more prevalent during the 2007–2009 drought, when utilities pursued strategies such as drought-specific rates for use during times of rationing; higher monthly fixed charges as a component of overall rates; rate design that recovers a specific revenue requirement regardless of usage; and the use of designated rate stabilization funds. Since the onset of the current drought, even more utilities have adopted such self-correcting or adaptable rate structures that will protect the utility’s revenue stream even with the mandated curtailments. As shown in the chart on page 5, 57% of Fitch’s rated water utilities already have a rate component such as this in place. Furthermore, of the 78% of utilities that reported to Fitch that they anticipate enacting a rate adjustment in the upcoming year, most of those cited the potential for including an element such as this in place or strengthening the elements of this nature already present in rates.

Financial Flexibility

California water utilities have a high degree of financial flexibility going into fiscal 2016 that should partially mitigate the full revenue impacts of curtailments. California’s water utilities typically operate with above-average medians for debt service coverage and liquidity as compared to Fitch’s national medians. Fitch believes there are many reasons behind this trend, but the state’s susceptibility to variable hydrology and heightened regulatory risk (including the state’s constraints around rate setting) are part of the reason. Fitch believes the sector’s healthy financial flexibility will buffer the magnitude of anticipated revenue implications discussed above. Investors will note that individual utility financial conditions are distinct, and the appendix on page 8 provides greater detail for each utility than the summary table presented below.

Recent Financial Performance and Projections, by Conservation Tier

<table>
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<th>Conservation Tiers (%)</th>
<th>No. of Fitch-Rated Utilities</th>
<th>Range of Conservation to Achieve (%)</th>
<th>Median 2014 Days Cash</th>
<th>Median 2014 All-In DSC (x)</th>
<th>Median 2014 Free Cash to Depreciation (%)</th>
<th>Median 2014 Water Purchases as % of Expenditures</th>
<th>Median Projected 2016 All-In DSC (x)</th>
<th>Median 2016 Free Cash to Depreciation (%)</th>
<th>Range of Projected 2016 Rate Increases (%)</th>
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*As published by the State Water Resources Control Board in June 2015. The percentages reflect the difference between the conservation tier and the amounts saved by utilities between June 2014 and April 2015 as compared to 2013. When released, these amounts did not include actual conservation achieved in May and June 2015. The range reflects the impact on ratepayers either through drought rates, existing rate designs with self-adjusting features that will increase with lower usage and planned rate increases estimated by utility management.
The table on page 6, Recent Financial Performance and Projections, by Conservation Tier, demonstrates four key medians of financial flexibility: days cash on hand, all-in debt service coverage, free cash to depreciation and water purchases as a percentage of operating expenditures. Days cash on hand and all-in debt service coverage both indicate the level of margins present, based on fiscal 2014 audited financial information for each utility. Cushion in both ratios will provide room for a short-term decline in revenues, as is anticipated for many utilities in fiscal 2015, without posing meaningful risk to bondholder repayment. Robust reserves and strong coverage will provide breathing room for utilities to put rate changes in place to adapt to lower sales levels that could persist beyond fiscal 2016.

Free cash to depreciation similarly provides an indication of cash flow typically available for capital reinvestment at the utility after debt service and any transfer obligations are paid. Strong utilities generally average free cash to depreciation above 100% over time as they generate sufficient revenues to reinvest in system assets at or above the level of annual depreciation. Free cash flow, similar to reserves, can be used on a temporary, short-term basis to support financial operations during a period of unexpected revenue decline. The decline in the fiscal 2016 medians for this ratio, similar to lower debt service coverage, indicates slimmer margins at the utility that will ultimately affect capital reinvestment in the sector.

Finally, water purchases as a percentage of operating expenditures is an indication of those utilities that rely on imported water purchases for much of their water supply. While this attribute often indicates a high water cost relative to utilities with local supplies, it also provides an ability to offset expenditures when water sales decline. The wholesale water purchase agreements in California typically do not require minimum purchases; instead, the wholesale suppliers act as balance-of-supply providers. Therefore, much of the lower demand in the state will be absorbed by the wholesale suppliers in regions reliant on imported water. While the few wholesale suppliers in the state are not included in the page 6 table, they exhibit similar financial strengths, such as strong debt service coverage and robust reserves. Based on their survey responses to Fitch, they similarly expect to use rate increases and some reserves to absorb the anticipated revenue impacts as their members curtail water purchases.

The Recent Financial Performance table additionally indicates the range of anticipated rate impacts on ratepayers in fiscal 2016 as a result of the drought. These actions include the impacts of rate structures already in place that contain drought rates or self-correcting revenue mechanisms and planned rate increases indicated by utility management. The range of rate increases exhibited is wide, with some utilities projecting no increase in fiscal 2016 and others projecting greater than 20% increases to customers.
## Appendix: Conservation and Financial Performance, by Utility (%)

<table>
<thead>
<tr>
<th>Fitch-Rated California Retail Water or Combined Pledge Water and Wastewater Utilities</th>
<th>Ratings</th>
<th>Conserve Standard</th>
<th>% Saved During June 2014 to April 2015 vs. 2013</th>
<th>% Left to Achieve Going into Mandatory Conserv</th>
<th>Actual May 2015 Conserv</th>
<th>Actual June 2015 Conserv</th>
<th>2014 All-In DSC (x)</th>
<th>2014 Water Purchases as % of Operating Expenses</th>
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*Fitch did not receive survey responses following repeated requests. †Beverly Hills does not report water purchases as separate line item in audit. ‡Nevada Irrigation District 2014 audit not available. §After transfer to the general fund for the few cities in California that made transfers in fiscal 2014.

Source: Fitch, audited financial statements and California State Water Resources Board.
California - US State and Local Government

Frequently Asked Questions about the Drought in California

The severe drought affecting most of California (Aa3 stable) is now in its fourth year. If the drought persists in its current severity for another one to two years, signs of credit pressure will begin to emerge for at least some California local governments.

» Supply and Demand

- Where does California's water come from?
- How does geography of water compare to location of people?
- How does water get to consumers?
- What is desalination and is it a meaningful tool to fight drought?

» Pricing

- How do suppliers determine water’s price?
- What is tiered pricing?

» Drought Status and Response

- What is the current status of California's drought?
- How has the state reacted?
- How have various local governments reacted?
- How have water enterprises fared so far?
- What if the drought continues?
Credit Effects

- What does the drought mean for the state of California’s credit?
- What does it mean for local general government credit other than utilities?
- What questions do we ask municipal water utilities about the drought?
- How are we incorporating the drought into our municipal water enterprise ratings?

Supply and Demand

Where does California’s water come from?
California has five major overlapping water distribution systems and supply sources stretching from the Sierra Nevada mountains in the north to the Colorado River in the south, and, ultimately, to the Pacific Ocean.

State Water Project
The most significant of these systems in terms of urban water use is the State Water Project (SWP), which is the nation’s largest state-built water conveyance system. The SWP is contracted to supply up to 4.2 million acre-feet of water to 27 contractors around the state, including the massive Metropolitan Water District of Southern California (MWD, Aa1 stable, water revenue bonds), which receives about half of SWP supply. The actual amount of SWP water delivery is typically much less than the full contracted amount due to hydrology variability and other factors, including legal and physical constraints on the system’s operation. The SWP has never delivered more than 4 million acre-feet of contracted supply in any year, and the average amount of water delivered to SWP contractors over the last decade has averaged just 1.9 million acre-feet. An acre-foot is 325,853 gallons or enough water to supply two average Southern California families for a year or to cover an area the size of a football field under a foot of water.

Central Valley Project
The federal Central Valley Project (CVP), which is operated by the US Bureau of Reclamation, is the largest system in terms of water supply, though most of its deliveries are for agricultural uses. The CVP has contracts or agreements to provide a maximum of 9.5 million acre-feet of water per year. However, the 2015 allocation is expected to be just 3.1 million acre-feet, with many agricultural users receiving a zero allocation. Only those users that had preexisting rights to the Sacramento and San Joaquin rivers before the development of the CVP system will receive substantial allocations this year, though these will nevertheless be reduced from their typical supply. Historically, only 17% of CVP supply has been used for municipal and industrial use.

Large Regional Systems
The other principal California water distribution systems are large regional systems such as MWD and the San Francisco Public Utilities Commission. These systems derive water from the state’s surface and ground water supplies with additional imported supply in southern California provided by the Colorado River system.

Colorado River
California shares a portion of the Colorado River, which is in its 14th year of drought, with the lower basin states of Nevada and Arizona. A well established “law of the river” governs the water allotment from the Colorado River, with California’s water rights to the lower portion of the river superseding those of Arizona and Nevada.

Groundwater
In normal years, groundwater accounts for approximately 30% of the state’s water use. In dry years, groundwater can account for about 60%, with the remainder provided by surface supplies (see Exhibit 1).
On average, approximately 200 million acre feet of precipitation fall in California each year and 110 million of those evaporate. Of the 90 million that remain, 55% is left in the environment and 45% goes to agricultural and urban use, according to the California Department of Water Resources.

**How does the geography of water compare to the location of people?**
There is a significant geographic imbalance between the state’s sources of water and the bulk of the demand for water (see Exhibit 2). The long distances between the locations where rain and snow fall, and the population that needs the water results in a complex and expensive conveyance system.

**How does water get to consumers?**
The state’s five largest regional systems serve approximately 24 million people and are broadly characterized by sophisticated management teams, very large service areas, strong stored water supplies, and complex capital programs and financing instruments (see Exhibit 3). They derive their water from a variety of sources, most significantly from the State Water Project and Colorado River systems in the case of the Metropolitan Water District of Southern California. The Los Angeles Department of Water and Power primarily relies on MWD and supplements that source with its own supplies, including the Owens River in the eastern Sierra and local groundwater. San Francisco PUC, East Bay MUD and Orange County WD principally rely on their claims to the Tuolumne, Mokelumne and Santa Ana rivers. In addition to firm, annual supplies, stored water levels are also important to credit quality. High storage levels compared to annual demands have been a major component of why drought management has gone well so far. Stored water has been used to supplement the diminished surface water availability. However, increased storage capacity developed over the last 30 years have led some water users to be slow to respond to calls for conservation.
**Exhibit 3**

**Largest Water Suppliers’ Credit Characteristics Vary**

<table>
<thead>
<tr>
<th>Rating</th>
<th>Customer Base</th>
<th>Annual Water Delivery</th>
<th>Primary Water Sources</th>
<th>Stored Water as % of supply</th>
<th>Total Fiscal 2014 Revenues</th>
<th>Revenue debt outstanding</th>
<th>Fiscal 2014 Debt Service Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan Water District of Southern California</td>
<td>18 million</td>
<td>1.5 million acre-feet</td>
<td>State Water Project, Colorado River</td>
<td>100%</td>
<td>$1.7 billion</td>
<td>$4.2 billion</td>
<td>2.51</td>
</tr>
<tr>
<td>San Francisco Public Utility Commission Water Enterprise</td>
<td>2.6 million</td>
<td>229,000 acre-feet</td>
<td>Hetch Hetchy Regional System</td>
<td>310%</td>
<td>$379.8 million</td>
<td>$4.6 billion</td>
<td>3.42</td>
</tr>
<tr>
<td>Los Angeles Department of Water and Power</td>
<td>3.9 million</td>
<td>550,000 acre-feet</td>
<td>SWP and CO River, (via MWD), L.A. Aquaduct Regional System, Local Groundwater,</td>
<td>150%</td>
<td>$1.1 billion</td>
<td>$4.3 billion</td>
<td>1.97</td>
</tr>
<tr>
<td>Orange County Water District</td>
<td>2.4 million</td>
<td>330,000 acre-feet</td>
<td>Orange County Water Basin (Santa Ana River), MWD</td>
<td>333%</td>
<td>$136.0 million</td>
<td>$339 million</td>
<td>1.58</td>
</tr>
<tr>
<td>East Bay Municipal Utility District</td>
<td>1.3 million</td>
<td>209,000 acre-feet</td>
<td>Mokelumne River Watershed</td>
<td>182%</td>
<td>$412.7 million</td>
<td>$2.4 billion</td>
<td>1.66</td>
</tr>
</tbody>
</table>

**Source:** Moody’s Investors Service and Listed Agencies

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**What is desalination and is it a meaningful tool to fight drought?**

Desalination is an energy-intensive filtering process that converts ocean water or salty groundwater into drinking water. The process is controversial because of its high cost and environmental obstacles. For example, in the fall of 2015, the Poseidon Resource’s Carlsbad Desalination Plant is expected to begin providing 7-10% of San Diego County Authority’s (Aa2 stable) water supply. However, the plant will cost approximately $1 billion to complete and its desalinized water is expected to cost upwards of $2,000 per acre foot. In addition, desalination plants face a long planning and environmental approval process due to the historic resistance to additional development along the coast. Some water enterprises have nevertheless already invested in desalination, and more local governments will likely consider the desalination option if they become convinced that their water supply is not reliable and they serve a large enough customer base to pay for the high capital costs.

Among the most high profile new, California desalination projects is one pursued by Orange County Water District (Aa1 stable), which in early 2015 reached an agreement to purchase desalinated water from a Poseidon Plant to be constructed in Huntington Beach. The City of Santa Barbara (Aa2) is also in the process of reactivating its desalination plant, which has been dormant for more than 20 years.

While desalination is not a short-term solution to drought, it could be a longer-term option. The expense to build the large facilities is hard to swallow for local municipalities, especially when desalinated water becomes redundant in non-drought years.

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**Pricing**

**How do suppliers determine water’s price?**

The price of water is primarily determined by the cost of storage, conveyance and treatment, which varies greatly depending on the source and geography between the source and ultimate water user. Untreated water typically costs $60-600 per acre-foot in non-drought times. However, in recent auctions, prices have reached more than $1,000 per acre foot. Increasingly, farmers with established and secure water rights have chosen to fallow fields and sell their water at auction instead. Only larger enterprises with substantial resources tend to buy water on the state’s limited open market, since it is an expensive and time consuming process.

Retail water rates are generally set to cover full costs of procurement, delivery and treatment on a blended basis from all sources. In water rich areas, flat rates have historically predominated, with most areas of the state using tiered rates.

Historically, in times of drought, increases in water rates were used to motivate customers to use less water. However, a recent court decision against the City of San Juan Capistrano significantly complicates this strategy. The decision, based on the requirements of the

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1996 statewide Proposition 218, requires that each rate reflect the actual cost of delivery. Tiered pricing is still permitted, but rates structured solely to spur conservation were effectively prohibited.

**What is tiered pricing?**

Water suppliers with tiered pricing set water rates that escalate as a customer’s water usage increases. (see Exhibit 4) It is akin to progressive taxation. Under drought conditions, the tiers can be lowered, with higher prices kicking in at lower usage levels, or additional higher priced tiers added. The higher prices encourage customer conservation and offset revenue declines that would normally result from reduced consumption. The San Juan Capistrano decision complicates this effort because water agencies will need to demonstrate that higher water rates at each tier correspond to an increased cost.

<table>
<thead>
<tr>
<th>Tier</th>
<th>Average Monthly Hundred Cubic Feet</th>
<th>$/unit</th>
<th>Total Monthly Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indoor</td>
<td>7</td>
<td>$1.79</td>
<td>$12.53</td>
</tr>
<tr>
<td>Outdoor</td>
<td>11</td>
<td>$3.28</td>
<td>$36.08</td>
</tr>
<tr>
<td>Inefficient</td>
<td>9</td>
<td>$5.88</td>
<td>$52.92</td>
</tr>
<tr>
<td>Wasteful</td>
<td>27 +</td>
<td>$10.76</td>
<td>$290.52</td>
</tr>
</tbody>
</table>

Source: Eastern Municipal Water District

Of the 411 water suppliers subject to the state conservation mandates, 379 have metered water service and most use some form of tiered pricing.

**Drought Response**

**What is the current status of California’s drought?**

California’s drought is in its fourth year and virtually the entire state is in drought; exceptional drought covers almost 45% of the state (see Exhibit 5). No stranger to multiyear droughts, the state has experienced 10 multiyear droughts since 1900. The current drought is among the most severe recorded resulting in significant depletion of the state’s key reservoirs.
Exhibit 5
California and Surrounding States Face Record Drought

Exhibit 5 shows a map of California and surrounding states with a color-coded legend indicating the severity of the drought. The legend ranges from green (least affected) to red (most affected). The map highlights the areas deeply affected by the drought, with a concentration of red areas in California, indicating severe water shortages.

Source: U.S. Drought Monitor

Water year 2014 was the third driest year on record, and 2012-14 was the driest three-year period on record. Reservoir levels continue to decline and snowpack, which feeds reservoirs as it melts, was at a record low of just 5% of normal (see Exhibit 6) when measured on April 1, 2015.

Exhibit 6
State’s Major Reservoirs Well Below Historical Average

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Current Level vs Total Capacity (%)</th>
<th>Current Level vs Historical Average (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchequer</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>New Melones</td>
<td>17</td>
<td>27</td>
</tr>
<tr>
<td>Pine Flat</td>
<td>28</td>
<td>40</td>
</tr>
<tr>
<td>Millerton Lake</td>
<td>32</td>
<td>41</td>
</tr>
<tr>
<td>Castaic Lake</td>
<td>33</td>
<td>38</td>
</tr>
<tr>
<td>Don Pedro</td>
<td>38</td>
<td>49</td>
</tr>
<tr>
<td>Lake Perris</td>
<td>38</td>
<td>47</td>
</tr>
<tr>
<td>Trinity Lake</td>
<td>39</td>
<td>46</td>
</tr>
<tr>
<td>Lake Oroville</td>
<td>41</td>
<td>50</td>
</tr>
<tr>
<td>San Luis</td>
<td>45</td>
<td>66</td>
</tr>
<tr>
<td>Folsom Lake</td>
<td>48</td>
<td>58</td>
</tr>
<tr>
<td>Lake Shasta</td>
<td>49</td>
<td>61</td>
</tr>
</tbody>
</table>

Source: California Department of Water Resources
How has the state reacted?

**Key milestones:**

**January 17, 2014:** Governor Jerry Brown proclaims a state of emergency and asks Californians to voluntarily reduce water use by 20%. He also directs local water suppliers to implement water shortage contingency plans.

**December 22, 2014:** Governor Brown extends emergency water measures through May 2016.

**April 1, 2015:** Governor Brown issues an executive order to implement a mandatory 25% reduction in urban water usage. He also directs a statewide initiative to replace 50 million square feet of state and local lawns with drought tolerant turf and vegetation.

**June 1, 2015:** Statewide water restrictions are in effect with communities being asked to reduce anywhere from 8% to 36% of their 2013 residential per capita water use, for an overall statewide reduction of 25% (see Exhibit 7). Failure to meet these targets could result in a fine of up to $10,000 a day.

Exhibit 7

**More Than 175.6 Billion Gallons of Water Saved Statewide Compared to 2013**

Source: California Water Board

How have various local governments reacted?

Local governments have reacted by increasing water rates and fees to offset some of the likely decline in revenues from reduced sales. Individual municipalities have also implemented measures like water patrols to make sure people aren’t wasting water, limited irrigation schedules to reduce daily watering of lawns and stepped up their public awareness campaigns. Irrigation of public property, including highway medians and other municipal lands, has also been curtailed. Until recently, some homeowner associations were fining residents for not maintaining their lawns and giving fines if grass was too brown. The state banned the practice.

How have water enterprises fared so far?

While the governor’s conservation measures are positive developments towards reducing the effect of drought, we view his mandatory conservation orders as credit negative for local water enterprises because they reduce local control and, absent offsetting rate increases, will reduce operating revenues. While rates may be increased to offset the decline, building political support for increases and implementing them would likely lag the sales volume reduction.

As conservation increases and sales decline, rate increases will be needed if credit quality is to be maintained. Under California law, water systems have a fairly easy rate-raising process, but political headwinds can make it difficult. Most water enterprises remain in relatively strong fiscal shape with sector-wide debt service coverage in fiscal 2014 at a 2.61x average. In the near term, water enterprises are relatively well-prepared to maintain credit quality, in part because water sales in recent years have remained strong due to the drought. Storage supplies for most enterprises we rate are significantly down, but not yet at crisis levels. Water purveyors still

Source: California Water Board
have time to build local support to adjust rates. For water enterprises, maintaining sufficient revenue is a greater risk in the near term than actually running out of water to sell.

**What if the drought continues?**

If drought continues at this level of severity for the next 12-18 months, we expect that most California water enterprises will successfully adapt by raising rates, implementing greater restrictions on water use, and more vigorously enforcing prohibitions on wasteful water use. Credit quality is likely to be preserved on average, with only limited, individual cases of maladaptation and weakened credit quality. This expectation is implicit in our current ratings and rating outlooks. The median California water enterprise rating is Aa3, and only three ratings currently have negative outlooks.

The willingness of political leaders to support and implement rate increases on a timely basis is the greatest uncertainty, except for the baseline certainty that virtually any rate raising is inherently unpopular politically. We expect that customers will pay the increased rates, if implemented, without too much protest. Water rates in California are already relatively high by national standards, but median family income is also higher than average, particularly for our rated enterprises, and aggregate utility bills remain a relatively modest amount of total household income.

If the drought continues, in the absence of rate increases, reduced sales will necessarily reduce water enterprise revenues. While weakening credit quality, some level of revenue reduction can be absorbed by California water enterprises before ratings are threatened. In part this reflects the above average revenues that have been experienced by most enterprises in the early years of the drought. Giving back this gain would not materially affect credit quality or ratings, in part because we never expected the improvement to be sustained. No ratings or outlooks were changed as a result.

Sales of water from storage supplies paid for in previous years can also increase revenues without corresponding increases in expenditures, thereby bolstering current coverage. In the absence of additional precipitation, storage supplies will also be depleted, and both operating expenses and capital expenses will trend sharply upward as a result of higher water costs and expenditures to improve system efficiency. However, this effect will not occur for most California water enterprises in the next year or two.

**Credit Effects**

**What does the drought mean for the state of California's credit?**

We do not expect the drought to weigh heavily on California's credit position unless the drought lasts significantly longer than the next one to two years. Cumulative negative effects of ongoing drought or, conversely, positive effects of a return to higher rainfall will be developments that we will assess for future credit impact. While the state's agricultural industry has national importance, it represents a very modest portion of the state's gross product and employment. The state's key rating drivers, its economy and finances, which represent 20% and 30% in our baseline credit evaluation, are currently on upward trajectories. Any impact from the now four-year drought has been masked by the positive overall trends, which are likely to continue even if the drought continues for another year or two. The state would, however, be under increasing pressure to provide financial assistance to particularly hard hit communities. The magnitude of such assistance would likely remain modest in the context of the state's overall budget.

California is one of the country's largest agricultural regions and accounts for substantial portions of many crops. According to the California Department of Food and Agriculture, nearly half the US-grown fruits, nuts and vegetables are grown in California. The state is the major producer (90% or more) of almonds, broccoli, celery, garlic, pistachios and walnuts consumed in the US. Those crops alone generated a value more than $10 billion in sales in 2013. While, much of the country's agricultural output originates in California, a large share is exported from the state and the industry employs a relatively low share of California's labor force.

Despite its key role in providing domestic and international food supplies, the agriculture industry actually plays a small role in the state's overall economy. Of California's total 2013 GDP of almost $2 trillion, just $28 billion, or 1.4%, came from agriculture (see Exhibit 9). The very small share of GDP that comes from agriculture is not due to any impact from the drought: The share of GDP coming from agriculture has ranged from 1.0% to 1.4% for more than 15 years.
What does it mean for local general government credit?

The key credit factors for local governments have also been largely unaffected by the drought and will remain so for the foreseeable future, with limited exceptions. The exceptions are those cities and counties highly dependent on agriculture, particularly those in the state’s Central Valley region. For these local governments, their economies/tax bases, which represents 30% of our baseline credit assessment of a local government, will in time show the effects of the lost agricultural employment and land value, if they haven’t already. This will put downward credit pressure on these local governments, particularly if the social and economic stress of the drought results in weakened finances. Finances, as measured by liquidity and fund balance levels and trends, represent another 30% of our baseline credit assessment of local governments. While California local government finances have been trending up in recent years, the Central Valley has lagged the rest of the state and the drought will be an additional drag on growth.

The most volatile source of city and county revenues, sales taxes, will likely show the effect of the drought first, but sales taxes are only a small portion of county revenues. They can be more significant for cities, in the range of 10% to 20%, but the share directly attributable to agricultural sales is small.

Even among the five counties with the highest agricultural output, farm wages and salaries remain only a moderate contributor to total earnings. Therefore, even for these counties, reduced economic activity from the drought will not be that significant.

Exhibit 9

**Counties with Highest Agricultural Impact Derive Only Moderate Portion of Total Earnings from Farm and Salary Wages**

<table>
<thead>
<tr>
<th>County</th>
<th>Issuer Rating/Outlook</th>
<th>Agricultural Production Value ($ in billions)</th>
<th>Total Wages and Salaries ($ in billions)</th>
<th>Farm Earnings as % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresno</td>
<td>Unrated</td>
<td>7.3</td>
<td>1,449,277</td>
<td>16</td>
</tr>
<tr>
<td>Kern</td>
<td>A1 (Lease Revenue) negative</td>
<td>6.8</td>
<td>2,192,340</td>
<td>10</td>
</tr>
<tr>
<td>Tulare</td>
<td>Aa2</td>
<td>6.4</td>
<td>1,812,625</td>
<td>8</td>
</tr>
<tr>
<td>Monterey</td>
<td>Aa2</td>
<td>4.4</td>
<td>888,916</td>
<td>7</td>
</tr>
<tr>
<td>Merced</td>
<td>Aa3 stable</td>
<td>3.8</td>
<td>798,035</td>
<td>17</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis, CA Department of Food and Agriculture, Moody’s Investors Service

Though the agricultural economy is strained, other economic sectors within the state continue to expand, resulting in improved overall job growth. Some of agricultural job loss will be backfilled by workers who take jobs in fields like construction, thereby further offsetting the effects of decreased agricultural output. In 2014, agricultural employment actually increased as workers shifted to farming more profitable crops.

Property taxes, another major source of local government revenues, have continued to increase despite the drought. Property taxes account for an average of 19% and 16% of county and city revenues, respectively. In the largest agriculture producing counties, 2015
assessed valuations have risen by a solid 6.3% average from the prior year. This reflects the ongoing economic recovery in these areas as well as the fact that the assessed valuation of agricultural land is a small to moderate portion of very large tax bases. Among the counties with the highest level of agricultural production in the state, assessed value attributable to agriculture is on average just 13% of the total property tax base.

**How are we incorporating the drought into our municipal water enterprise ratings?**

Our consideration of the drought during a credit review incorporates four primary areas of inquiry:

1. How much conservation is required of the water enterprise to get into compliance with the state mandate
2. The sufficiency of water supply to meet current and projected demand
3. The impact that conservation and supply management will have on the issuer’s budget and capital planning
4. Planned rate adjustments

The insights gained from these inquiries principally inform our assessment of an enterprise’s financial strength and management, key rating factors weighted 40% and 20%, respectively, in our baseline assessment of a municipal enterprise’s credit quality.

While debt service coverage has generally increased as a result of the drought owing to higher demand being met with increased sales, this trend will reverse the longer the drought continues. Based on management’s input, we assess likely future coverage and balance sheet strength.

Our principal balance sheet measure is focused on liquidity as measured by “days cash on hand” relative to annual expenditures. To date, cash positions have held up well, particularly for enterprises that had stored water to sell. In the absence of rate increases, this liquidity metric will also likely decline as the drought drags on. Enterprises will use reserves to purchase relatively expensive alternate supply, if available, and incur increased operating costs from managing their customers’ demand downward through, for example, increased water patrols to prevent water waste.

**What specific questions do we ask municipal water utilities about the drought?**

Specific questions include some or all of the following:

» What is the current level of stored water supply, either locally held or that the enterprise has access to via its wholesale supplier?

» How does current and projected stored water supply compare to current and projected demand?

» What is the utility’s conservation target per the governor’s order?

» What actions will be implemented to meet the conservation target?

» Has the utility achieved conservation targets in prior droughts? How?

» Are additional rate increases being considered in response to the drought?

» Will rates be raised to fully offset the expected decline in water use? If so, by what amount? Alternately, if coverage projections have not been provided: Does management plan to manage with reduced revenues rather than implement rate increases, thereby leading to reduced debt service coverage? What is the minimum coverage level, if different from the rate covenant, that management would be comfortable with?

» What difficulties, if any, does management anticipate in implementing proposed rate changes?

» If rates are tiered, will the utility be able to demonstrate that current and/or proposed charges each reflect a specific cost of providing that level of service?
» What are the expected drought impacts on system liquidity and reserves?
Moody's Related Research

CA Local Governments: Under Mandatory Use Restrictions, Pricing and Demand Management Will Be Key to California Water Utilities’ Fiscal Health, April 2015 (1004363)

California State and Local Governments: Sunny Skies Ahead for California, February 2015 (1002411)

California Groundwater Legislation Is Credit Positive for Local Governments Dependent on Agriculture, September 2014 (175699)

California Drought Dries Up Agriculture, but Tax Revenues Keep Flowing, May 2014 (170007)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.
Endnotes

1 The water year in California runs from October 1 until September 30.
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U.S. Municipal Water And Sewer Utilities 2015 Sector Outlook: And The Winner Is...

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Lastly, In Case You Missed It

Related Criteria And Research
U.S. Municipal Water And Sewer Utilities 2015 Sector Outlook: And The Winner Is...

The first quarter of each year marks the height of awards season in American popular culture. Attention turns to the memorable and forgettable on the silver screen and the red carpet. Mass marketing campaigns are made for our consideration – just in case it is not really an honor just to be nominated, or to make us remember (or forget) how something opened. Alas, in the end, hilarity does not always ensue.

In the U.S. municipal water and sewer sector, there are also the usual suspects, the next big stars, key supporting actors, and even paparazzi lurking in the shadows. Fortunately, the sector’s story is more documentary than dramatic in nature. The reviews are in, and we find that little has changed. More than nine out of 10 of our ratings have stayed the same, and almost all of those are high-investment-grade. It is a risk-averse sector that sticks to a core business model of drinking and clean-water service provision, rather than engaging in any unregulated or competitive ventures. Standard & Poor’s Ratings Services believes the sector continues to be one of the most capital-intensive services that a local or regional government provides, save for owning and operating power plants. Further, utility managers operate in an environment where funding capital investments is probably the most difficult budgetary decision they will make each year. In general, we have observed that there remains a strong correlation between management and credit quality. So for your consideration, we present our thoughts for the sector for 2015.

Overview

- Credit quality remains stable and solid, with most ratings in the high investment-grade category.
- Debt issuance is likely to increase as issuers take advantage of still-favorable market conditions to fund capital spending.
- Economic recovery will be uneven across U.S. regions and in its impact on utilities.

A Winning Script For All Seasons: "Stable Is The New Good"

Because of the relative capital intensity of projects, as well as other goals such as intergenerational fairness to ensure that future generations will also benefit from the system, it is uncommon for a utility to pay for a flagship project from cash on hand, especially with market conditions still favorable for debt financing. For example, a wastewater treatment plant can typically cost anywhere from $2 to $5 per gallon of hydraulic capacity, depending on whether it is a new greenfield project that includes site acquisition or an expansion of an existing plant. Costs could be even higher depending on to what level of cleanliness the waste will be treated before discharge, as well as the prevailing interest rate on the debt, which could both raise costs even more. Usually, the larger the plant, the lower the marginal capital and operating costs will be due to natural economies of scale. That means that even a modest-sized plant – for example, one with a capacity of 15 million gallons per day – could still cost $30 million to $75 million. For a modest-sized utility, that is not an insignificant investment.
We expect the Environmental Protection Agency (EPA) to report to Congress the results of its 2012 clean-water (i.e. wastewater) sector needs assessment survey this year. The survey is done every four years. The 2008 results identified a $345 billion investment need for sanitary and storm sewer systems, nonpoint-source pollution remediation (generally meaning pollution from runoff into water systems), and septic systems over the next 20 years. Including an estimated $384 billion of capital investment needed for drinking water based on the agency’s 2011 survey, some 317 million Americans will each have to spend an average of about $9.60 per month for the next 20 years to sustain their local water and sewer systems. In those terms, it makes more sense that local decision makers might want to finance these investments in installments. Thus, it’s no wonder that estimated utility-related bond issuance increased 15% from 2013, to more than $38 billion in 2014. Investors might view a total cost of $729 billion as a horror movie, but will find the long-term picture easier on the eye if spending is portrayed as less than $10 per month per person. The subliminal message is that credit quality is stable and sustainable.

An increase in bond issuance to finance capital investments for maintenance and improvements and a likely pickup in business activity driven by economic recovery suggest further leveraging by utilities. Despite such a scenario, the sector’s ratings have been very stable. As we predicted a year ago in "U.S. Municipal Water And Sewer Utilities 2014 Sector Outlook: Learning To Do More With Less" (published Jan. 9, 2014), the trend of fewer upgrades to downgrades has held for the fifth consecutive year, but nearly all ratings carry stable outlooks and more than 95% of ratings were unchanged in 2014 (see table 1).

Table 1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total ratings</td>
<td>1,647</td>
<td>1,509</td>
<td>1,406</td>
<td>1,270</td>
<td>1,178</td>
</tr>
<tr>
<td>% of ratings that changed during the year</td>
<td>4.2%</td>
<td>3.9%</td>
<td>5.4%</td>
<td>8.9%</td>
<td>14.5%</td>
</tr>
<tr>
<td>Upgrades to downgrades</td>
<td>2.0 to 1</td>
<td>2.9 to 1</td>
<td>3.2 to 1</td>
<td>4.7 to 1</td>
<td>10.4 to 1</td>
</tr>
<tr>
<td>Positive outlooks</td>
<td>23</td>
<td>26</td>
<td>25</td>
<td>13</td>
<td>2</td>
</tr>
<tr>
<td>Non-stable outlooks</td>
<td>55</td>
<td>49</td>
<td>48</td>
<td>25</td>
<td>17</td>
</tr>
</tbody>
</table>

*Year through Dec. 31

The ratings are not just stable but strong as well. The most common rating is 'A+', and roughly 97% of ratings are above 'BBB+' (see chart 1). The most common reason for negative outlooks, which represent the majority of non-stable outlooks, is financial performance. Sometimes, this reflects a revenue shortfall due to a decision to defer needed rate adjustments. We have also seen that unfavorable variances in operating expenses – such as needing to purchase more-expensive raw water due to drought conditions – have reduced net revenues available for debt service.
In Our Opinion, The Sector Is Highly Rated For Several Obvious Reasons:

- Water and sewer utilities provide essential services that are in the interest of public health. These core services were not cut during the recession, unlike other municipal services such as parks or libraries.
- Despite the fact that local utility rates continue to rise faster than not only the rate of inflation but other residential service rates as well (see chart 2), the typical monthly bill remains relatively affordable. Among the utilities we rate, the combined monthly residential water and sewer bill, based on Standard & Poor's assumption of 8,000 gallons (about 1,000 cubic feet) of service for each, is slightly less than 2% of median household effective buying income (disposable or aftertax household income). For example, a household income of $51,000 (which is about the U.S. median) and an effective tax rate of 20% would amount to an aftertax income of just over $40,000. That would translate to a typical monthly utility bill of $67, using our 2% assumption, which is comparable to a monthly cellular phone or cable television bill.
- About 85% of U.S. community water systems are municipally or publicly owned and are the monopolistic providers of these essential services throughout their service areas. Generally, utilities are self-reliant and funded solely by user charges. Annual operating budgets for this sector, we have observed, don't depend on revenue streams such as property taxes -- which remained about flat during the recent recession -- and other tax revenues such as local
option sales taxes that decreased year over year and have been volatile in their rebound. Utilities generally also do not receive any intergovernmental transfers the same way a local school district or even the utility's affiliated general government might. So even state-aid cuts that sliced large swathes from tax-backed budgets had little effect on utilities.

Coming Soon: The Rebound

As Standard & Poor's notes in "U.S. State And Local Government Credit Conditions Forecast" (published Dec. 10, 2014), cautious optimism has produced yet another sequel to last year's outlook. While some regions of the country will see better times than others, and still-declining commodity prices (see "Standard & Poor's Revises Its Crude Oil And Natural Gas Price Assumptions", published Jan. 9, 2015), have both beneficial and not-so-great impacts, economic conditions appear broadly similar to those of recent years. Our economist sees various economic measures coalescing toward faster growth of 3% in 2015. While this would outpace recent performance, it would still fall short of the post-World War II average growth rate. In 2014, the economy started out weak but gained momentum as the year progressed (as of the third quarter), similar to other postrecession years. Some deceleration from recent growth rates early in the new year would, therefore, be the norm if the pattern reasserts itself in 2015. Table 2 outlines the recent historical results and Standard & Poor's forecast of key data points.

Table 2

<table>
<thead>
<tr>
<th>Key Economic Indicators For The Utility Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real GDP:</strong></td>
</tr>
<tr>
<td>The rate of inflation in some key items in any utility's budget is a major factor that can affect revenues available for debt service, be it operating budget items such as chemicals or personal services, or capital budget items like construction costs for pipes. We use the traditional CPI, not the core rate, as utilities expenses (such as electricity) are typically one of the largest expenses of any utility.</td>
</tr>
<tr>
<td><strong>Consumer price index (CPI):</strong></td>
</tr>
<tr>
<td>We have observed that nearly every utility earns nearly every dollar of operating revenues from user charges from its local rate base. Local water and sewer rates tend to grow faster than the rate of inflation, so relative affordability is becoming an increasingly hot topic in the sector.</td>
</tr>
<tr>
<td><strong>Real disposable income:</strong></td>
</tr>
<tr>
<td>A high unemployment rate is never good for any economy, nationally or locally. Utility service areas with a disproportionately high percentage of operating revenues derived from commercial and industrial customers are particularly susceptible to a weaker-than-projected financial performance when unemployment rates spike.</td>
</tr>
<tr>
<td><strong>Unemployment rate:</strong></td>
</tr>
<tr>
<td>The old adage that growth is a double-edged sword continues to play out. Growth can increase densities of the number of metered accounts, which creates natural operating efficiencies and spreads fixed costs such as debt over a greater number of meters. It can also create a surge in nonrecurring revenues such as impact fees and mask an income statement that might otherwise be showing stress, as well as cause growth-driven capital expenditures.</td>
</tr>
<tr>
<td><strong>Housing starts:</strong></td>
</tr>
<tr>
<td>S&amp;P Economic Outlook</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>Real GDP (% change)</td>
</tr>
<tr>
<td>1.8</td>
</tr>
</tbody>
</table>
Regionally, Standard & Poor's is forecasting the East North Central region (Illinois, Indiana, Michigan, Ohio, and Wisconsin) will remain the slowest-growing region with a projected 1.9% growth in real GDP, and that the Mountain states (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming) will lead the way, with real regional GDP growth of more than 3%. California's housing market continued to rebound in 2014, although at a less rapid rate than in 2013 or 2012, as is the case with overall data from the S&P/Case-Shiller home price index.

In our view, there is very little direct correlation between economic performance and consumption. Some of the strongest economies postrecession are in the South and the West, two areas that are perennially juggling sustainable development and revenue requirements. The Los Angeles Department of Water & Power, for example, actually uses less water now than it did in the 1970s even though its population of about 4 million has risen by an average of about 1% each year. Decades ago, the San Antonio Water System (SAWS) began public education campaigns - supported by very transparent pricing signals - stressing that the cheapest source of water is conservation. As such, SAWS' total water usage stayed flat between 1987 and 2007 even though the metropolitan statistical area's population grew by 50% and remains one of the most robust metropolitan areas in Texas. Utilities that have managed to stay the course and preserve credit quality are those that have acted to ensure that revenue requirements will still be met regardless of...
demand.

Therefore, we track such data because economic growth and improvement in income indicators are factors that contribute to long-term credit quality. Even the potential upturn in housing starts can help a utility spread its fixed costs over more gallons of water sold, especially since most utility system customer bases are predominantly residential in makeup. Resource management is clearly important to credit quality, not just as an essential service for public health purposes. But ultimately locally-derived revenues depend on local economic conditions.

Best Supporting Role: The Ratepayer

This category has seen some new entrants in the past eight months. The passage of the Water Resources Reform and Development Act in June 2014 created, among other things, a five-year pilot program with $175 million in federal seed money to spur public-private partnerships for water utility infrastructure investments by way of the Water Infrastructure Financing and Innovation Act that is cost-neutral to taxpayers. While the local utility match would most likely come from taxable municipal bonds, President Obama is expected to propose in his fiscal 2016 budget a new tax-exempt municipal security called qualified public infrastructure bonds managed by a new Water Finance Center within EPA. The size, scope, and rulemaking associated with such a program at this point are only a proposal. With both houses of Congress now controlled by a different party than the President's, such a proposal becoming reality is at this point uncertain.

Therefore, as it has been for the last several decades, the funding of operations, capital investments, and debt service will continue to depend on the local customer. Utilities can count on ratepayers for revenue certainty and stability. Water is an essential service that gives life and therefore has low price elasticity. We continue to believe that while water isn't yet priced like a commodity, it certainly could be within our lifetimes. As chart 2 shows, local water and sewer rates are increasing at a faster rate than any other comparable service, although the increase in 2015 could finally be exceeded by personal income growth.
#Trending: Sector Trends And Hot Topics

Collection system rehabilitation and overflow remediation

Rare is the large urban system that is not dealing or has not recently dealt with a regulatory mandate to address failings in its sanitary sewer system. Normally, the environmental regulator, be it the EPA or its equivalent state body, works with the utility to establish some kind of date-certain deadline to complete the identified fixes. The catch is that such mandates leave the specifics – including the source of funding and how to best accomplish it – up to the local utility.

The EPA in recent years has especially promoted green infrastructure solutions to the problem of sanitary sewer issues. This could mean wetlands restoration or creative use of some other open space. Compared to extraordinarily expensive underground storage tunnels, it is certainly a cheaper solution, but the affected utility seldom has enough available land, including valuable land that can be permanently taken out of service, especially given the current trend of urban renewal and gentrification.

Fortunately, trenchless technology for pipe rehabilitation continues to enjoy tremendous engineering advances and cost reductions. Simply, repairs can be done with only a very small amount of surface disruption and often over a
shorter timeline than digging up and retiring the old pipes. Usually done robotically, the existing pipe receives a new polymer lining, not unlike an automobile tire patch. Similarly, sometimes it is easier to insert a new, slightly narrower pipe throughout the existing pipe. Because the methods are a proven technology, Standard & Poor's does not view there to be construction risk for those many systems dealing with sewer collection line rehabilitation, and sometimes the cost and time savings are very material compared with digging.

Drought
Somewhere in the U.S., a local or regional water supply is distressed. California remains in one of the worst multiyear droughts in history, so much so that it spurred the passage by a 2 to 1 margin of Proposition 1 in 2014 to authorize $7 billion in general obligation bonds for water supply projects. Texas voters the year before approved Proposition 6, which authorized the transfer of $2 billion from the state's rainy-day fund for the creation of the state water implementation fund for Texas, or SWIFT, a new revolving loan program. Other states and regions have also acted. Feasibility studies for projects such as brackish (high in natural salts and minerals contents) groundwater pumping, seawater desalination, and aquifer storage and recovery have been reprioritized to the top of some utilities' capital improvement programs. Standard & Poor's will continue to assess if the long-term quantity and quality of supply sources of a utility are adequate to serve existing and projected future customer bases. We have observed that utility systems that are attentive to the intersection of future financial and operational requirements are those that are most likely to be best prepared. However, there is no magic bullet for extreme weather circumstances.

Regulatory issues
While Standard & Poor's does not expect any major new rulemaking by the EPA in 2015, regulatory mandates and enforcement actions will probably continue at the same pace. The EPA has continued to raise the awareness of what it calls nutrient pollution. Specifically, nitrogen and phosphorus entering watersheds at excess levels can cause environmental harm. Utilities have certain requirements in their national pollutant discharge elimination system permits for their wastewater treatment plants. These permit requirements establish what must be removed before the effluent is discharged into the waterway. We anticipate that the EPA will over time begin to negotiate reduced acceptable limits into future utility permits, either utility by utility, or en masse such as it did with those utilities in the states that discharge into water bodies that ultimately lead to the Chesapeake Bay. While also associated with proven and low-risk technology, treatment process upgrades can be very expensive and capital intensive, and also bear monitoring for the impact on rates and, ultimately, financial performance.

Lastly, In Case You Missed It

Table 3
Rating Changes From Jan. 1 To Dec. 31, 2014

<table>
<thead>
<tr>
<th>Utility</th>
<th>State</th>
<th>To</th>
<th>From</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aliceville Governmental Utility Services Corp. (Federal Bureau of Prisons project)</td>
<td>AL</td>
<td>CCC/Watch-Neg</td>
<td>BBB/Watch Neg</td>
<td>Feb. 26</td>
</tr>
<tr>
<td>Americus</td>
<td>GA</td>
<td>A+/Stable</td>
<td>A/Positive</td>
<td>July 31</td>
</tr>
<tr>
<td>Beaumont</td>
<td>TX</td>
<td>A-/Negative</td>
<td>AA-/Stable</td>
<td>July 23</td>
</tr>
<tr>
<td>Berwick Area Joint Sewer Authority</td>
<td>PA</td>
<td>A-/Stable</td>
<td>BB+/Stable</td>
<td>April 4</td>
</tr>
<tr>
<td>Bexar Metropolitan Water District</td>
<td>TX</td>
<td>A+/Stable</td>
<td>A/Positive</td>
<td>March 31</td>
</tr>
<tr>
<td>Bonita Springs Utilities</td>
<td>FL</td>
<td>AA/Stable</td>
<td>AA-/Stable</td>
<td>Feb. 21</td>
</tr>
</tbody>
</table>
Table 3
Rating Changes From Jan. 1 To Dec. 31, 2014 (cont.)

<table>
<thead>
<tr>
<th>Rating Changes From Jan. 1 To Dec. 31, 2014 (cont.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brent Utilities Board</td>
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<tr>
<td>Canyon Regional Water Authority</td>
</tr>
<tr>
<td>Cape Coral</td>
</tr>
<tr>
<td>Cape Fear Public Utility Authority</td>
</tr>
<tr>
<td>Carroll County Public Water Supply District No. 1</td>
</tr>
<tr>
<td>Central Basin Municipal Water District</td>
</tr>
<tr>
<td>Chicago (wastewater)</td>
</tr>
<tr>
<td>Clark County Public Utility District No. 1</td>
</tr>
<tr>
<td>Clean Water Services</td>
</tr>
<tr>
<td>Cross Anchor Utility District</td>
</tr>
<tr>
<td>DeKalb-Jackson Water Supply District Inc.</td>
</tr>
<tr>
<td>Detroit (sewer)</td>
</tr>
<tr>
<td>Detroit (water)</td>
</tr>
<tr>
<td>Diablo Water District</td>
</tr>
<tr>
<td>Eagle Mountain</td>
</tr>
<tr>
<td>East Calhoun</td>
</tr>
<tr>
<td>East Wenatchee Water District</td>
</tr>
<tr>
<td>Fort Ogilbanales</td>
</tr>
<tr>
<td>Goodyear</td>
</tr>
<tr>
<td>Greater New Haven Water Pollution Control Authority</td>
</tr>
<tr>
<td>Hampton Roads Sanitation District</td>
</tr>
<tr>
<td>Higginsville</td>
</tr>
<tr>
<td>Holly Village (sewer)</td>
</tr>
<tr>
<td>Irving (drainage)</td>
</tr>
<tr>
<td>Jackson Energy Authority (sewer)</td>
</tr>
<tr>
<td>Kalamazoo (water)</td>
</tr>
<tr>
<td>Knoxville Utilities Board (water)</td>
</tr>
<tr>
<td>Lake Stevens Sewer District</td>
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<tr>
<td>Lindmore Irrigation District</td>
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<tr>
<td>Lindsay-Strathamore Irrigation District</td>
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<td>Mansfield</td>
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<td>Marin County Sanitary District No. 1</td>
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<tr>
<td>Memphis (sewer)</td>
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<td>Montrose</td>
</tr>
<tr>
<td>New Orleans Sewerage &amp; Water Board (sewer)</td>
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<tr>
<td>New Orleans Sewerage &amp; Water Board (water)</td>
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<td>North Baldwin Utilities</td>
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<tr>
<td>North Harris County Regional Water Authority</td>
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<tr>
<td>Oakland</td>
</tr>
<tr>
<td>Oneonta Utilities Board</td>
</tr>
<tr>
<td>Pierce County</td>
</tr>
</tbody>
</table>

AL       A/Negative       A+/Stable       March 7
TX       A+/Stable          A+/Positive      March 31
FL       A/Stable           A/Negative       June 25
NC       AA+/Stable         AA/Stable        Oct. 25
MO       A-/Stable          A/Stable         Oct. 6
CA       A/Negative         AA/Stable        April 4
IL       AA+/Stable         A+-Negative      Aug. 29
WA       AA+/Stable         A-/Stable        May 8
OR       AA+/Stable         AA/Stable        Dec. 19
TN       BBB+/Negative      A-/Negative      Sept. 3
AL       A/Stable           A+/Positive      Oct. 6
MI       CCC/Watch-Neg      BB-/Watch Neg     March 25
MI       CCC/Watch-Neg      BB-/Watch Neg     March 25
CA       A+/Stable          AA-/Negative     April 1
UT       A+/Stable          A+/Stable        Dec. 10
AL       A-/Negative        A/Stable         June 5
WA       AA/Stable          A-/Stable        Jan. 14
GA       A+/Stable          A-/Stable        Aug. 20
AZ       AA-/Stable         A+/Stable        March 31
CT       A+/Stable          A/Stable         June 20
VA       AA+/Stable         AAA+/Stable      Nov. 3
MO       BBB-/Negative      A-/Stable        Oct. 15
MI       A-/Stable          BBB+/Stable      March 10
TX       AA+/Stable         AA/Stable        Sept. 26
TN       AA/Stable          AA-/Positive     Sept. 5
MI       AA/Stable          AA-/Stable       Sept. 12
TN       AAA/Stable         AA-/Stable       Aug. 1
WA       A-/Negative        AA/Stable        March 27
CA       BBB+/Negative      A+/Stable        April 28
CA       A+/Negative        AA-/Stable       March 11
AL       A+/Stable          A/Stable         Dec. 23
TX       A+/Stable          AA/Stable        Nov. 25
CA       A+/Stable          A/Stable         June 12
TN       AA+/Stable         A+/Positive      June 2
CO       AA-/Stable         A+/Stable        March 18
LA       BBB+/Positive      BBB-/Positive    May 23
LA       A/Stable           A+/Positive      May 23
AL       A+/Stable          A/Stable         April 17
TX       AA-/Stable         A+/Positive      Oct. 14
CA       AA/Stable          A-/Stable        Jan. 21
AL       AA-/Stable         A+/Stable        May 29
FL       AA+/Stable         AA/Stable        Sept. 9
### Table 3

#### Rating Changes From Jan. 1 To Dec. 31, 2014 (cont.)

<table>
<thead>
<tr>
<th>Utility</th>
<th>State</th>
<th>Rating</th>
<th>Outlook</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payson City</td>
<td>UT</td>
<td>A-/Stable</td>
<td>A-/Positive</td>
<td>April 18</td>
</tr>
<tr>
<td>Pigeon Creek Sanitary Authority</td>
<td>PA</td>
<td>A-/Stable</td>
<td>A-/Stable</td>
<td>Nov. 11</td>
</tr>
<tr>
<td>Pima County (sewer)</td>
<td>AZ</td>
<td>AA/Stable</td>
<td>AA-/Positive</td>
<td>Jan. 7</td>
</tr>
<tr>
<td>Pineville</td>
<td>LA</td>
<td>A-/Negative</td>
<td>AA-/Stable</td>
<td>Oct. 15</td>
</tr>
<tr>
<td>Plainfield Village</td>
<td>IL</td>
<td>AA-/Stable</td>
<td>AA-/Stable</td>
<td>Dec. 14</td>
</tr>
<tr>
<td>Puerto Rico Aqueduct &amp; Sewer Authority</td>
<td>PR</td>
<td>B+/Negative</td>
<td>BB-/Negative</td>
<td>July 14</td>
</tr>
<tr>
<td>San Buenaventura (sewer)</td>
<td>CA</td>
<td>AA/Stable</td>
<td>AA-/Stable</td>
<td>Oct. 13</td>
</tr>
<tr>
<td>Santa Cruz (drainage)</td>
<td>CA</td>
<td>AA-/Stable</td>
<td>AA-/Stable</td>
<td>June 27</td>
</tr>
<tr>
<td>Santa Cruz (water)</td>
<td>CA</td>
<td>AA-/Negative</td>
<td>AA-/Stable</td>
<td>June 18</td>
</tr>
<tr>
<td>Springfield Water &amp; Sewer Commission</td>
<td>MA</td>
<td>AA-/Stable</td>
<td>A-/Stable</td>
<td>July 14</td>
</tr>
<tr>
<td>Springfield</td>
<td>MO</td>
<td>A-/Negative</td>
<td>A-/Stable</td>
<td>April 29</td>
</tr>
<tr>
<td>St. Johns County</td>
<td>FL</td>
<td>AA/Stable</td>
<td>AA-/Stable</td>
<td>Nov. 4</td>
</tr>
<tr>
<td>Stockton (sewer)</td>
<td>CA</td>
<td>A-/Stable</td>
<td>BBB+/Stable</td>
<td>Aug. 14</td>
</tr>
<tr>
<td>Terrebonne Parish Consolidated Waterworks District No. 1</td>
<td>LA</td>
<td>A-/Stable</td>
<td>A-/Stable</td>
<td>March 20</td>
</tr>
<tr>
<td>Tulsa Metropolitan Utility Authority</td>
<td>OK</td>
<td>AA-/Stable</td>
<td>AA/Positive</td>
<td>May 2</td>
</tr>
<tr>
<td>Unicoi Water Utility District of Union County</td>
<td>TN</td>
<td>BB-/Negative</td>
<td>A-/Stable</td>
<td>July 14</td>
</tr>
<tr>
<td>Walton County Community Services Corp.</td>
<td>FL</td>
<td>AA/Stable</td>
<td>AA-/Stable</td>
<td>Aug. 27</td>
</tr>
<tr>
<td>West Sacramento (water)</td>
<td>CA</td>
<td>A+/Stable</td>
<td>A+/Positive</td>
<td>Sept. 19</td>
</tr>
<tr>
<td>West Sound Utility District No. 1</td>
<td>WA</td>
<td>AA/Stable</td>
<td>AA-/Stable</td>
<td>April 2</td>
</tr>
<tr>
<td>Wetumpka Waterworks &amp; Sewer Board</td>
<td>AL</td>
<td>A-/Stable</td>
<td>A-/Stable</td>
<td>Aug. 29</td>
</tr>
<tr>
<td>Winter Haven</td>
<td>FL</td>
<td>AA/Stable</td>
<td>A+/Stable</td>
<td>July 11</td>
</tr>
</tbody>
</table>

### Table 4

#### Non-Stable Outlooks As Of Dec. 31, 2014

<table>
<thead>
<tr>
<th>Utility</th>
<th>State</th>
<th>Rating</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aliceville Governmental Utility Services Corp</td>
<td>AL</td>
<td>CCC-</td>
<td>Watch Neg</td>
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<tr>
<td>Amador Water Agency</td>
<td>CA</td>
<td>A-</td>
<td>Positive</td>
</tr>
<tr>
<td>Atwater Public Financing Authority</td>
<td>CA</td>
<td>B+/</td>
<td>Positive</td>
</tr>
<tr>
<td>Austin</td>
<td>TX</td>
<td>AA</td>
<td>Positive</td>
</tr>
<tr>
<td>Beaumont</td>
<td>TX</td>
<td>A+</td>
<td>Negative</td>
</tr>
<tr>
<td>Benton Washington Regional Public Water Authority</td>
<td>AR</td>
<td>A-</td>
<td>Positive</td>
</tr>
<tr>
<td>Berkeley County</td>
<td>SC</td>
<td>AA</td>
<td>Positive</td>
</tr>
<tr>
<td>Berks-Montgomery Municipal Authority</td>
<td>PA</td>
<td>AA-</td>
<td>Negative</td>
</tr>
<tr>
<td>Bordentown Sewerage Authority</td>
<td>NJ</td>
<td>BBB+</td>
<td>Negative</td>
</tr>
<tr>
<td>Bossier City</td>
<td>LA</td>
<td>AA-</td>
<td>Negative</td>
</tr>
<tr>
<td>Brent Utilities Board</td>
<td>AL</td>
<td>A</td>
<td>Negative</td>
</tr>
<tr>
<td>Centennial Water &amp; Sanitation District</td>
<td>CO</td>
<td>AA+</td>
<td>Positive</td>
</tr>
<tr>
<td>Central Basin Municipal Water District</td>
<td>CA</td>
<td>A</td>
<td>Negative</td>
</tr>
<tr>
<td>Chino</td>
<td>CA</td>
<td>BBB</td>
<td>Negative</td>
</tr>
<tr>
<td>Clinton Municipal Authority</td>
<td>PA</td>
<td>BBB</td>
<td>Positive</td>
</tr>
<tr>
<td>Clearwater</td>
<td>IN</td>
<td>A</td>
<td>Positive</td>
</tr>
<tr>
<td>Coalinga Public Financing Authority</td>
<td>CA</td>
<td>BBB</td>
<td>Positive</td>
</tr>
<tr>
<td>Lavaca-Neivada River Authority</td>
<td>TX</td>
<td>A+</td>
<td>Positive</td>
</tr>
</tbody>
</table>
## Table 4

<table>
<thead>
<tr>
<th>Non-Stable Outlooks As Of Dec. 31, 2014 (cont.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nueces River Authority</td>
</tr>
<tr>
<td>Corpus Christi</td>
</tr>
<tr>
<td>Cross Anchor Utility District</td>
</tr>
<tr>
<td>Cucamonga Valley Water District</td>
</tr>
<tr>
<td>Fairview Governmental Utility Services Corp.</td>
</tr>
<tr>
<td>Evansville</td>
</tr>
<tr>
<td>Fillmore Public Financing Authority</td>
</tr>
<tr>
<td>Higginsville</td>
</tr>
<tr>
<td>Houston County Water Authority</td>
</tr>
<tr>
<td>Jefferson County Pub Wtr Supp Dist No. C-1</td>
</tr>
<tr>
<td>Lake Stevens Sewer District</td>
</tr>
<tr>
<td>Lehigh Utility System</td>
</tr>
<tr>
<td>Lindmore Irrigation District</td>
</tr>
<tr>
<td>Lindsay-Strathmore Irrigation District</td>
</tr>
<tr>
<td>Lineville Waterworks and Sewer Board</td>
</tr>
<tr>
<td>Madera Public Financing Authority</td>
</tr>
<tr>
<td>Mon Valley Sewage Authority</td>
</tr>
<tr>
<td>New Orleans Sewerage &amp; Water Board (water)</td>
</tr>
<tr>
<td>Oxnard Financing Authority</td>
</tr>
<tr>
<td>Pajaro Valley Water Management Agency</td>
</tr>
<tr>
<td>Pike County Water Authority</td>
</tr>
<tr>
<td>Pineville</td>
</tr>
<tr>
<td>Porterville Irrigation District</td>
</tr>
<tr>
<td>Puerto Rico Aqueduct &amp; Sewer Authority</td>
</tr>
<tr>
<td>Rowland Water District</td>
</tr>
<tr>
<td>Santa Cruz</td>
</tr>
<tr>
<td>Santa Paula Utility Authority</td>
</tr>
<tr>
<td>Saucelito Irrigation District</td>
</tr>
<tr>
<td>Scranton Sewer Authority</td>
</tr>
<tr>
<td>Shamokin-Coal Township Joint Sewer Authority</td>
</tr>
<tr>
<td>Sparta Village (water)</td>
</tr>
<tr>
<td>Springville</td>
</tr>
<tr>
<td>Stamford</td>
</tr>
<tr>
<td>Town of Lockey</td>
</tr>
<tr>
<td>Unicoi Water Utility District of Unicoi County</td>
</tr>
<tr>
<td>United Water Conservation District</td>
</tr>
<tr>
<td>West Harris County Regional Water Authority</td>
</tr>
</tbody>
</table>

### Related Criteria And Research
Related Research


Under Standard & Poor's policies, only a Rating Committee can determine a Credit Rating Action (including a Credit Rating change, affirmation or withdrawal, Rating Outlook change, or CreditWatch action). This commentary and its subject matter have not been the subject of Rating Committee action and should not be interpreted as a change to, or affirmation of, a Credit Rating or Rating Outlook.
Credit FAQ:
How Will California Water Utilities Fare Amid The Long Drought And New Conservation Mandates?

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Credit FAQ:

How Will California Water Utilities Fare Amid The Long Drought And New Conservation Mandates?

In light of the fourth consecutive year of drought conditions in California, concerns about the reliability of the state's water supply have spiked, as have worries about the effects of Governor Jerry Brown's recent statewide water conservation mandate. Standard & Poor's Ratings Services seeks to explain the effects of the persistent drought on California water utilities' financial performance and credit quality.

Frequently Asked Questions

What is the credit impact of the drought on California water utilities?
The financial and credit impact of the drought and required conservation levels vary across water utilities. Rate-setting flexibility, sources of supply, supply costs, and management's actions -- either proactive or reactive -- all factor into the degree of credit impact, and thus we are analyzing the impact of the drought case by case. Many of the California water utilities we rate entered this drought period with good to strong debt service coverage and solid liquidity positions, which can somewhat mitigate the impact of lower water sales volumes for a time. Also, many water utilities plan in advance for droughts from both an operational perspective and a financial perspective. We are closely monitoring how our rated water utilities respond to Governor Brown's executive order, including how they plan to adjust rates given the required conservation. Complicating the matter is the ruling by the 4th District Court of Appeal on April 20, 2015, in the case of Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano (1) that struck down certain tiered-rate structures, which are a common tool to encourage water conservation. If the regulatory framework the state adopts on May 5 or 6 differs significantly from the current proposal (which we describe below), then we will again comment on the potential for credit impacts.

Can you explain the executive order Governor Brown issued this month in response to the drought?
On April 1, 2015, California Governor Brown issued an executive order (2) mandating statewide water conservation. This is the first time in California's history that water use restrictions have been mandated, and it represents a departure from prior requests for voluntary statewide water conservation. The governor issued the order following three consecutive years of drought and against a backdrop of historically low water supply: Snowpack in the Sierra Nevada Mountains -- a critical source of water for the state during the spring and summer periods -- was a mere 5% of the historical average (3) for April 1. The National Drought Mitigation Center estimates that about 67% of the state is experiencing either extreme or exceptional levels of drought (4), and virtually the entire state is experiencing some level of drought.

The objective of the order is to reduce statewide urban potable water usage by 25% through Feb. 28, 2016, but the order does not affect other water use categories, such as water used for agricultural production. If achieved, the State Water Resources Control Board (SWRCB) estimates that this level of water conservation would total about 1.5 million acre-feet (5), or roughly the volume of water currently held in Lake Oroville (6), one of the state's largest reservoirs with a capacity of 3.5 million acre-feet.
How does the executive order affect California water utilities?

For urban water suppliers, the impact of the executive order varies primarily depending on 1) the service area’s per capita water usage and 2) the level of water conservation already achieved during the past year. Although the executive order targets a 25% statewide reduction in water usage as compared to 2013, state officials do not expect to achieve the water savings through a uniform reduction in water usage across the state. Instead, the revised regulatory framework(7) -- which SWRCB published on April 18 and is subject to board adoption on May 5 or 6(8) -- contemplates nine conservation tiers ranging from 4% to 36% reductions, stepping up in 4% increments(9).

Each urban water supplier’s conservation standard is based on the service area’s residential per capita water use during July through September 2014, three summer months when water demand for outdoor irrigation is typically high. The conservation standard is lower for service areas with lower residential per capita usage and higher for service areas with higher residential per capita usage. Notably, the conservation standard is measured relative to water usage during a benchmark period from June 2013 through February 2014. Some urban water suppliers have already achieved the required conservation level or are nearly at the required level, and we don’t expect the modest additional conservation to significantly affect those suppliers’ operations or finances relative to their prior-year performance.

For example, of the 413 urban water suppliers subject to the executive order, San Francisco Public Utilities Commission (SFPUC) had the ninth-highest total water production during the benchmark period (20.4 billion gallons), but the service area had the second-lowest residential per capita water use during July to September 2014, at 45.4 billion gallons. Based on this residential per capita use, the assigned conservation standard is 8%; however, because SFPUC already achieved 8% water conservation in 2014 relative to the benchmark period, no additional conservation would be required to comply with the executive order. In contrast, Coachella Valley Water District (CVWD) had the seventh-highest total water production during the benchmark period (28.3 billion gallons), and the service area had the seventh-highest residential per capita water use during July to September 2014, at 475.1 billion gallons. Based on this residential per capita use, the assigned conservation standard is 36%. Given that CVWD achieved only 4% water conservation in 2014 relative to the benchmark period, significant additional conservation of 32% for 2015 is required to comply with the executive order.

The SWRCB plans to assess a water supplier’s compliance with the executive order by examining monthly reports that the suppliers will file. Enforcement actions for noncompliance may include informal enforcement, such as warning letters, or formal enforcement, such as cease and desist orders accompanied by administrative civil liabilities of up to $10,000 per day.

Agricultural water suppliers are not subject to the executive order; however, low river flows and low allocations from the two major water projects in the state have cut into their surface water supplies.

What impact does Standard & Poor’s expect the drought and the executive order to have on water utility revenues?

Although reduced volume of water sales seem likely to cause a corresponding reduction in operating revenues and net revenues, we understand that the financial performance of urban water suppliers also depends on other factors. For most retail water systems that have a volume-based component to their rate structure, reduced volume of water sales would indeed correspond to lower revenues (barring an increase in rates). However, the relationship between the
percent reduction in the volume of water sales and the percent reduction in operating revenues is not necessarily one to one. User rates for most retail water systems have a fixed component, which lower sales volume would not affect.

Many rate structures also have tiered pricing, with higher water use leading to a higher per-unit rate. In these cases, the impact of lower water sales is more complex, with the loss of revenues determined in part by the water rate tiers and the amount of usage within each tier. Even further complicating the matter is the April 20 ruling on Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano. In that ruling, the 4th District Court of Appeal struck down certain tiered-rate structures; specifically, those for which the water utility has not demonstrated that the tiers closely correspond to the actual cost of providing service at a given level of usage. We understand that the case has been remanded for further proceedings related to another issue in the case. Water utilities could also offset the volume lost with increased rates, as we address below.

**Can California water utilities increase rates to offset any decline in water sales volume?**

In general, California water utilities have the ability to adjust rates to offset lower sales volume. However, to increase rates, they must meet the public hearing and protest requirements under Proposition 218. The requirements include a public notice and a public rate hearing at least 45 days after the notice. The rate increase can be prevented if a majority of the parcel owners within the utility's service area protest at the public hearing or in writing. In our experience, it is rare for a rate increase to be outright prevented due to this provision although significant opposition from a vocal minority of the customer base may sway decision makers from the recommended course of action.

Some utilities already have the ability to increase rates in a drought because they have been through a previous Proposition 218 process. These utilities can likely increase rates up to the preapproved level through a governing board action. If a utility has not yet gained this ability, it would likely need to undertake a public notice process to comply with the procedural requirements of Proposition 218. This process could cause a lag between required conservation and the implementation of higher rates. In particular, if the ruling on Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano is left to stand, then the timeline to adjust rates may be significantly extended if the water utility is required to conduct a new cost-of-service study to demonstrate compliance with the ruling.

**Could a reduction in water sales volume lower a utility's operating expenses?**

Yes. In many cases lower water sales will lead to lower operating costs, although the impact will vary among utilities depending on their water supply sources and the marginal cost of additional supply. A water system relying exclusively on groundwater from its own wells would likely save on pumping costs if it sells less water. However, the savings may only be modest relative to a utility's operating budget because high-quality groundwater tends to be a relatively low-cost supply. If a utility directly purchases imported water on a per-unit basis, on the other hand, the lower water use will of course reduce water costs, and these savings could be substantial if imported water represents a significant portion of the utility's budget.

Although utilities could see some expense reduction, many of their costs — including fixed payments to suppliers, rents, leases, and debt service — are independent from the volume of water sold and likely wouldn't change. A decline in water sales would likewise have little short-term impact on salaries, benefits, and maintenance costs.
Credit FAQ: How Will California Water Utilities Fare Amid The Long Drought And New Conservation Mandates?

Footnotes

(1) http://www.courts.ca.gov/opinions/documents/G048969.PDF
(2) http://gov.ca.gov/docs/4.1.15_Executive_Order.pdf
(4) http://droughtmonitor.unl.edu/Home/StateDroughtMonitor.aspx?CA
(5) http://www.water.ca.gov/waterconditions/waterconditions.cfm
(6) http://cdec.water.ca.gov/cdecapp/resapp/resDetailOrig.action?resid=ORO
(7) http://www.swrcb.ca.gov/waterrights/water_issues/programs/drought/docs/emergency_regulations/fact_sheet_implementing
(8) http://www.waterboards.ca.gov/waterrights/water_issues/programs/drought/docs/emergency_regulations/regulations_fact_sl
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September 16, 2015

Attention: Administrative and Finance Committee

Series 2015A Bond Refunding Transaction Summary. (Presentation)

Purpose
Provide a summary of the Series 2015A transaction results.

Background
Previous Board action: On April 23, the Board Authorized the issuance of Senior Lien Water Revenue Refunding Bonds and Adopted a resolution authorizing the issuance of Senior Lien Water Revenue Refunding Bonds, Series 2015A, for the purpose of refunding certain existing long-term debt; and authorized the Director of Finance to utilize a negotiated method of sale.

Discussion
On September 9th, the Water Authority executed a very successful advanced refunding of select outstanding 2008A and 2010A bonds. The Water Authority’s current ratings of AA+, AA+ and Aa2 by S&P, Moody’s and Fitch, respectively, were affirmed with a stable outlook. The Series 2015A Water Revenue Refunding Bonds (Series 2015A Bonds) received strong interest by a wide range of investors. Investor interest was so strong that each bond received approximately 6 orders or was 6 times subscribed, which allowed the bonds to be re-priced at lower interest rates maximizing the Water Authority’s saving. Because the 2015A Bonds were issued at a premium, the transaction refunded $195 million of outstanding Series 2008A and Series 2010A bonds. Approximately 73% of the $195 million refunded bonds were Series 2008A bonds. The transaction achieved a NPV savings of $15.1 million or 7.75% and lowered annual debt service on average by $1.3 million from FY 2016-FY 2029.

A Board presentation at the September committee meeting will provide a summary the Series 2015A Bond refunding transaction.

Prepared by: David Shank, Financial Planning Manager
Reviewed by: Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Sandra L. Kerl, Deputy General Manager
September 16, 2015

Attention: Administrative and Finance Committee

Controller’s Report on Monthly Financial Reports. (Information)

Purpose
The purpose of the Controller’s Report is to provide monthly financial information to the Board of Directors.

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 Water Authority is in the process of undergoing the year-end audit and preparing the Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2015 and June 30, 2014. The Multi-Year Budget Status Report contains final/unaudited financial information for the twenty-four month period July 1, 2013 through June 30, 2015 (Attachment D). The Multi-Year Budget Status Report compares actual revenues and expenditures on a budgetary basis to the adopted budget, as amended by the Board.

Net Water Sales Revenue
Net Water Sales Revenue is the Water Authority’s principal source of revenue and is the difference between the sale of water and the cost of that water. Sales include revenues from variable commodity charges for supply, treatment and transportation, as well as from fixed charges for customer service and storage. Cost of water includes payments to water suppliers such as Metropolitan Water District (MWD) and Imperial Irrigation District (IID).

Net Water Sales Revenue for the twenty-four months ended June 30, 2015 was $359.2 million, $45.5 million or 15% more than the $313.7 million budget. Detailed information relating to Net Water Sales Revenue is described below and shown on Attachments A, B, and C.

---

1 All information regarding water sales volumes, revenues and costs are based on the adopted fiscal years 2014 and 2015 multi-year budget.
Total acre-feet (AF) of water sold were budgeted to be 947,734 AF for the twenty-four months ended June 30, 2015. The actual water sales volume was 1,017,436 AF, 69,702 AF or 7% more than budgeted (Attachment A). Total Water Sales Revenue for the twenty-four months ended June 30, 2015 was $1,177.9 million, $38.3 million or 3% more than the $1,139.6 million budget (Attachment B). As shown on Attachments A and B, the continuing warm and dry conditions have kept the monthly sales volume and water sales revenues above budget since October 2013. Through the twelve-month period of FY 2015, the actual sales volume represents a 5% decrease when compared to the prior twelve-month period in FY 2014. The decrease was due to mandatory restrictions, continued water conservation efforts, and the reduced need for outdoor irrigation in response to the state-mandated conservation targets.

Total Water Purchases and Treatment costs were originally budgeted at $786.2 million and were increased in FY 2015 by $39.7 million for a total amended budget of $825.9 million for the twenty-four months ended June 30, 2015. Actual costs were $818.6 million, $7.3 million lower than the amended budget (Attachment C). This cost category included $117.6 million for the 200,000 AF of water purchased from IID, and $159.6 million for MWD’s conveyance charges related to IID, Coachella Canal and All-American Canal water.

**Revenues and Other Income**

As shown in Attachment D, Total Revenues and Other Income were budgeted at $211.2 million for the twenty-four month period ended June 30, 2015. Actual revenues were $204.8 million, $6.4 million lower than budgeted. The variance is explained in detail below.

Categories of revenues in which actual revenues were lower than the twenty-four month period-to-date budgeted amounts included Contributions in Aid of Capital Improvement Program (CIAC), Grant Reimbursements, Investment Income, Build America Bonds Subsidy, and Water Standby Availability Charges. CIAC was $8.7 million lower than budget, the result of less CIAC revenue for the Second Aqueduct Pipeline – Caltrans Highway 76 Realignment Project due to lower than anticipated project costs which were 50% reimbursable by the State. Grant Reimbursements revenue for Integrated Regional Water Management (IRWM) Grants was $4.4 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 $4.1 million lower than budgeted. The variance was attributed to lower-than-budgeted rates of return on investments. The actual Build America Bonds Subsidy was $20.7 million, $1.9 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 was lower than budget by $0.3 million.

Categories of revenues in which actual revenues exceeded the twenty-four month period-to-date budgeted amounts included Capacity Charges, Hydroelectric Revenue, and Property Taxes and In-Lieu Charges. Actual Capacity Charges revenue was $6.6 million higher than budgeted primarily due to $3.4 million received from Rincon Del Diablo Municipal Water District for a large developer project in September 2014. The largest payments received for capacity charges for the twenty-four months ended June 30, 2015 were from the City of San Diego at $18.3 million, Rincon Del Diablo Municipal Water District at $3.6 million, and Otay Water District at $2.0 million. Actual Hydroelectric Revenue from the Rancho Penasquitos Pressure Control and Hydroelectric Facility...
(Rancho Hydro) and the Lake Hodges Pumped Storage Facility (Hodges Hydro) exceeded budget by $2.1 million. Actual Property Taxes and In-Lieu Charges revenues were higher than budget by $0.3 million.

**Expenditures**

As shown in Attachment D, Total Expenditures were budgeted at $457.0 million for the twenty-four month period ended June 30, 2015. Actual expenditures were $414.2 million, $42.8 million lower than budgeted. The variance is explained in detail below.

Overall Operating Department expenditures were trending less than budgeted for the twenty-four month period ended June 30, 2015 (Attachment E). This resulted primarily from personnel cost savings from unfilled vacancies throughout the period and legal services savings in the General Counsel’s Department.

Stored Water Purchases were budgeted at $30.1 million for the twenty-four month period ended June 30, 2015. Actuals were $15.1 million or $15.0 million less than budgeted. Total water purchases into storage were 25,958.7 AF for the period of March 2015 through June 2015.

Debt Service expenditures totaled $270.7 million for the twenty-four month period ended June 30, 2015, $10.8 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 $9.2 million below budget. The variance resulted from the lower-than-projected activity levels and the timing delay in expenditure recognition of pass-through IRWM grants. QSA Mitigation was $2.0 million below budget because payment for the advance due July 1 of FY 2016. Actual Hodges Pumped Storage and Equipment Replacement expenditures were lower than budget by $0.5 million and $0.4 million, respectively.

**CIP Expenditures**

Attachment D shows that CIP Expenditures were budgeted at $206.0 million for the twenty-four month period ended June 30, 2015. Actual expenditures were $187.1 million, $18.9 million, or 9% lower than budgeted.

Actual CIP expenditures funded by Pay As You Go Fund and CIP/Bond Construction Fund for the twenty-four month period ended June 30, 2015 were $78.4 million (42%) and $108.7 million (58%), respectively.

**Cash and Investments**

As of June 30, 2015 and May 31, 2015, the overall balance in the Water Authority’s cash and investments was $467.4 million and $472.3 million, respectively (Attachment F). Of the June 30, 2015 overall cash and investments balance, approximately 48% of funds were unrestricted with the remaining 52% 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 June 30, 2015, the Rate Stabilization Fund was funded at $115.4 million, approximately 97% of the maximum approved level of $119.1 million.
Rod Greek, Controller
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>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
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<td>110,634</td>
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<td>238,395</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>
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<tr>
<td>Actual</td>
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<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>% Difference (b/a)</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>
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</table>

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

<table>
<thead>
<tr>
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<th></th>
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</thead>
<tbody>
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<td>162,403</td>
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<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>
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<tr>
<td>AF Difference (b)</td>
<td>310</td>
<td>(2,022)</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>% Difference (b/a)</td>
<td>1%</td>
<td>-2%</td>
<td>0%</td>
<td>1%</td>
<td>5%</td>
<td>2%</td>
<td>2%</td>
<td>4%</td>
<td>7%</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
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<table>
<thead>
<tr>
<th>Months</th>
<th>FY14</th>
<th>FY15 through Jun-15</th>
<th>Total</th>
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</thead>
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<tr>
<td>Budget</td>
<td>471,509</td>
<td>476,225</td>
<td>947,734</td>
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<tr>
<td>Actual</td>
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<td>494,983</td>
<td>1,017,436</td>
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<tr>
<td>Difference</td>
<td>50,944</td>
<td>18,758</td>
<td>69,702</td>
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<td>% Difference</td>
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<td>4%</td>
<td>7%</td>
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</tbody>
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*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>
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</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>
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<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>
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<tr>
<td>Difference (b)</td>
<td>(4.3)</td>
<td>(7.4)</td>
<td>(0.7)</td>
<td>3.1</td>
<td>4.9</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>
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<tr>
<td>Cum. Actual</td>
<td>-7%</td>
<td>-6%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>5%</td>
<td>6%</td>
<td>7%</td>
<td>8%</td>
<td>10%</td>
<td>9%</td>
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</table>

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

<table>
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</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>488.4</td>
<td>542.8</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>353.0</td>
<td>394.3</td>
<td>441.1</td>
<td>492.4</td>
<td>535.7</td>
<td>584.2</td>
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<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>7.2</td>
<td>16.0</td>
<td>26.4</td>
<td>33.9</td>
<td>28.3</td>
<td>(12.6)</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>4%</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
<td>-2%</td>
</tr>
</tbody>
</table>

### Fiscal Year 2014 Through June 15 Budget Versus Actual (in Millions $)

<table>
<thead>
<tr>
<th>Budget</th>
<th>FY14</th>
<th>FY15 through Jun-15</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>542.8</td>
<td>596.8</td>
<td>1,139.6</td>
</tr>
<tr>
<td>Actual</td>
<td>593.7</td>
<td>584.2</td>
<td>1,177.9</td>
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<tr>
<td>Difference</td>
<td>50.9</td>
<td>(12.6)</td>
<td>38.3</td>
</tr>
<tr>
<td>% Difference</td>
<td>9%</td>
<td>-2%</td>
<td>3%</td>
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</tbody>
</table>
**WATER PURCHASES AND TREATMENT COSTS**  
Budget Versus Actual (in Millions $)  
for the 24 Months Ended June 30, 2015

*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>
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</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>-20%</td>
<td>-8%</td>
<td>-2%</td>
<td>0%</td>
<td>1%</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
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<td>10%</td>
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### Fiscal Year 2015 Cumulative Cost of Water Purchases and Treatment (in Millions $)

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</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>361.2</td>
<td>426.8</td>
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<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>253.6</td>
<td>276.4</td>
<td>311.5</td>
<td>347.0</td>
<td>382.2</td>
<td>395.9</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>1.0</td>
<td>0.7</td>
<td>1.5</td>
<td>1.8</td>
<td>3.1</td>
<td>5.5</td>
<td>7.0</td>
<td>7.2</td>
<td>16.6</td>
<td>20.9</td>
<td>21.0</td>
<td>(30.9)</td>
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<tr>
<td>Cum. Actual %</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
<td>3%</td>
<td>6%</td>
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<td>-7%</td>
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### Budget and Actual Costs

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<th>FY14</th>
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<td>Budget</td>
<td>399.1</td>
<td>426.8</td>
<td>825.9</td>
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<tr>
<td>Actual</td>
<td>422.7</td>
<td>395.9</td>
<td>818.6</td>
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<td>Difference</td>
<td>23.6</td>
<td>(30.9)</td>
<td>(7.3)</td>
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<tr>
<td>% Difference</td>
<td>6%</td>
<td>-7%</td>
<td>-1%</td>
</tr>
<tr>
<td></td>
<td>[A] Originaly Adopted</td>
<td>[B] Period-to-Date</td>
<td>[C] Amended Period-to-Date</td>
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<tr>
<td>--------------------------</td>
<td>-----------------------</td>
<td>-------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td><strong>Net Water Sales Revenue</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Water Sales</td>
<td>$1,106,603,719</td>
<td>$1,139,623,739 (b)</td>
<td>$1,177,868,129</td>
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<td>Water Purchases &amp; Treatment</td>
<td>786,249,019</td>
<td>825,930,418 (b)</td>
<td>818,629,592</td>
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<tr>
<td><strong>Total Net Water Sales Revenue</strong></td>
<td>$329,852,738</td>
<td>$313,693,321 (b)</td>
<td>$359,238,537</td>
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<tr>
<td><strong>Revenues and Other Income</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure Access Charges</td>
<td>59,054,000</td>
<td>59,054,000 (m)</td>
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<td>Property Taxes and In-Lieu Charges</td>
<td>22,320,000 (c)</td>
<td>22,320,000 (m)</td>
<td>22,617,709</td>
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<td>Investment Income</td>
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<td>12,715,000 (m)</td>
<td>8,596,094</td>
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<tr>
<td>Hydroelectric Revenue</td>
<td>5,440,000 (e)</td>
<td>5,440,000 (m)</td>
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<td>20,900,406</td>
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<td>22,605,916</td>
<td>20,744,697</td>
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<td>-</td>
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<td>Capital Contributions:</td>
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<td></td>
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<td>Capacity Charges</td>
<td>29,784,000 (f)</td>
<td>29,784,000 (m)</td>
<td>36,375,038</td>
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<tr>
<td>Water Standby Availability Charges</td>
<td>22,549,000 (g)</td>
<td>22,549,000 (m)</td>
<td>22,243,991</td>
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<td>Contributions in Aid of Capital</td>
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<td></td>
</tr>
<tr>
<td>Improvement Program (CIP)</td>
<td>15,860,000 (h)</td>
<td>15,860,000</td>
<td>7,128,480</td>
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<tr>
<td><strong>Total Revenues and Other Income</strong></td>
<td>$217,228,322</td>
<td>$217,228,322</td>
<td>$204,797,470</td>
</tr>
<tr>
<td><strong>Net Water Sales Revenue and Revenues and Other Income, net</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>531,643,022</td>
<td>524,921,643</td>
<td>564,036,007</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stored Water Purchases</td>
<td>30,090,000 (i)</td>
<td>30,090,000 (m)</td>
<td>15,107,963</td>
</tr>
<tr>
<td>Debt Service</td>
<td>281,531,000 (j)</td>
<td>281,531,000 (m)</td>
<td>270,742,716</td>
</tr>
<tr>
<td>QSA Mitigation</td>
<td>16,417,000 (j)</td>
<td>16,417,000 (m)</td>
<td>16,417,190</td>
</tr>
<tr>
<td>Hodges Pumped Storage</td>
<td>4,133,000</td>
<td>4,133,000</td>
<td>3,584,798</td>
</tr>
<tr>
<td>Equipment Replacement</td>
<td>3,103,000</td>
<td>3,153,000 (r)</td>
<td>2,986,629</td>
</tr>
<tr>
<td>Grant Expenditures</td>
<td>20,900,406</td>
<td>20,900,406</td>
<td>11,671,146</td>
</tr>
<tr>
<td>Other Expenditures</td>
<td>-</td>
<td>-</td>
<td>6,206,949</td>
</tr>
<tr>
<td>Operating Departments (see detail below)</td>
<td>92,569,969 (k)</td>
<td>98,563,969 (p),(r)</td>
<td>87,509,841</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>448,744,375</td>
<td>456,988,375</td>
<td>414,227,232</td>
</tr>
<tr>
<td><strong>Net Revenues Before CIP</strong></td>
<td>$82,984,647</td>
<td>$67,933,268</td>
<td>$149,808,775</td>
</tr>
<tr>
<td><strong>CIP Expenditures</strong></td>
<td>$259,602,000</td>
<td>$206,002,357 (o),(r)</td>
<td>$187,131,184</td>
</tr>
<tr>
<td><strong>CIP Expenditures by Funding Source</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pay As You Go Fund</td>
<td>$78,390,352</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CIP/Bond Construction Funds</td>
<td>108,740,832</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total CIP Expenditures by Funding Source</strong></td>
<td>$187,131,184</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Operating Departments Detail (see Attachment E)**

<table>
<thead>
<tr>
<th>Department</th>
<th>[A] Originaly Adopted</th>
<th>[B] Period-to-Date</th>
<th>Variance with [C] Amended Period-to-Date</th>
<th>% Actual/Amended</th>
<th>% Amended/Originaly Adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Services</td>
<td>$14,430,172</td>
<td>$14,430,172 (m)</td>
<td>$13,040,503</td>
<td>$1,389,699</td>
<td>90%</td>
</tr>
<tr>
<td>Colorado River Program</td>
<td>2,822,421</td>
<td>2,822,421 (m)</td>
<td>2,151,370</td>
<td>671,051</td>
<td>76%</td>
</tr>
<tr>
<td>Engineering</td>
<td>7,784,364</td>
<td>7,468,364 (p)</td>
<td>6,787,217</td>
<td>701,147</td>
<td>91%</td>
</tr>
<tr>
<td>Finance</td>
<td>4,802,577</td>
<td>4,802,577</td>
<td>4,507,711</td>
<td>294,866</td>
<td>94%</td>
</tr>
<tr>
<td>General Counsel</td>
<td>9,077,219</td>
<td>13,927,219 (p)</td>
<td>10,426,826</td>
<td>3,284,933</td>
<td>76%</td>
</tr>
<tr>
<td>General Manager &amp; Board of Directors</td>
<td>5,190,948</td>
<td>5,350,948</td>
<td>4,560,704</td>
<td>790,244</td>
<td>85%</td>
</tr>
<tr>
<td>MWD Program</td>
<td>2,933,954</td>
<td>3,568,954 (p)</td>
<td>3,166,909</td>
<td>402,045</td>
<td>89%</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>30,458,234</td>
<td>30,458,234</td>
<td>28,601,662</td>
<td>1,856,572</td>
<td>94%</td>
</tr>
<tr>
<td>Public Outreach and Conservation</td>
<td>7,707,143</td>
<td>8,357,143</td>
<td>7,214,801 (n)</td>
<td>1,142,342</td>
<td>86%</td>
</tr>
<tr>
<td>Water Resources</td>
<td>7,357,037</td>
<td>7,357,937</td>
<td>6,836,678</td>
<td>521,259</td>
<td>93%</td>
</tr>
<tr>
<td><strong>Total Operating Departments</strong></td>
<td>$92,569,969 (k)</td>
<td>$98,563,969</td>
<td>$87,509,841</td>
<td>$11,054,128</td>
<td>89%</td>
</tr>
</tbody>
</table>
Notes to the Budget Status Report:

a) Period-to-date budgeted amounts are 24/24ths (100%) 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 fill San Vicente Reservoir upon 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 an increase of $124,300 September 2013, $220,000 April 2014, and $1,300,000 April 2015, for a total of $1,644,300.

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 $825,116 for Fiscal Year 2015.
San Diego County Water Authority
Comparison of Originally Adopted Budget and Period-to-Date Amended Budget
to Actual Operating Expenditures by Departments
For the 24 Months Ended June 30, 2015

Actual Operating Expenditures to Amended Budget in Percentages (%)

<table>
<thead>
<tr>
<th>Department</th>
<th>Period-To-Date Amended Budget</th>
<th>Period-to-Date Actual Operating Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Services</td>
<td>$98.6 Million</td>
<td>$87.5 Million</td>
</tr>
<tr>
<td>Colorado River Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Counsel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Manager &amp; Board of Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MWD Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Outreach and Conservation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Resources</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Two-Year Originally Adopted Budget $92.6 Million
Period-To-Date Amended Budget $98.6 Million
Period-to-Date Actual Operating Expenditures $87.5 Million
San Diego County Water Authority
Schedule of Cash and Investments
As of June 30, and May 31, 2015
Final/Unaudited

<table>
<thead>
<tr>
<th>Fund</th>
<th>June</th>
<th>May</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Fund</td>
<td>$8,150,206</td>
<td>$53,552,712</td>
<td>$73,700,000</td>
</tr>
<tr>
<td>Stored Water Fund</td>
<td>97,863,516</td>
<td>86,667,094</td>
<td></td>
</tr>
<tr>
<td>Equipment Replacement Fund</td>
<td>5,116,513</td>
<td>5,322,331</td>
<td></td>
</tr>
<tr>
<td>Rate Stabilization Fund</td>
<td>115,405,373</td>
<td>86,911,700</td>
<td>79,100,000</td>
</tr>
</tbody>
</table>

Total Unrestricted Funds (1) 48% 226,535,608 232,453,837
Pay As You Go Fund (1) 143,301,875 138,428,465
CIP/Bond Construction Funds 85,370,403 89,197,279
Debt Service Reserve Funds 12,240,775 12,240,775
Total Restricted Funds 52% 240,913,053 239,866,519
Total Cash and Investments $467,448,661 $472,320,356

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 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 146% of the targeted value of $79,100,000 and 97% of the maximum balance of $119,100,000.
Attention: Administrative and Finance Committee

Report on purchase orders and contracts for goods and services above $10,000.

Purpose
The purpose of this information item is to comply with the reporting requirements of the Water Authority’s Administrative Code for goods and services above $10,000 not previously approved by the Board for the period of July 1, 2014 through June 30, 2015.

Background
The Water Authority’s Administrative Code (Code) Chapters 4.04 and 4.08 establish the general provisions to be followed for competitive acquisition of goods and services, reporting requirements, and signature authority limitations. The Code requires that an annual report be submitted to the Board listing all purchase orders and contracts for goods and services greater than $10,000 not previously approved by the Board.

Discussion
The General Manager’s signature authority of $150,000, authorized by section 4.04.020 of the Code, applies to competitive procurements as well as the following three exceptions to competition:

1. “Sole Source” procurements [section 4.04.140] may be authorized when only one vendor possesses the unique capability to meet the requirements of the solicitation, such as technical qualifications matching to currently owned equipment or supplies, or the ability to deliver at a particular time.
2. “Special Circumstances” procurements [section 4.04.060] may be authorized when the General Manager, in consultation with the General Counsel, determines in writing, that implementation of the competitive acquisition process is infeasible, impractical, or otherwise not in the best interest of the Water Authority.
3. “Specialized and Professional Service” procurements [section 4.04.060] such as services rendered by appraisers, attorneys, accountants, auditors, economists, financial advisors, and lobbyists, may be authorized if the General Manager or General Counsel determines the contract is in the best interest of the Water Authority.

The General Manager may exceed the signature authority under the following conditions:

1. In furtherance of the pipeline inspection program and to maintain system reliability, the General Manager may award and execute contracts in excess of $150,000 for either (a) work during the period of the annual pipeline shutdown to repair or correct a condition discovered during the shutdown, or (b) repair or relining work to an area of pipeline at which the electronic pipeline monitoring systems indicate a condition requiring an urgent response [sections 4.04.020 and 4.08.040]. The General Manager shall report to the Board the details of the condition and of the repair or corrective action not later than seven days after the discovery of the condition requiring repair or correction, or at its next regularly scheduled
meeting, if that meeting will occur not later than 14 days after the action. Any contract in excess of $250,000 for goods and services or $500,000 for public works is subject to ratification by the Board at its first regular meeting following the discovery of the condition.

2. In an emergency, as defined by section 2.04.050(e), the General Manager may award and execute contracts in excess of $150,000 provided that the goods and services are of an urgent nature, directly and immediately required by the emergency [sections 4.04.030 and 4.08.040]. The General Manager shall report to the Board not later than seven days after the emergency action or at its next regularly scheduled meeting, if that meeting will occur not later than 14 days after the action, the details of the emergency and reasons justifying the actions taken. Any contract having a value more than $250,000 for goods and services or $500,000 for public works shall be subject to ratification by the Board at its first regular meeting following the onset of the emergency.

3. When the original contract amount is more than $150,000, the General Manager is authorized to issue amendments to contracts up to a cumulative total of $150,000 or 10 percent of the original contract amount, whichever is greater [sections 4.04.040 and 4.08.040]. The cumulative sum of all amendments that have not been previously approved by the Board may not exceed $250,000 for goods and services or $500,000 for public works. When the cumulative sum of amendments to a contract would exceed the limits noted above, a report of such amendments will be presented to the Board at its next regular meeting. Upon acceptance of the amendments by the Board, the General Manager shall have additional authorization to issue amendments as if the original contract amount were the total of the original amount and all accepted amendments.

4. The General Manager is authorized to enter into contracts greater than $150,000 for the purchase of goods and services available through a cooperative purchasing agreement provided: (a) goods and services to be purchased were approved in the budget, and (b) the cooperative purchasing agreement being utilized was awarded as a result of a competitive pricing procedure containing a public agency clause [section 4.04.150].

5. The General Manager may enter into contracts with a federal, state or local agency, including public educational institutions, for the performance of landscaping, refuse removal, and surface maintenance of Water Authority rights-of-way through labor provided by inmates, community service workers, students and other persons under work programs established and supervised by the federal, state or local agency provided that the contract does not exceed $250,000 per year [section 4.08.110].
The attached reports list procurements above $10,000 that were not previously approved by the Board. Attachment 1 lists service contracts and amendments; Attachment 2 lists purchase orders issued for materials, supplies, equipment and miscellaneous services. The accumulated totals for each report are $4,094,818 and $1,647,582 respectively, for a total of $5,742,400. Both reports are for the period of July 1, 2014 through June 30, 2015.

The Operations and Maintenance department accounted for the largest proportion of contract and amendment transactions ($1,172,903) in fiscal year 2015, as indicated in Chart A below. This was primarily due to as needed services (i.e. weed abatement, welding, manhole and appurtenance raising, valve actuator repairs, rental of water filtering equipment to filter quagga mussels, etc.).

CHART A
Contract and Amendments Issued by Department
Above $10,000 not Board approved
July 1, 2014 through June 30, 2015

- Administrative Services, $990,047, 24.18%
- Colorado River Program, $92,000, 2.25%
- Engineering, $955,441, 23.33%
- MWD, $63,000, 1.54%
- GM’s Office, $60,000, 1.47%
- Finance, $278,750, 6.8%
- Water Resources, $276,797, 6.76%
- Public Outreach & Conservation, $205,880, 5.03%
- Operations & Maintenance, $1,172,903, 28.64%
Administrative Services, as a support department, accounted for the largest proportion of purchase order expenditures ($586,607), as indicated in Chart B below. The majority of these expenditures are attributable to software and hardware maintenance, and the procurement of computer equipment which were made using the State of California Western State Contracting Alliance (WSCA) cooperative agreement with Dell Marketing L.P.

CHART B
Purchase Orders Issued by Department
Above $10,000 not Board approved
July 1, 2014 through June 30, 2015

Prepared by: Baldemar J. Troche, Administrative Services Manager
Reviewed by: Matthew S. Brown, Director of Administrative Service
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments
Attachment 1 – Contracts and Amendments above $10,000 not Board approved
Attachment 2 – Purchase Orders above $10,000 not Board approved
## ATTACHMENT 1
CONTRACTS AND AMENDMENTS ISSUED (Above $10,000 not Board approved)
BETWEEN JULY 1, 2014 - JUNE 30, 2015

<table>
<thead>
<tr>
<th>Contractor Name</th>
<th>Contract Description</th>
<th>Procurement Type</th>
<th>Original Contract Term</th>
<th>Original Contract Amount (Bold indicates Board approved)</th>
<th>Total # of Amendments above $10,000 not approved by Board during FY15</th>
<th>Amendment # and Description</th>
<th>Current Contract End Date</th>
<th>Amount of Contract or Amendment(s) issued in FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Chemical Transport Inc.</td>
<td>As needed disposal of hazardous waste</td>
<td>Competition</td>
<td>3/12/15-2/28/17</td>
<td>$30,000</td>
<td>N/A</td>
<td>N/A</td>
<td>2/28/2017</td>
<td>$30,000</td>
</tr>
<tr>
<td>Bald Eagle Security Services Inc.</td>
<td>San Vicente construction site security monitoring</td>
<td>Competition</td>
<td>6/17/10-6/30/15</td>
<td>$700,000</td>
<td>1</td>
<td>#2: Amount revised</td>
<td>6/30/2015</td>
<td>$15,000</td>
</tr>
<tr>
<td>Capstone Fire Management Inc.</td>
<td>As needed standby confined space rescue services during O&amp;M shutdowns</td>
<td>Competition</td>
<td>10/2/13-9/30/14</td>
<td>$40,000</td>
<td>2</td>
<td>#2: Amount revised ($40,000) &amp; term extension. #3: Amount ($70,000) revised</td>
<td>9/30/2015</td>
<td>$110,000</td>
</tr>
<tr>
<td>City of San Diego</td>
<td>San Vicente construction site security monitoring</td>
<td>Govt Agency Agreement</td>
<td>7/1/15-12/31/15</td>
<td>$33,397</td>
<td>N/A</td>
<td>N/A</td>
<td>12/31/2015</td>
<td>$33,397</td>
</tr>
<tr>
<td>DR McNatty &amp; Associates</td>
<td>Design, develop, implement, and support a web-based Conservation Program Website</td>
<td>Competition</td>
<td>5/13/15-6/30/15</td>
<td>$28,100</td>
<td>N/A</td>
<td>N/A</td>
<td>6/30/2015</td>
<td>$28,100</td>
</tr>
<tr>
<td>Epic Pest Control &amp; Landscape Services</td>
<td>Landscape maintenance and pest control services for Kearny Mesa building</td>
<td>Competition</td>
<td>2/3/15-1/31/16</td>
<td>$25,000</td>
<td>N/A</td>
<td>N/A</td>
<td>1/31/2016</td>
<td>$25,000</td>
</tr>
<tr>
<td>HJS Mechanical Consulting</td>
<td>Escondido server room HVAC design services</td>
<td>Competition</td>
<td>2/18/15-9/1/15</td>
<td>$30,000</td>
<td>N/A</td>
<td>N/A</td>
<td>9/1/2015</td>
<td>$30,000</td>
</tr>
<tr>
<td>HJS Mechanical Consulting</td>
<td>Kearny Mesa server room HVAC design services</td>
<td>Competition</td>
<td>4/3/15-9/1/15</td>
<td>$11,000</td>
<td>N/A</td>
<td>N/A</td>
<td>9/1/2015</td>
<td>$11,000</td>
</tr>
<tr>
<td>Manpower of San Diego</td>
<td>As needed agency wide temporary staffing services</td>
<td>Competition</td>
<td>7/1/13-6/30/15</td>
<td>$75,000</td>
<td>1</td>
<td>#1: Amount revised</td>
<td>6/30/2015</td>
<td>$50,000</td>
</tr>
<tr>
<td>MSC Janitorial Service Inc.</td>
<td>Janitorial services for Kearny Mesa and Escondido buildings</td>
<td>Competition</td>
<td>9/24/14-6/30/15</td>
<td>$43,582</td>
<td>N/A</td>
<td>N/A</td>
<td>7/31/2015</td>
<td>$43,582</td>
</tr>
<tr>
<td>Quick Dispense Inc.</td>
<td>Coffee services and supplies (including machine and equipment rental, condiments, plastic utensils, etc.) for Kearny Mesa and Escondido buildings</td>
<td>Competition</td>
<td>8/5/13-7/31/15</td>
<td>$50,000</td>
<td>1</td>
<td>#1: Amount revised &amp; term extension</td>
<td>7/31/2017</td>
<td>$25,000</td>
</tr>
</tbody>
</table>
## ATTACHMENT 1

**CONTRACTS AND AMENDMENTS ISSUED (Above $10,000 not Board approved)**

**BETWEEN JULY 1, 2014 - JUNE 30, 2015**

<table>
<thead>
<tr>
<th>Contractor Name</th>
<th>Contract Description</th>
<th>Procurement Type</th>
<th>Original Contract Term</th>
<th>Original Contract Amount (<strong>Bold indicates Board approved</strong>)</th>
<th>Total # of Amendments above $10,000 not approved by Board during FY15</th>
<th>Amendment # and Description</th>
<th>Current Contract End Date</th>
<th>Amount of Contract or Amendment(s) issued in FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Safety US Inc.</td>
<td>As needed standby confined space rescue services during O&amp;M shutdowns</td>
<td>Competition</td>
<td>10/2/13-9/14/14</td>
<td><strong>$40,000</strong></td>
<td>2</td>
<td>#2: Amount revised ($40,000) &amp; term extension. #3: Amount ($70,000) revised</td>
<td>9/14/2015</td>
<td><strong>$110,000</strong></td>
</tr>
<tr>
<td>Trane</td>
<td>Kearny Mesa HVAC maintenance and inspection services</td>
<td>Competition</td>
<td>8/15/12-9/30/15</td>
<td><strong>$100,000</strong></td>
<td>1</td>
<td>#1: Amount revised &amp; term extension</td>
<td>9/30/2017</td>
<td><strong>$50,000</strong></td>
</tr>
<tr>
<td>Xerox Corporation</td>
<td>5 year lease of Xerox printers and copiers</td>
<td>Cooperative</td>
<td>5/22/15-5/21/20</td>
<td><strong>$428,968</strong></td>
<td>N/A</td>
<td>N/A</td>
<td>5/21/2020</td>
<td><strong>$428,968</strong></td>
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<tr>
<td><strong>COLORADO RIVER PROGRAM</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>ADMINISTRATIVE SERVICES TOTAL</td>
<td></td>
<td><strong>$990,047</strong></td>
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<tr>
<td>AMEC Foster Wheeler Environment</td>
<td>Biological monitoring services at Dos Palmas Area of Critical Environmental Concern</td>
<td>Competition</td>
<td>11/6/08-6/30/14</td>
<td><strong>$425,000</strong></td>
<td>1</td>
<td>#2: Amount revised &amp; term extension</td>
<td>12/31/2015</td>
<td><strong>$50,000</strong></td>
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<tr>
<td>Kanner &amp; Associates, LLC</td>
<td>Consulting services related to securing power allocation under Hoover Power Allocation Act of 2011</td>
<td>Specialized &amp; Prof Services: Contractor has specialized knowledge and extensive contacts and relationships.</td>
<td>5/16/12-6/30/13</td>
<td><strong>$59,000</strong></td>
<td>1</td>
<td>#2: Amount revised &amp; term extension</td>
<td>6/30/2015</td>
<td><strong>$42,000</strong></td>
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<tr>
<td><strong>ENGINEERING</strong></td>
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<td>COLORADO RIVER PROGRAM TOTAL</td>
<td></td>
<td><strong>$92,000</strong></td>
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<tr>
<td>Black &amp; Veatch Corporation</td>
<td>As needed controls and electrical design services</td>
<td>Competition</td>
<td>7/31/09-5/31/12</td>
<td><strong>$300,000</strong></td>
<td>1</td>
<td>#3: Amount revised &amp; term extension</td>
<td>6/1/2015</td>
<td><strong>$22,000</strong></td>
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<tr>
<td>BNT Title Company of California</td>
<td>As needed real estate title services</td>
<td>Competition</td>
<td>5/6/15-4/30/18</td>
<td><strong>$50,000</strong></td>
<td>N/A</td>
<td>N/A</td>
<td>4/30/2018</td>
<td><strong>$50,000</strong></td>
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<tr>
<td>California Tree Service Inc.</td>
<td>As needed tree trimming and removal services</td>
<td>Competition</td>
<td>5/6/15-6/30/15</td>
<td><strong>$25,000</strong></td>
<td>N/A</td>
<td>N/A</td>
<td>6/30/2015</td>
<td><strong>$25,000</strong></td>
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<tr>
<td>Contractor Name</td>
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</tr>
<tr>
<td>Carollo Engineers Inc.</td>
<td>Carlsbad Desalination Project engineering services</td>
<td>Special Circumstances: Carollo Engineers, Inc. has knowledge and understanding as they have provided owner's representative services to the Water Authority during the entire development phase of the TOVWTP improvements.</td>
<td>1/3/13-12/31/15</td>
<td>$2,000,000</td>
<td>1</td>
<td>#4: Amount revised &amp; term extension</td>
<td>12/31/2015</td>
<td>$153,929</td>
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<tr>
<td>Chicago Title</td>
<td>As needed real estate title services</td>
<td>Competition</td>
<td>4/30/15-4/30/18</td>
<td>$50,000</td>
<td>N/A</td>
<td>N/A</td>
<td>4/30/2018</td>
<td>$50,000</td>
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<tr>
<td>Clean Energy Capital Securities LLC</td>
<td>San Vicente Pumped Storage Project financial economic review</td>
<td>Specialized &amp; Prof Services: Clean Energy Capital Securities LLC is familiar with the Water Authority's rate structure and long range financing plan. Additionally, the firm assists organizations finalize commercial arrangements and contracts that support project financing.</td>
<td>6/24/14-6/30/14</td>
<td>$15,000</td>
<td>1</td>
<td>#1: Amount revised, term extension &amp; task revised</td>
<td>10/31/2014</td>
<td>$33,000</td>
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<tr>
<td>Crux Subsurface Inc.</td>
<td>San Vicente Dam post construction coring program</td>
<td>Competition</td>
<td>9/4/14-5/29/15</td>
<td>$1,960,100</td>
<td>1</td>
<td>#1: Amount revised &amp; task added</td>
<td>5/29/2015</td>
<td>$150,000</td>
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<tr>
<td>Delta Systems Engineering Inc.</td>
<td>As needed controls and electrical design services</td>
<td>Competition</td>
<td>7/31/09-5/31/12</td>
<td>$300,000</td>
<td>1</td>
<td>#4: Amount revised &amp; term extension</td>
<td>6/30/2015</td>
<td>$30,000</td>
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<tr>
<td>Lee and Ro Inc.</td>
<td>Miramar Pump Station rehabilitation design services</td>
<td>Competition</td>
<td>2/25/13-1/1/2016</td>
<td>$489,832</td>
<td>1</td>
<td>#4: Amount revised &amp; task added</td>
<td>6/30/2017</td>
<td>$36,512</td>
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</tr>
<tr>
<td><strong>CONTRACTS AND AMENDMENTS ISSUED (Above $10,000 not Board approved)</strong></td>
<td><strong>BETWEEN JULY 1, 2014 - JUNE 30, 2015</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>MWH Americas Inc.</td>
<td>San Vicente Dam raise post construction support of roller compacted concrete coring</td>
<td>Special Circumstances: The State of California Department of Water Resources, Division of Safety of Dams requires that MWH, as the designer of the multiple-phased coring and testing program, validate the coring program results.</td>
<td>12/18/14-9/30/15</td>
<td>$65,000</td>
<td>1</td>
<td>#1: Amount revised &amp; tasks added</td>
<td>9/30/2015</td>
<td>$30,000</td>
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<tr>
<td>Nasland Engineering</td>
<td>As needed land survey services</td>
<td>Competition</td>
<td>4/23/12-10/31/14</td>
<td>$100,000</td>
<td>1</td>
<td>#4: Amount revised &amp; term extension</td>
<td>6/30/2015</td>
<td>$40,000</td>
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<tr>
<td>Parsons Black &amp; Veatch Joint Venture</td>
<td>San Vicente Dam raise construction management services</td>
<td>Competition</td>
<td>9/3/08-4/26/13</td>
<td>$28,561,000</td>
<td>1</td>
<td>#8: Amount revised</td>
<td>12/31/2015</td>
<td>$150,000</td>
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<tr>
<td>Rincon Consultants Inc.</td>
<td>As needed environmental assessment support services</td>
<td>Competition</td>
<td>4/30/15-11/30/19</td>
<td>$70,000</td>
<td>N/A</td>
<td>N/A</td>
<td>11/30/2019</td>
<td>$70,000</td>
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<tr>
<td>The Bodhi Group Inc.</td>
<td>As needed environmental assessment support services</td>
<td>Competition</td>
<td>12/4/14-11/30/19</td>
<td>$70,000</td>
<td>N/A</td>
<td>N/A</td>
<td>11/30/2019</td>
<td>$70,000</td>
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<tr>
<td>Title365</td>
<td>As needed real estate title services</td>
<td>Competition</td>
<td>6/23/15-4/30/18</td>
<td>$45,000</td>
<td>N/A</td>
<td>N/A</td>
<td>4/30/2018</td>
<td>$45,000</td>
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<tr>
<td><strong>FINANCE</strong></td>
<td><strong>Carollo Engineers Inc.</strong></td>
<td>Specialized &amp; Prof Services: Contractor has specialized knowledge of the Water Authority’s rates and charges ongoing process since 2012.</td>
<td>Competition</td>
<td>1/2/13-11/30/14</td>
<td>$106,000</td>
<td>1</td>
<td>#2: Amount revised</td>
<td>11/30/2014</td>
</tr>
<tr>
<td>Carollo Engineers Inc.</td>
<td>CY 2014 and Carlsbad Desalination Project cost of service studies; and calculation of capacity charges</td>
<td>Competition</td>
<td>4/21/15-6/30/15</td>
<td>$74,967</td>
<td>N/A</td>
<td>N/A</td>
<td>6/30/2015</td>
<td>$74,967</td>
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</table>

**ENGINEERING TOTAL** $955,441
<table>
<thead>
<tr>
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<th>Contract Description</th>
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</thead>
<tbody>
<tr>
<td>Clean Energy Capital Securities LLC</td>
<td>Carlsbad Desalination Project financial advisory services</td>
<td>Specialized &amp; Prof Services: Since 2010, Contractor has been the primary advisor to the Water Authority on the financial aspects of the Carlsbad Desalination Plan Project.</td>
<td>7/10/14-9/30/14</td>
<td>$17,200</td>
<td>N/A</td>
<td>N/A</td>
<td>9/30/2014</td>
<td>$17,200</td>
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<tr>
<td>Clean Energy Capital Securities LLC</td>
<td>Water Purchase Agreement billing model development &amp; administration services</td>
<td>Specialized &amp; Prof Services: Contractor has specialized knowledge and has developed complex analysis pertaining to the Water Purchase Agreement.</td>
<td>11/13/14-8/31/15</td>
<td>$70,000</td>
<td>N/A</td>
<td>N/A</td>
<td>8/31/2015</td>
<td>$70,000</td>
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<tr>
<td>HDR Engineering Inc.</td>
<td>Finance Rate Modeling Program (FRMP) as needed support</td>
<td>Special Circumstances: Contractor possesses the most familiarity with the sensitivity and complexity of the rate model.</td>
<td>10/8/13-6/30/15</td>
<td>$30,000</td>
<td>1</td>
<td>#1: Amount revised, term extension &amp; task added</td>
<td>9/30/2016</td>
<td>$23,353</td>
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<tr>
<td>Hyas Group</td>
<td>Deferred compensation plan investment consulting services</td>
<td>Competition</td>
<td>2/4/15-1/1/17</td>
<td>$74,000</td>
<td>N/A</td>
<td>N/A</td>
<td>1/1/2017</td>
<td>$74,000</td>
</tr>
<tr>
<td>Madigan Consulting Inc.</td>
<td>Bay Delta Conservation Plan liaison</td>
<td>Specialized &amp; Prof Services: Madigan Consulting Inc.’s background and experience related to water issues, the Water Authority, and with the Bay-Delta and QSA as they relate to the Water Authority, makes the firm uniquely qualified.</td>
<td>9/16/13-6/30/14</td>
<td>$70,000</td>
<td>1</td>
<td>#1: Amount revised &amp; term extension</td>
<td>6/30/2015</td>
<td>$60,000</td>
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</tbody>
</table>

**FINANCE TOTAL** | **$278,750**

**GENERAL MANAGER TOTAL** | **$60,000**
<table>
<thead>
<tr>
<th>Contractor Name</th>
<th>Contract Description</th>
<th>Procurement Type</th>
<th>Original Contract Term</th>
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</thead>
<tbody>
<tr>
<td>MWD PROGRAM</td>
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</tr>
<tr>
<td>Laing Strategic Communications</td>
<td>Develop and implement a public education program</td>
<td>Specialized &amp; Prof Services: Contractor possesses unique community expertise necessary to quickly plan and implement a civic engagement program.</td>
<td>8/18/14-6/30/15</td>
<td>$45,000</td>
<td>1</td>
<td>#1: Amount revised &amp; term extension</td>
<td>6/30/2016</td>
<td>$38,000</td>
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<tr>
<td>San Diego Regional Economic Development</td>
<td>Coordinate Roundtable Sessions</td>
<td>Specialized &amp; Prof Services: The San Diego Regional Economic Development Corporation collaborates with local and state agencies, elected officials, media outlets, regional partners, and businesses.</td>
<td>8/25/13-6/30/14</td>
<td>$25,000</td>
<td>1</td>
<td>#1: Amount revised, term extension &amp; task added</td>
<td>6/30/2015</td>
<td>$25,000</td>
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<tr>
<td>OPERATIONS &amp; MAINTENANCE</td>
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</tr>
<tr>
<td>Accurate Measurement Systems Inc.</td>
<td>Rittmeyer Flowmeter service, inspection, calibration and repair</td>
<td>Special Circumstances: Contractor is the only authorized service provider in the San Diego region for Rittmeyer flow-meters.</td>
<td>1/31/13-5/31/13</td>
<td>$24,500</td>
<td>1</td>
<td>#2: Amount revised &amp; term extension</td>
<td>6/30/2017</td>
<td>$75,000</td>
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<tr>
<td>Advanced Riggers &amp; Millwrights LLC</td>
<td>Machinery moving services for 3,10,000 lbs. butterfly valves</td>
<td>Competition</td>
<td>5/14/15-10/31/15</td>
<td>$35,100</td>
<td>N/A</td>
<td>N/A</td>
<td>10/31/2015</td>
<td>$35,100</td>
</tr>
<tr>
<td>Calif Dept of Forestry &amp; Fire Protection</td>
<td>As needed weed abatement, brush clearing and tree trimming services</td>
<td>Govt Agency Agreement</td>
<td>9/2/14-6/30/15</td>
<td>$30,000</td>
<td>N/A</td>
<td>N/A</td>
<td>6/30/2015</td>
<td>$30,000</td>
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<tr>
<td>Collicutt Energy Services Inc.</td>
<td>Generator maintenance services</td>
<td>Competition</td>
<td>9/24/14-9/30/16</td>
<td>$55,000</td>
<td>N/A</td>
<td>N/A</td>
<td>9/30/2016</td>
<td>$55,000</td>
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<tr>
<td>Craneveyor Corp</td>
<td>Bridge crane inspections</td>
<td>Competition</td>
<td>10/27/14-9/14/15</td>
<td>$80,000</td>
<td>N/A</td>
<td>N/A</td>
<td>9/14/2015</td>
<td>$80,000</td>
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<tr>
<td>Deans Certified Welding Inc.</td>
<td>As needed welding services</td>
<td>Competition</td>
<td>6/1/15-5/31/16</td>
<td>$100,000</td>
<td>N/A</td>
<td>N/A</td>
<td>5/31/2016</td>
<td>$100,000</td>
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<tr>
<td>Delta Systems Engineering Inc.</td>
<td>Arc flash and protection study for Escondido and Kearny</td>
<td>Competition</td>
<td>10/22/14-1/20/15</td>
<td>$34,423</td>
<td>N/A</td>
<td>N/A</td>
<td>6/30/2015</td>
<td>$34,423</td>
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<tr>
<td>Dezurik</td>
<td>Repair 2 60&quot; Dezurik butterfly valves</td>
<td>Special Circumstances: Contractor is the valve manufacturer.</td>
<td>10/21/14-1/19/15</td>
<td>$19,289</td>
<td>N/A</td>
<td>N/A</td>
<td>1/19/2015</td>
<td>$19,289</td>
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<tr>
<td>DR McNatty &amp; Associates</td>
<td>Water stem operations dashboard software development services</td>
<td>Competition</td>
<td>6/25/14-1/31/16</td>
<td>$99,409</td>
<td>1</td>
<td>#1: Amount revised &amp; tasks added</td>
<td>1/31/2016</td>
<td>$25,000</td>
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<tr>
<td>Fisher Wireless Services Inc.</td>
<td>2-Way radio equipment preventative maintenance, inspection, testing and repair services</td>
<td>Competition</td>
<td>11/5/14-10/19-15</td>
<td>$40,000</td>
<td>N/A</td>
<td>N/A</td>
<td>10/19/2015</td>
<td>$40,000</td>
</tr>
<tr>
<td>L C Paving &amp; Sealing Inc.</td>
<td>As needed manhole and appurtenance raising services</td>
<td>Competition</td>
<td>10/8/14-9/14/16</td>
<td>$60,000</td>
<td>N/A</td>
<td>N/A</td>
<td>9/14/2016</td>
<td>$60,000</td>
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<tr>
<td>National Air &amp; Energy</td>
<td>Escondido HVAC preventative maintenance, and as needed repairs and installation</td>
<td>Competition</td>
<td>7/31/14-7/30/15</td>
<td>$50,000</td>
<td>N/A</td>
<td>N/A</td>
<td>7/30/2017</td>
<td>$50,000</td>
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<td>Networkfleet Inc.</td>
<td>Vehicle GPS monitoring services</td>
<td>Cooperative</td>
<td>7/1/14-6/30/15</td>
<td>$20,466</td>
<td>N/A</td>
<td>N/A</td>
<td>6/30/2015</td>
<td>$20,466</td>
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<tr>
<td>PRO-ROV Services</td>
<td>Internal inspection of the North County Distribution Pipeline by remotely operated vehicle</td>
<td>Competition</td>
<td>1/15/15-3/31/15</td>
<td>$44,105</td>
<td>N/A</td>
<td>N/A</td>
<td>3/31/2015</td>
<td>$44,105</td>
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<tr>
<td>Pure Technologies US Inc.</td>
<td>Condition assessment by leak detection inspection on the Tri-Agency Pipeline</td>
<td>Competition</td>
<td>3/3/15-6/30/15</td>
<td>$97,274</td>
<td>N/A</td>
<td>N/A</td>
<td>6/30/2015</td>
<td>$97,274</td>
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<tr>
<td>R &amp; B Automation Inc.</td>
<td>Troubleshooting/service call on Limitorque actuators to determine replacement at Rancho Penasquitos Hydro-generation Facility</td>
<td>Special Circumstances: Contractor is able to meet the Water Authority's shutdown schedule for delivery and installation.</td>
<td>7/28/14-9/5/14</td>
<td>$11,362</td>
<td>N/A</td>
<td>N/A</td>
<td>9/5/2014</td>
<td>$11,362</td>
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ATTACHMENT 1
CONTRACTS AND AMENDMENTS ISSUED (Above $10,000 not Board approved)
BETWEEN JULY 1, 2014 - JUNE 30, 2015
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<tr>
<td>R &amp; B Automation Inc.</td>
<td>Purchase and installation of 5 Sipos valve actuators at Rancho Penasquitos Hydro-generation Facility Special Circumstances: Contractor is able to meet the Water Authority's shutdown schedule for delivery and installation.</td>
<td>Special Circumstances:</td>
<td>10/30/14-1/28/15</td>
<td>$134,261</td>
<td>N/A</td>
<td>N/A</td>
<td>1/28/2015</td>
<td>$134,261</td>
</tr>
<tr>
<td>R &amp; B Automation Inc.</td>
<td>Purchase and installation of Sipos electric actuator and bevel gear at San Diego 11 flow facility Special Circumstances: Water Authority staff and Contractor pilot tested the Sipos electric actuator which proved successful.</td>
<td>Special Circumstances:</td>
<td>12/17/14-3/17/15</td>
<td>$16,182</td>
<td>N/A</td>
<td>N/A</td>
<td>3/17/2015</td>
<td>$16,182</td>
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<tr>
<td>R &amp; B Automation Inc.</td>
<td>As needed valve actuator repairs</td>
<td>Competition</td>
<td>3/17/15-2/28/16</td>
<td>$140,000</td>
<td>N/A</td>
<td>N/A</td>
<td>2/28/2016</td>
<td>$140,000</td>
</tr>
<tr>
<td>Rain for Rent</td>
<td>As needed rental of water filtering equipment to filter quagga mussels</td>
<td>Competition</td>
<td>9/1/14-8/31/17</td>
<td>$80,000</td>
<td>N/A</td>
<td>N/A</td>
<td>8/31/2017</td>
<td>$80,000</td>
</tr>
<tr>
<td>Nuffer, Smith, Tucker Inc.</td>
<td>Water supply reliability communication and outreach services</td>
<td>Competition</td>
<td>11/10/14-6/30/15</td>
<td>$100,000</td>
<td>N/A</td>
<td>N/A</td>
<td>6/30/2016</td>
<td>$100,000</td>
</tr>
<tr>
<td>Ten Stories Inc.</td>
<td>Creation of videos for television ads</td>
<td>Special Circumstances:</td>
<td>6/15/15-8/31/15</td>
<td>$12,758</td>
<td>N/A</td>
<td>N/A</td>
<td>8/31/2015</td>
<td>$12,758</td>
</tr>
</tbody>
</table>

PUBLIC OUTREACH & CONSERVATION

City of San Diego          Collaborative implementation of the Water Budget Web Enabling project  | Govt Agency Agreement            | 10/23/14-12/31/14     | $78,122                                                  | N/A                                                                     | N/A                         | 12/31/2015               | $78,122                         |

Cook + Schmid LLC          As needed public outreach and community relations services  | Competition                      | 11/14/12-10/31/14     | $25,000                                                  | 1 #2: Amount revised                                                  | 10/31/2014                  | $15,000                  |                                 |

Nuffer, Smith, Tucker Inc.  Water supply reliability communication and outreach services  | Competition                      | 11/10/14-6/30/15      | $100,000                                                 | N/A                                                                     | N/A                         | 6/30/2016                 | $100,000                        |

Ten Stories Inc.           Creation of videos for television ads                                 | Special Circumstances:           | 6/15/15-8/31/15       | $12,758                                                  | N/A                                                                     | N/A                         | 8/31/2015                 | $12,758                         |

OPERATIONS AND MAINTENANCE TOTAL $1,172,903

PUBLIC OUTREACH & CONSERVATION TOTAL $205,880
<table>
<thead>
<tr>
<th>Contractor Name</th>
<th>Contract Description</th>
<th>Procurement Type</th>
<th>Original Contract Term</th>
<th>Original Contract Amount (Bold indicates Board approved)</th>
<th>Total # of Amendments above $10,000 not approved by Board during FY15</th>
<th>Amendment # and Description</th>
<th>Current Contract End Date</th>
<th>Amount of Contract or Amendment(s) issued in FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCSE Inc.</td>
<td>As needed technical support services for the Planning Resources Information Management Application (PRIMA) database</td>
<td>Special Circumstances: PRIMA was developed and is proprietary of DCSE Inc.</td>
<td>12/14/11-6/30/13</td>
<td>$24,000</td>
<td>1</td>
<td>98</td>
<td>6/30/2017</td>
<td>$24,000</td>
</tr>
<tr>
<td>Data Instincts</td>
<td>Develop and implement communication plan to promote the use of potable reuse projects</td>
<td>Special Circumstances: Contractor has regional, state, and national level experience in the field of potable reuse outreach, tested outreach tactics, and lessons learned in the quest to develop model communication strategies toward fostering public acceptance of potable reuse.</td>
<td>3/18/15-6/30/15</td>
<td>$47,300</td>
<td>N/A</td>
<td>N/A</td>
<td>7/31/2015</td>
<td>$47,300</td>
</tr>
<tr>
<td>Gillingham Water Planning &amp; Engineering</td>
<td>Assist with the facility planning study for the proposed North County Emergency Storage Project (ESP) Pump Station project</td>
<td>Special Circumstances: As the principal author for a prior planning study for the ESP Pump Station, and recently having worked on a planning study for the Pipeline 2A Pump Station project, contractor has specific and unique knowledge of operations which will assist in assessing alternative pump station locations.</td>
<td>12/22/14-12/31/15</td>
<td>$50,000</td>
<td>N/A</td>
<td>N/A</td>
<td>12/31/2015</td>
<td>$50,000</td>
</tr>
</tbody>
</table>
## ATTACHMENT 1

CONTRACTS AND AMENDMENTS ISSUED (Above $10,000 not Board approved)

BETWEEN JULY 1, 2014 - JUNE 30, 2015

<table>
<thead>
<tr>
<th>Contractor Name</th>
<th>Contract Description</th>
<th>Procurement Type</th>
<th>Original Contract Term</th>
<th>Original Contract Amount (Bold indicates Board approved)</th>
<th>Total # of Amendments above $10,000 not approved by Board during FY15</th>
<th>Amendment # and Description</th>
<th>Current Contract End Date</th>
<th>Amount of Contract or Amendment(s) issued in FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael R Welch PhD PE</td>
<td>As needed support services for potable reservoir 303(d) listings</td>
<td>Special Circumstances: Dr. Welch has specialized technical expertise and extensive experience involving the SDRWCB.</td>
<td>9/18/13-6/30/15</td>
<td>$14,500</td>
<td>1</td>
<td>#1: Amount revised &amp; term extension</td>
<td>6/30/2017</td>
<td>$25,000</td>
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<tr>
<td>RMC Water &amp; Environment</td>
<td>Integrated Regional Water Management (IRWM) plan update development and program support</td>
<td>Competition</td>
<td>10/10/11-9/30/14</td>
<td>$1,534,930</td>
<td>1</td>
<td>#2: Amount revised &amp; term extension</td>
<td>3/30/2015</td>
<td>$95,497</td>
</tr>
<tr>
<td>Technology Associates International Corp</td>
<td>As needed geographic information services for the San Vicente Dam Raise Carryover Storage Project (CSP)</td>
<td>Special Circumstances: Contractor has unique knowledge of the project having developed and managed CSP and ESP database files for over 15 years.</td>
<td>12/22/09-6/30/15</td>
<td>$35,000</td>
<td>1</td>
<td>#2: Amount revised &amp; term extension</td>
<td>6/30/2016</td>
<td>$35,000</td>
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WATER RESOURCES TOTAL: $276,797

TOTAL FOR ALL DEPARTMENTS: $4,094,818

Note: General Counsel expenditures are reported to the Board in the monthly General Counsel's Report.
<table>
<thead>
<tr>
<th>PO No.</th>
<th>Vendor</th>
<th>Description</th>
<th>Procurement Type</th>
<th>Issue Date</th>
<th>PO Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>32018</td>
<td>Compu-Aire Inc</td>
<td>Escondido server room HVAC unit</td>
<td>Competition</td>
<td>4/29/2015</td>
<td>$37,086</td>
</tr>
<tr>
<td>31213</td>
<td>Dell Marketing LP</td>
<td>Two appliances (Storage Array Network devices) used for backup storage in disaster recovery events.</td>
<td>Cooperative</td>
<td>7/22/2014</td>
<td>$97,663</td>
</tr>
<tr>
<td>31378</td>
<td>Dell Marketing LP</td>
<td>Extended support for aging servers and storage devices.</td>
<td>Cooperative</td>
<td>9/15/2014</td>
<td>$24,083</td>
</tr>
<tr>
<td>31973</td>
<td>Dell Marketing LP</td>
<td>Four application servers plus warranties. These servers provide processing for our enterprise software applications.</td>
<td>Cooperative</td>
<td>4/15/2015</td>
<td>$31,430</td>
</tr>
<tr>
<td>31566,</td>
<td>Dell Marketing LP</td>
<td>VMware software licenses and extended support. These software licenses allow the business network system to have disaster recovery (DR) abilities; and allows for servers to run as virtual machines that can be “moved” in case a site becomes unavailable.</td>
<td>Cooperative</td>
<td>11/20/2014, 4/29/2015 &amp; 6/30/2015</td>
<td>$114,411</td>
</tr>
<tr>
<td>32019</td>
<td></td>
<td>Subtotal for Dell Marketing LP</td>
<td>$267,587</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>DLT Solutions LLC</td>
<td>Two databases server with warranties. These servers house Oracle databases for enterprise software applications.</td>
<td>Cooperative</td>
<td>6/22/2015</td>
<td>$128,794</td>
</tr>
<tr>
<td>31336</td>
<td>Epoch Universal, Inc.</td>
<td>Cisco Smartnet warranty services and support for our network devices including routers, switches, and firewalls.</td>
<td>Cooperative</td>
<td>8/27/2014</td>
<td>$63,797</td>
</tr>
<tr>
<td>31362</td>
<td>ESRI - Environmental Systems Research In</td>
<td>Geographic information systems software maintenance.</td>
<td>Special Circumstances: maintenance is only available from vendor.</td>
<td>9/9/2014</td>
<td>$15,544</td>
</tr>
<tr>
<td>32098</td>
<td>Hancock Video Engineering Services</td>
<td>Touch display transformer and video overlay adapter. Board room voting equipment.</td>
<td>Competition</td>
<td>5/28/2015</td>
<td>$16,875</td>
</tr>
<tr>
<td>PO No.</td>
<td>Vendor</td>
<td>Description</td>
<td>Procurement Type</td>
<td>Issue Date</td>
<td>PO Amount</td>
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<td>---------------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>--------------------------------</td>
<td>------------</td>
<td>-----------</td>
</tr>
<tr>
<td>32327</td>
<td>SHI International Corp.</td>
<td>eDiscovery software maintenance used for public records request and litigation discovery.</td>
<td>Competition</td>
<td>6/29/2015</td>
<td>$10,754</td>
</tr>
<tr>
<td>32172</td>
<td>The San Diego Union-Tribune LLC</td>
<td>Legal advertisements</td>
<td>Exempt Admin Code</td>
<td>6/17/2015</td>
<td>$10,287</td>
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**ADMINISTRATIVE SERVICES TOTAL** $586,607

**ENGINEERING**

<table>
<thead>
<tr>
<th>PO No.</th>
<th>Vendor</th>
<th>Description</th>
<th>Procurement Type</th>
<th>Issue Date</th>
<th>PO Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>31593</td>
<td>Field Automated Communication Systems (FACS)</td>
<td>FACS web based document control system for construction management</td>
<td>Exempt Admin Code</td>
<td>12/1/2014</td>
<td>$24,267</td>
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</table>

**ENGINEERING TOTAL** $24,267

**FINANCE**

<table>
<thead>
<tr>
<th>PO No.</th>
<th>Vendor</th>
<th>Description</th>
<th>Procurement Type</th>
<th>Issue Date</th>
<th>PO Amount</th>
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</thead>
<tbody>
<tr>
<td>31363</td>
<td>Bloomberg Finance LP</td>
<td>Bloomberg fees 2015</td>
<td>Special Circumstances: vendor is the only company that provides the most comprehensive financial service information, which encompasses real-time historical financial data, ability to perform real-time analytics, electronic trading, as well as current market news.</td>
<td>9/9/2014</td>
<td>$31,720</td>
</tr>
<tr>
<td>31496</td>
<td>Fitch Ratings Inc</td>
<td>Fitch rating fees for series 7 &amp; 8 Commercial Paper 2015</td>
<td>Special Circumstances: Rating agency is a global leader in credit rating and risk analysis.</td>
<td>10/23/2014</td>
<td>$15,000</td>
</tr>
<tr>
<td>31178</td>
<td>Moodys Investors Service</td>
<td>Moody's rating agency fees associated with Commercial Paper</td>
<td>Competition</td>
<td>7/14/2014</td>
<td>$24,250</td>
</tr>
<tr>
<td>31486</td>
<td>Moodys Investors Service</td>
<td>Moodys rating fee for Series 8 Commercial Paper</td>
<td>Competition</td>
<td>10/21/2014</td>
<td>$18,500</td>
</tr>
</tbody>
</table>

**Subtotal for Moodys Investors Service** $42,750

**FINANCE TOTAL** $89,470

**MWD PROGRAM**

<table>
<thead>
<tr>
<th>PO No.</th>
<th>Vendor</th>
<th>Description</th>
<th>Procurement Type</th>
<th>Issue Date</th>
<th>PO Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>32017</td>
<td>Felton Buckley Financial Inc</td>
<td>Office furniture</td>
<td>Cooperative</td>
<td>4/29/2015</td>
<td>$12,979</td>
</tr>
</tbody>
</table>
## OPERATIONS & MAINTENANCE

<table>
<thead>
<tr>
<th>PO No.</th>
<th>Vendor</th>
<th>Description</th>
<th>Procurement Type</th>
<th>Issue Date</th>
<th>PO Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>31796</td>
<td>Accurate Measurement Systems Inc</td>
<td>SMAR Differential Pressure Transmitters</td>
<td>Special Circumstances: vendor is the only authorized dealer of SMAR Differential Pressure Transmitters in California.</td>
<td>2/12/2015</td>
<td>$23,867</td>
</tr>
<tr>
<td>31848</td>
<td>CDW Government Inc</td>
<td>Six LED display monitors and seven mounts for the Emergency Operations Center at the Escondido Facility</td>
<td>Cooperative</td>
<td>3/4/2015</td>
<td>$13,094</td>
</tr>
<tr>
<td>31762</td>
<td>Computer Protection Technology, Inc</td>
<td>Mitsubishi 1100 Series 10kVA Uninterruptible Power Supply (UPS) - for San Vicente Pump Station</td>
<td>Special Circumstances: The Mitsubishi UPS unit is compatible with other UPS units within the aqueduct control system.</td>
<td>2/3/2015</td>
<td>$32,748</td>
</tr>
<tr>
<td>31228</td>
<td>Dell Marketing LP</td>
<td>ONSSI video recording servers for water systems security at Twin Oaks RFS and the Olivenhain PS. Includes Dell PowerEdge R720 servers and warranty</td>
<td>Cooperative</td>
<td>7/28/2014</td>
<td>$29,538</td>
</tr>
<tr>
<td>31797</td>
<td>Dell Marketing LP</td>
<td>VMware Software Licenses Support. These software licenses allow the SCADA system to have disaster recovery (DR) abilities; and allows for servers to run as virtual machines that can be “moved” in case a site becomes unavailable.</td>
<td>Cooperative</td>
<td>2/17/2015</td>
<td>$18,806</td>
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</table>

Subtotal for Dell Marketing LP: $48,344

<table>
<thead>
<tr>
<th>PO No.</th>
<th>Vendor</th>
<th>Description</th>
<th>Procurement Type</th>
<th>Issue Date</th>
<th>PO Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>31476</td>
<td>HD Supply Waterworks</td>
<td>Couplers and flanges for Venturi install</td>
<td>Competition</td>
<td>10/16/2014</td>
<td>$12,411</td>
</tr>
<tr>
<td>31387</td>
<td>Nexxsol Corporation</td>
<td>15 Uninterruptible Power Supply units</td>
<td>Competition</td>
<td>9/17/2014</td>
<td>$19,030</td>
</tr>
<tr>
<td>31229</td>
<td>One Source Distributors LLC</td>
<td>Rockwell Techconnect software and hardware support for Aqueduct Control System</td>
<td>Special Circumstances: vendor is the sole distributor or Rockwell/Allen Bradley products.</td>
<td>7/28/2014</td>
<td>$13,322</td>
</tr>
<tr>
<td>31407</td>
<td>Palomar Transit Mix</td>
<td>Mixed slurry (cement mixture) for Otay 9 decommissioning</td>
<td>Competition</td>
<td>9/23/2014</td>
<td>$13,375</td>
</tr>
<tr>
<td>31573</td>
<td>San Diego Freightliner</td>
<td>New 2015, tandem axle, 10-yard dump truck</td>
<td>Competition</td>
<td>11/25/2014</td>
<td>$141,877</td>
</tr>
<tr>
<td>PO No.</td>
<td>Vendor</td>
<td>Description</td>
<td>Procurement Type</td>
<td>Issue Date</td>
<td>PO Amount</td>
</tr>
<tr>
<td>---------</td>
<td>-------------------------------</td>
<td>---------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------</td>
<td>-------------</td>
<td>------------</td>
</tr>
<tr>
<td>31394</td>
<td>Standard Automation &amp; Control</td>
<td>SCADA - Wonderware Customer FIRST Support Renewal (Standard Level)</td>
<td>Special Circumstances: vendor is the software developer.</td>
<td>9/18/2014</td>
<td>$36,778</td>
</tr>
<tr>
<td>31760</td>
<td>Vector Resources Inc</td>
<td>Software support for OnSSI and BRS Labs</td>
<td>Cooperative</td>
<td>2/2/2015</td>
<td>$30,202</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>OPERATIONS &amp; MAINTENANCE TOTAL</td>
<td></td>
<td>$385,048</td>
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<tr>
<td>32311</td>
<td>AM Conservation Group Inc</td>
<td>Moisture meter - drought campaign promotional item</td>
<td>Competition</td>
<td>6/29/2015</td>
<td>$15,538</td>
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<tr>
<td>32313</td>
<td>AM Conservation Group Inc</td>
<td>Hose nozzle promotional items for SDG&amp;E drought campaign</td>
<td>Competition</td>
<td>6/29/2015</td>
<td>$10,436</td>
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<td></td>
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<td>$25,974</td>
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<tr>
<td>31549</td>
<td>California Outdoor Graphic</td>
<td>Yard signs - When in Drought</td>
<td>Special Circumstances: only company located that utilizes a process to fabricate water resistant yard signs meeting criteria.</td>
<td>11/14/2014</td>
<td>$34,870</td>
</tr>
<tr>
<td>31947</td>
<td>Citcaster Co</td>
<td>Drought campaign advertisements</td>
<td>Exempt Admin Code</td>
<td>4/8/2015</td>
<td>$28,610</td>
</tr>
<tr>
<td>32286</td>
<td>Citcaster Co</td>
<td>Drought campaign advertisements</td>
<td>Exempt Admin Code</td>
<td>6/28/2015</td>
<td>$11,000</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>$39,610</td>
</tr>
<tr>
<td>31629</td>
<td>Clear Channel Media + Entertainment</td>
<td>Radio drought campaign advertisements</td>
<td>Exempt Admin Code</td>
<td>12/11/2014</td>
<td>$24,932</td>
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<tr>
<td>31870</td>
<td>Clear Channel Media + Entertainment</td>
<td>Drought campaign advertisements</td>
<td>Exempt Admin Code</td>
<td>3/9/2015</td>
<td>$24,735</td>
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<tr>
<td>32283</td>
<td>KFMB/Midwest Television</td>
<td>Drought campaign advertisements</td>
<td>Exempt Admin Code</td>
<td>6/30/2015</td>
<td>$17,000</td>
</tr>
<tr>
<td>32284</td>
<td>KNSD-TV/NBC SAN DIEGO/QNSD/NNSD/COZI</td>
<td>Drought campaign advertisements</td>
<td>Exempt Admin Code</td>
<td>6/30/2015</td>
<td>$17,000</td>
</tr>
<tr>
<td>31626</td>
<td>KSWB TV</td>
<td>Drought campaign advertisements - Fall</td>
<td>Exempt Admin Code</td>
<td>12/10/2014</td>
<td>$16,555</td>
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<td>32298</td>
<td>Madden Preprint Media LLC</td>
<td>Drought campaign advertisements</td>
<td>Exempt Admin Code</td>
<td>6/30/2015</td>
<td>$36,200</td>
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<tr>
<td>32330</td>
<td>McKinnon Broadcasting dba KUSI-TV</td>
<td>Drought campaign advertisements</td>
<td>Exempt Admin Code</td>
<td>6/30/2015</td>
<td>$39,760</td>
</tr>
<tr>
<td>32241</td>
<td>Media Services Advertising Inc</td>
<td>Drought campaign advertisements</td>
<td>Exempt Admin Code</td>
<td>6/24/2015</td>
<td>$14,373</td>
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<tr>
<td>PO No.</td>
<td>Vendor</td>
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<td>Procurement Type</td>
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<td>PO Amount</td>
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<tr>
<td>31238</td>
<td>San Diego Home/Garden Lifestyles</td>
<td>WaterSmart website advertisements</td>
<td>Exempt Admin Code</td>
<td>7/31/2014</td>
<td>$12,000</td>
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<tr>
<td>31302</td>
<td>Scripps Media Inc</td>
<td>KGTV drought campaign advertisement</td>
<td>Exempt Admin Code</td>
<td>8/18/2014</td>
<td>$51,030</td>
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<tr>
<td>31630</td>
<td>Scripps Media Inc</td>
<td>KGTV drought campaign advertisement - Fall</td>
<td>Exempt Admin Code</td>
<td>12/11/2014</td>
<td>$40,820</td>
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<td>$91,850</td>
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<tr>
<td>32252</td>
<td>Simply The Best Promotions</td>
<td>Buckets - drought campaign promotional item</td>
<td>Competition</td>
<td>6/15/2015</td>
<td>$17,870</td>
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<tr>
<td>31176</td>
<td>The San Diego Union-Tribune LLC</td>
<td>Drought campaign advertisements</td>
<td>Exempt Admin Code</td>
<td>7/14/2014</td>
<td>$11,297</td>
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<tr>
<td>31641</td>
<td>The San Diego Union-Tribune LLC</td>
<td>Drought/conservation contest advertisements</td>
<td>Competition</td>
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<td>$11,900</td>
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<td>$23,197</td>
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<tr>
<td>32156</td>
<td>Total Traffic Network</td>
<td>Drought campaign advertisements</td>
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<td>$10,962</td>
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<tr>
<td>32336</td>
<td>Univision Radio San Diego Inc</td>
<td>Drought campaign advertisements</td>
<td>Exempt Admin Code</td>
<td>6/30/2015</td>
<td>$15,000</td>
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**PUBLIC OUTREACH & CONSERVATION TOTAL** $474,048

**WATER RESOURCES**

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<th>PO No.</th>
<th>Vendor</th>
<th>Description</th>
<th>Procurement Type</th>
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<td>32004</td>
<td>Compucom</td>
<td>Network gear for Carlsbad Desal business</td>
<td>Competition</td>
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**WATER RESOURCES TOTAL** $75,163

**TOTAL FOR ALL DEPARTMENTS** $1,647,582

Note: General Counsel expenditures are reported to the Board in the monthly General Counsel's Report.
OCTOBER 2015
• 07 MWD Delegates – 11:00 a.m.
• 08 No Special Board Meeting
• 15 Elected Officials’ Symposium – 7:30 a.m.
• 16 Legislative Roundtable – 9:30 a.m.
• 22 Committees begin at 9:00 a.m.
   Formal Board meeting begins at 3:00 p.m.
• 29 Engineering and Operations Tour
   8:20 a.m. pick up from Kearny Mesa Headquarters, 9:00 a.m. from Escondido Operations Center

NOVEMBER 2015
• 02 SCOOP Committee Meeting at 10:30 a.m.
• 04 MWD Delegates – 11:00 a.m.
• 12 Tentative Special Board Meeting – 1:30 p.m.
   No Formal Board Meeting
• 30 MWD Delegates – 4:30 p.m.

DECEMBER 2015
• 10 Combined November & December Board meeting
   Committees begin at 9:00 a.m.
   Formal Board meeting begins at 3:00 p.m.
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.

SEPTEMBER 24, 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 Special meeting of the Legislation, Conservation and Outreach Committee of August 13, 2015 and the Formal Board of Directors’ meeting of August 27, 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-A Ramona Municipal Water District Overview – Richard Hannasch, Chief Financial Officer
   7-B Presentation of Directors’ Service Certificates.

8. REPORTS BY CHAIRS

   8-A Chair’s Report: Chair Weston

   8-B Report by Committee Chairs
      Water Planning Committee
      Legislation, Conservation and Outreach Committee
      Engineering and Operations Committee
      Imported Water Committee
      Administrative and Finance Committee
      Director Tu
      Director Croucher
      Director Williams
      Director Watton
      Director Arant
9. CONSENT CALENDAR

   a) Memorandum of Understanding with Marine Corps Base Camp Pendleton to Conduct an Intake Testing Program for the Potential Camp Pendleton Seawater Desalination Project.
      Authorize the General Manager to execute a Memorandum of Understanding between the San Diego County Water Authority and United States Marine Corps Base Camp Pendleton to conduct the Intake Testing Program.
   b) Professional Services Contract for the Intake Testing Program for the Potential Camp Pendleton Seawater Desalination Project.
      Authorize the General Manager to award a professional services contract to Michael Baker International, Inc., in an amount not-to-exceed $4,050,000, to perform the design, permitting, construction, operation, testing and reporting required for the Intake Testing Program associated with a potential Camp Pendleton Seawater Desalination Project.

9-2. Execute an agreement with the County of San Diego to allow the pass-through of $160,000 from a Department of Water Resources Integrated Regional Water Management grant for the installation of water-efficient devices.
      Authorize the General Manager to execute an agreement with the County of San Diego to allow the pass-through of $160,000 from a Department of Water Resources Integrated Regional Water Management Proposition 84 drought grant to install water-efficient devices at the County of San Diego’s Kearny Mesa Juvenile Detention Facility.

9-3. Notice of Completion for the San Vicente Pipeline Landscape Project.
      Authorize the General Manager to accept the San Vicente Pipeline Landscaping project as complete, record the Notice of Completion, and release funds held in retention to Green Horizon Landscape and Maintenance, Inc., following the expiration of the retention period.

9-4. Professional services contract with Navigant Consulting, Inc. for the San Vicente Pumped Storage Study.
      Authorize the General Manager to award a professional services contract to Navigant Consulting, Inc., for $1,488,416, to provide professional services for Phase 2 work, including serving as the Owners’ Advisor to the Water Authority and City, and analyzing and recommending a business model(s) for the San Vicente Pumped Storage Study.

9-5. Construction contract with NEWest Construction Company, Inc. for the Twin Oaks Valley Water Treatment Plant Expanded Service Area project.
      Accept Change Orders 1 through 3 for $315,145, and authorize the General Manager to execute a change order for $93,392 for HVAC modifications, increasing the authorized contract amount from $3,997,145 to $4,090,537. (Action)

      Note and file the monthly Treasurer’s report.
9- 7. **Adopt an Ordinance making clean-up amendments to chapters 1.00, 1.08, 2.00, and 5.00 of the Administrative Code and a resolution designating newspapers for publication of official notices.**

a) **Adopt Ordinance No. 2015-___**, an ordinance of the Board of Directors of the San Diego County Water Authority making clean-up amendments to chapters 1.00, 1.08, 2.00, and 5.00 of the Administrative Code.

b) **Adopt Resolution No. 2015-___**, a resolution of the Board of Directors of the San Diego County Water Authority designating newspapers for publication of official notices pursuant to section 1.08.050 of the Administrative Code.

(Activity)

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- 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

12- 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

12- 3. **CLOSED SESSION:**
Negotiation with an unrepresented employee (General Counsel) Government Code §54957.6
13. OTHER COMMUNICATIONS

14. ADJOURNMENT

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.

Melinda Cogle
Clerk of the Board
CALL TO ORDER/ROLL CALL

Chair Croucher called the special meeting of the Legislation, Conservation and Outreach Committee to order at 1:32 p.m. Committee members present were Chair Croucher, Vice Chairs Guerin and Steiner, and Directors Gallo, Hall, Hilliker, Morrison, Preciado, Saxod, Tu and Representative Roberts. Committee members absent were Directors Barnum, Madaffer, and Muir. Other Board members present were Directors Boyle, Brady, Fong-Sakai, Lewinger, Miller, Murtland, Olson, Razak, Verbeke, Watton, Weston, Williams, Wilson and Wornham. At that time there was 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 Manager Kerl, Assistant General Manager Cushman, Director of Public Outreach and Conservation Foster and Principal Water Resources Specialists Stadler and Stephenson. Also present was Mayda Bandy from SDG&E, Wilson Kennedy from the city of San Diego Public Utilities Department and Ravi Bajaj from the San Diego Green Building Council.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to speak.

CONSERVATION OPPORTUNITIES IN DISADVANTAGED COMMUNITIES

Staff presented the Board with several presentations on conservation opportunities in disadvantaged communities and discussed how water conservation programs could be optimized for customers in those communities.

Mr. Stadler presented introductory information about disadvantaged communities and how these communities were supported through the Integrated Regional water Management Plan. He continued with information on opportunities and challenges related to residents of disadvantaged communities participating in water conservation programs. He discussed the Water Authority’s current programs including incentive programs, WaterSmart Checkup program, partnerships and school education programs.

Ms. Bandy presented a summary of SDG&E’s programs and services for low-income customers including Bill Assistance and Energy Savings Assistance programs.

Mr. Kennedy presented a summary of the city of San Diego’s research related to funding options for low-income assistance programs and their current H2O program.

Mr. Bajaj presented on the San Diego Green Building Council’s and Groundwork San Diego’s IRWM-funded project at Chollas Creek.
ADJOURNMENT

There being no further business to come before the Legislation, Conservation and Outreach Committee, Chair Croucher adjourned the meeting at 3:10 p.m.
WATER PLANNING COMMITTEE
CALL TO ORDER/ROLL CALL
Chair Tu called the Water Planning Committee Meeting to order at 9:00 a.m. Committee members present were Chair Tu, Vice Chairs Brady and Evans and Directors Ayala*, Boyle*, Fong-Sakai*, Hall, Kennedy, Lewinger, Linden*, Miller and Simpson. Directors Murtland, Preciado and Wornham were absent. Also present were Directors Arant, Gallo*, Guerin*, Heinrichs, Hogan, Olson, Saxod, Steiner, Verbeke, Watkins, Watton*, Weston, Williams* and Wilson and Supervisor Roberts. 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 Yamada, Water Resources Managers Friehauf and Purcell, Principal Water Resources Specialist Bombardier, and Water Resources Specialist Schnell.

ADDITIONS TO THE AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no members of the public who wished to speak.

CHAIR’S REPORT
Chair Tu welcomed those present and reviewed the meeting agenda. She reported there would be a public hearing at the September 24, 2015 meeting of the Water Planning Committee to receive comments on the Draft Mitigated Negative Declaration for the Pipeline 4 Relining at Lake Murray project.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

I. CONSENT CALENDAR
There were no Consent Calendar items.

II. ACTION/DISCUSSION

* Director Williams arrived at 9:05 a.m.

Ms. Friehauf presented information on the background, main elements, and tentative timeline and actions for preparing the Water Authority’s 2015 Urban Water Management Plan.
Formal Board
Agenda Item Number 5
September 24, 2015

* Directors Fong-Sakai and Boyle arrived at 9:12 a.m. and 9:15 a.m., respectively. 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 responded to questions posed by Director Kennedy.

2. **Drought Response Activities.**

   2-A. Update on Water Supply Conditions and Drought Response Activities.

   Ms. Schnell presented information on the National Oceanic and Atmospheric Administration (NOAA) Climate Prediction Center’s El Niño Advisory, indicating an El Niño would have a greater than ninety percent chance of continuing through the winter and an eighty-five percent chance it would last into early spring. Additional information presented included an update of member agency conservation since June 2015, in accordance with the State Water Resources Control Board’s emergency conservation regulation of May 2015, and total potable municipal and industrial water use with adjustments for growth and weather.

   Staff responded to questions posed by Director Hogan.

   2-B. Fiscal Year 2016 water supply allocation monitoring.

   Mr. Bombardier presented information on a new monthly report that monitored municipal and industrial fiscal year 2016 supply allocations. His presentation included a timeline of events that led to allocations; a comparison of deliveries to targets; and a comparison of cumulative Metropolitan deliveries (less Quantification Settlement Agreement supplies) to the Water Authority’s fiscal year 2016 Metropolitan allocation.

   Staff responded to questions and comments posed by Directors Brady, Wilson, Kennedy, Lewinger and Arant.

* Directors Guerin and Watton arrived at 9:35 a.m.

3. **Modification to Yuima Municipal Water District’s fiscal year 2016 Municipal and Industrial Supply Allocation.**

   Member Agency General Managers’ recommendation:

   Approve a modification to Yuima Municipal Water District’s fiscal year 2016 Municipal and Industrial Supply Allocation to provide an additional 2,529 acre-feet under the loss of local supply adjustment.

   Ms. Friehauf presented information on the background leading to the Yuima Municipal Water District’s request for modification to fiscal year 2016 municipal and industrial supply allocation, as well as the authority for allowing the modification to be granted.

   Director Brady moved, Director Kennedy seconded, a motion to approve the Member Agency General Managers’ recommendation. Staff responded to questions and comments posed
by Directors Hall, Evans and Lewinger, after which the motion to approve the Member Agency General Managers’ recommendation passed unanimously.

* Director Linden left the meeting at 10:08 a.m. Directors Ayala and Gallo arrived at 10:00 a.m. and 10:10 a.m., respectively.


Upon request, Ms. Friehauf gave an impromptu report on the August 26, 2015 meeting held by State Water Resources Control Board staff to discuss and define with stakeholders next steps for conservation policy development and to develop consensus-based concepts for ongoing conservation regulations.

Staff responded to questions and comments posed by Directors Ayala, Lewinger, Arant, Watton, Weston and Hogan. Staff was directed to include regular updates on the State Board and its staff’s conservation regulation planning in the monthly Supply Conditions and Drought Response Activities report, and was encouraged to look into engaging the support of state legislators in the matter, as well as developing a strategy that would examine legal options and coalition-building.

III. INFORMATION
The following information item was received and filed:
1. Water Resources report

Mr. Hentschke took the Committee into Closed Session at 10:22 a.m.

IV. CLOSED SESSION
1. CLOSED SESSION:
   Conference with Legal Counsel - Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case:  San Diego Coastkeeper v. SDCWA;
   San Diego Superior Court Case No. 37-2014-00013216-CU-JR-CTL

   Mr. Hentschke brought the Committee out of Closed Session at 10:30 a.m. and reported the Committee unanimously recommended cost recovery, including costs to prepare an adequate record, and authorizing the General Counsel to amend the legal service agreement to increase the fee amount by $55,000 to $255,000.

V. ADJOURNMENT
Chair Tu adjourned the meeting at 10:32 a.m.

IMPORTED WATER COMMITTEE
CALL TO ORDER / ROLL CALL
Chair Watton called the Imported Water Committee meeting to order at 10:37 a.m. Committee members present were Chair Watton, Vice Chairs Verbeke and Saxod, and Directors
Evans, Guerin*, Heinrichs*, Hogan, Olson, Steiner, Weston, Wilson, and Supervisor Roberts. Directors Barnum, Madaffer, and Murtland were absent. Also present were Directors Arant, Ayala, Boyle, Brady, Fong-Sakai, Gallo, Hall, Hilliker, Kennedy, Lewinger, Miller, Muir, Preciado, Simpson, Tu, Watkins, and Williams. 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, and Colorado River Program Director Denham.

* Directors Evans and Heinrichs arrived at 10:38 a.m.

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
Chair Watton reported that during an investigation of an abandoned mine in Colorado in early August, the EPA triggered the release of approximately 3 million gallons of contaminated water in the Animas River. After a week-long closure, the river was declared safe for recreation, irrigation and drinking water by Colorado and New Mexico state officials. As to the Colorado River and our water supplies, staff doesn’t anticipate any indicator of a problem to the water quality.

He also reported that last month, the U.S. Bureau of Reclamation posted the Draft Environmental Impact Statement (EIS) for the Coordinated Long-Term Operation of the Central Valley Project (CVP) and the State Water Project (SWP). The EIS was ordered by the courts to determine whether the implementation of the current “Reasonable and Prudent Alternatives” resulting from the biological opinions causes a significant effect to the human environment. As part of the Record of Decision, the Bureau would identify mitigation measures selected to lessen the significant impacts. Water Authority staff provided comments in preparation of the Draft’s release.

Chair Watton stated that over the past few decades, State and Federal agencies had been looking for ways to resolve conflicts in the Delta, adding that Governor Brown had made it one of his priorities. The Water Authority supports a Delta fix, the questions the board had were: What is the appropriate Delta fix that has the widest support and is affordable – and – has the best chance to be implemented? And for the San Diego ratepayers, how much water will we get and at what price? To help the board make an informed decision, the Imported Water committee, over the past two-and-a-half years, had heard presentations by stakeholders and staff’s analysis on Delta fix options. He announced that at 11:00 a.m., time certain, guest
speakers John Laird, Secretary of the California Natural Resources Agency and Karla Nemeth, Deputy Secretary would present to the board.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

I. CONSENT CALENDAR
There were no consent calendar items.

II. ACTION/DISCUSSION
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. Following the report outs, Directors asked questions and made comments.

At that time the agenda was taken out of order.


3-A Presentation on the California WaterFix Plan and California Eco Restore.

Secretary John Laird and Deputy Secretary for Water Policy Karla Nemeth of California Natural Resources Agency made a joint presentation on the state’s perspectives on the California WaterFix and California Eco Restore. In response to the Water Authority’s prior comments on cost allocation, Ms. Nemeth made clear that “no water agencies, including the San Diego County Water Authority, is going to be asked to support a project when it does not yet have a financing plan and a complete understanding of the cost.” Following the presentation, Directors asked questions and made comments.

1. Metropolitan Water District Issues and Activities update.

1-B Metropolitan Water District’s 2015 Integrated Resources Plan Update.

Ms. Chen provided an overview of MWD’s 2015 Update to its Integrated Resources Plan (IRP) and the next steps. Following the presentation, Directors asked questions and made comments. Director Arant requested a presentation by MWD staff on the 2015 IRP update at the September 24, 2015 board meeting. Staff made note and said they would follow up.

2. Colorado River Programs.

2-A Colorado River Board Representative’s report.

Director Wilson reported on discussions at the August Colorado River Board meeting.

III. INFORMATION
1. Metropolitan Water District Program Report.
Ms. Chen noted a correction to the Metropolitan Water District Program Report board memo, pointing out that the MWD Board did not vote on the salary adjustments for the direct report staff.

Chair Watton announced there would be no closed session.

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

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

V. ADJOURNMENT

There being no further business to come before the Imported Water Committee, Chair Watton adjourned the meeting at 12:10 p.m.

ENGINEERING AND OPERATIONS COMMITTEE
CALL TO ORDER / ROLL CALL

Chair Williams called the Engineering and Operations Committee meeting to order at 1:00 p.m. Committee members present were Chair Williams, Vice Chairs Miller and Watkins, and Directors Arant, Ayala, Boyle, Brady, Croucher, Heinrichs, Hogan, Morrison, Olson, and Simpson. Committee members absent were Directors Linden and Razak. Also present were Directors Evans, Fong-Sakai, Guerin, Hilliker, Kennedy, Lewinger, Preciado, Saxod, Steiner, Tu, Verbeke, Watton, Weston, Wilson, Wornham, and Supervisor Roberts. 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 Operations and Maintenance Eaton, Director of Engineering Reed, Engineering Manager Bousquet, and Senior Engineers Fountain and Kavanagh.

Mr. Hentschke took the Committee into Closed Session at 1:02 p.m.
I. CLOSED SESSION

1. CLOSED SESSION:
   Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   Name of Case: Scripps Nob Hill Homeowners Association v. SDCWA; San
   Diego Superior Court Case No. 37-2015-00022131-CU-OR-CTL

   Mr. Hentschke brought the committee out of closed session at 1:08 p.m. and stated that
   there was no reportable action.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to speak.

DIRECTORS’ COMMENTS

There were no Directors’ comments.

CHAIR’S REPORT

Chair Williams thanked Board Members for attending, and staff for organizing the tour of
the Carlsbad Desalination Plant on August 20, 2015.

Chair Williams also announced that the annual Engineering and Operations Tour was
scheduled for Thursday, October 29, 2015 and would visit Lake Hodges, Olivenhain Dam, and
the San Vicente Dam sites. He asked Board Members to complete and return the RSVP form no
later than September 24, 2015.

I. CONSENT CALENDAR

There were no Consent Calendar items.

II. ACTION/DISCUSSION

1. Construction contract for the Nob Hill Improvements project.
   Staff recommendation: Authorize the General Manager to award a construction
   contract to L.H. Woods and Sons, Inc. in the amount of $9,987,970 for Nob Hill
   Improvements project.

   Mr. Fountain gave a presentation on the construction contract for the Nob Hill
   Improvements project including background on the project, an aerial photo of the pipeline and
   staging area, bid process and summary, and recommendation.

   Director Ayala moved, Director Heinrichs seconded, and the motion to approve staffs’
   recommendation passed unanimously.
III. INFORMATION

1. Advertisement for bids for the Miramar Pump Station Rehabilitation project.

Ms. Kavanagh gave a presentation on the pending advertisement for bids for Miramar Pump Station Rehabilitation project. She provided a brief background of the project purpose and need, and reviewed the project schedule and construction cost estimate.

IV. ADJOURNMENT

There being no further business to come before the Engineering and Operations Committee, Chair Williams adjourned the meeting at 1:17 p.m.

LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE
CALL TO ORDER/ROLL CALL

Chair Croucher called the Legislation, Conservation and Outreach Committee to order at 1:24 p.m. Committee members present were Chair Croucher, Vice Chairs Guerin and Steiner, and Directors Gallo, Hall, Hilliker, Madaffer, Morrison, Muir, Preciado, Saxod, Tu and Supervisor Roberts. Committee member absent was Director Barnum. Other Board members present were Directors Arant, Ayala, Brady, Evans, Fong-Sakai, Heinrichs, Hogan, Kennedy, Lewinger, Miller, Olson, Simpson, Verbeke, Watkins, Watton, Weston, Williams, Wilson 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 were General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Government Relations Manager Farrel, Public Affairs Senior Manager Vedder, Public Affairs Supervisor Penunuri and Public Affairs Representative II Otero. Also present was legislative representative Bob Giroux.

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

Chair Croucher reported that on August 13, 2015, the Water Authority hosted a briefing and preview tour of the Carlsbad Desalination Project for representatives and staff of the San Diego state legislative and congressional delegations. Senator Marty Block and Assemblymembers Rocky Chavez and Brian Jones attended the tour as well as staff from the offices of Assemblymember Brian Mainschein and from the congressional offices of Darrell Issa and Juan Vargas. He reported that Water Authority staff was already beginning the process of developing a program for the 2016 legislative session and that staff would provide an update in September 2015.
I. CONSENT CALENDAR
1. Adopt positions on various state bills.

Staff recommendation:
1. Adopt a position of Support and Seek Amendments on S. 1894 (Feinstein).

Director Steiner moved, Director Muir seconded, and the motion to approve staffs’ recommendation passed unanimously.

II. ACTION/DISCUSSION
1. Legislative Issues.
   1-B Sacramento Report by Bob Giroux.

Mr. Giroux provided a Sacramento update and updates on Water Authority sponsored bills AB 149 (Assemblymember Chavez), SB 208 (Senator Lara) and AB 349 (Assemblymember Gonzalez). He reported that Senator Jean Fuller (R-Bakersfield) had filled the role of Senate Republican Leader.

III. INFORMATION
1. Presentation on Small Contractor Outreach and Opportunities Program (SCOOP) Review.

Ms. Penunuri presented a history and review of the SCOOP Program including services provided and accomplishments throughout the years.

2. Presentation on Drought Response Communications and Outreach Update.

Ms. Vedder provided an update on drought response communications and outreach efforts and highlighted recent activities of the “When in Drought” campaign. She reported that staff continued expanding community partnerships, such as the new one with San Diego Unified School District. They would be placing co-branded yard signs in front of all their schools, starting the first day of school on September 8, 2015, showing they were doing their part in saving water by having their lawns turn brown during the drought. She reported that new conservation tools were in development such as online landscape education for homeowners which include videos and materials, as well as water-efficient training for professionals. The launch date for both items was expected this fall.

Ms. Otero provided an overview on the newly launched “When in Drought” regional water waste app. She reviewed some features such as easily reporting water waste, water-use restrictions and conservation programs, and tips for reducing indoor and outdoor water use.

3. Community Presentation on the Water Authority.
Mr. Cushman presented an overview of the latest standard community presentation to be used when providing presentations on behalf of the Water Authority.

The following information items were received and filed:

5. 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 2:25 p.m.

ADMINISTRATIVE AND FINANCE COMMITTEE

CALL TO ORDER / ROLL CALL

Chair Arant called the Administrative and Finance Committee meeting to order at 2:30 p.m. Committee members present were Chair Arant, Vice Chair Wilson, Directors Fong-Sakai, Gallo, Hilliker, Kennedy, Lewinger, Muir, Verbeke, Watkins, Watton, Weston, Williams, and Wornham. Committee member absent was Vice Chair Razak. Also present were Directors Ayala, Croucher, Evans, Guerin, Hall, Heinrichs, Hogan, Miller, Morrison, Murtland, Olson, Preciado, Simpson, Steiner, Tu, and Supervisor Roberts. 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 Administrative Services Brown, Financial Planning Manager Shank, Financial Resources Manager Celaya, and Human Resources Manager Spaniol.

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

Chair Arant announced that on September 9, 2015, the Water Authority plans to execute an advance refunding of select 2008A and 2010A bonds. The savings to be achieved from the transaction was anticipated to be between $7 million to $13 million.

Chair Arant announced that Moody’s affirmed the Water Authority’s aa2 rating with a stable outlook. Staff expects Fitch and Standards & Poor’s to affirm their current ratings with a stable outlook in early September of 2015.

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 Williams moved, Director Muir seconded, and the motion to approve staffs’ recommendation passed unanimously.

II. ACTION/DISCUSSION
1. Resolution establishing amount due from the city of San Diego for the In-Lieu Charge as a condition of providing water service for fiscal year 2016.
   Staff recommendation: Adopt Resolution No. 2015-19 establishing an amount due of $1,999,945.77 from the city of San Diego for the In-Lieu Charge for fiscal year 2016.

Ms. Celaya provided a brief presentation including historical context and calculation of the In-Lieu of Charge.

Director Wornham moved, Director Muir seconded, and the motion to approve staffs’ recommendation passed unanimously.

III. INFORMATION
1. Presentation on Succession Planning.

Ms. Stapleton and Ms. Spaniol provided a presentation on the Water Authority’s Succession Planning program, including the 2013 succession planning regional outlook, the succession management process, key competencies of executive and senior managers, competency assessment efforts, succession planning tools, and next steps.

Directors asked questions and Ms. Stapleton and Ms. Spaniol provided answers.

The following items were noted and filed:
2. Annual Report on Water Standby Availability Charge deferrals;
3. Annual Report on Water Authority memberships;
4. Reimbursements to Board members and staff per Government Code §53065.5;
6. Board Calendar.

V. CLOSED SESSION
There were no closed session items.

VI. ADJOURNMENT
There being no further business to come before the Administrative and Finance Committee, Chair Arant adjourned the meeting at 2:50 p.m.
FORMAL BOARD OF DIRECTORS’ MEETING OF AUGUST 24, 2015

1. **CALL TO ORDER** Chair Weston called the Formal Board of Directors’ meeting to order at 3:00 p.m.

2. **SALUTE TO THE FLAG** Director Arant led the salute to the flag.

3. **ROLL CALL, DETERMINATION OF QUORUM**
   Secretary Madaffer called the roll. Directors present were Arant, Ayala, Brady, Croucher, Evans, Fong-Sakai, Gallo, Guerin, Hall, Heinrichs, Hilliker*, Hogan, Kennedy, Lewinger, Madaffer, Miller, Morrison, Muir, Murtland, Olson, Preciado, Saxod, Simpson, Steiner, Tu, Verbeke, Watkins, Watton, Weston, Williams, Wilson, Wornham, and Supervisor Roberts. Directors absent were Barnum (p), Boyle, Linden (p) and Razak.

   3-A **Report on proxies received.** Director Verbeke was the proxy for Director Linden, and Chair Weston was the proxy for Director Barnum.

4. **ADDITIONS TO AGENDA**
   There were no additions to the agenda.

5. **APPROVAL OF MINUTES**
   Director Lewinger moved, Director Brady seconded, and the motion carried at 94.14% of the vote to approve the minutes of the Formal Board of Directors’ meeting of July 23, 2015.

6. **OPPORTUNITY FOR MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS THE BOARD ON MATTERS WITHIN THE BOARD’S JURISDICTION**
   Stan Hudson addressed the Board regarding the Carlsbad Desalination Project and water supply issues, including a request for additional taxes imposed on new construction. Catherine Dickerson of Solana Beach addressed the Board regarding the State mandated water restrictions.

   * Director Hilliker arrived at 3:08 p.m. after the vote for approval of the July 23, 2015 minutes.

7. **PRESENTATIONS AND PUBLIC HEARINGS**
   7-A City of Del Mar Overview – Eric Minicilli, Public Works Director.

   Chair Weston welcomed Eric Minicilli, Public Works Director for the city of Del Mar. Mr. Minicilli provided a presentation including an overview of the district, brief historical timeline of the city of Del Mar, managed pipelines and water connections, treatment facilities, and boundaries and facilities map overview. He also discussed drought management efforts, and the Del Mar swap agreement with Solana Beach utilizing reclaimed water.
7-B  Recognition of Lynn True, Management Analyst, Employee of the 4th Quarter.

Chair Weston and Ms. Stapleton recognized Management Analyst Lynn True as employee of the 4th Quarter.

8.  REPORTS BY CHAIRS
8-A  Chairs report: Chair Weston reported on various meetings and engagements that he attended in the month of August including a drought message taping for airing on KNSD, a meeting with the Governor regarding reduction and demand, and water supply issues on August 11, 2015, a tour of the Carlsbad Desalination facility for local State legislators and their staff on August 12, 2105, the State of the City Address in Carlsbad, and a presentation he provided at the Urban Water Institute Annual Conference on August 26, 2016 regarding water supply development and drought preparedness and strategies. He announced that on Monday, August 31, 2015 he would be providing one of the welcoming presentations at the International Desalination Conference in San Diego where he would be discussing the Carlsbad Desalination Facility.

He concluded his report by announcing construction being completed on the Kearny Mesa office Board Chambers.

* Director Murtland left the meeting at 3:10 p.m.

8-B  Report by Committee Chairs.
  Water Planning Committee.  Director Tu reviewed the meeting and the actions taken.
  Imported Water Committee.  Director Watton stated that no action was taken.
  Engineering and Operations Committee.  Director Williams reviewed the meeting and the action taken.
  Legislation, Conservation and Outreach Committee.  Director Croucher reviewed the meeting and the action taken.
  Administrative and Finance Committee.  Director Arant reviewed the meeting and the actions taken.

9.  CONSENT CALENDAR
Director Tu moved, Director Brady seconded, and the motion carried at 92.66% of the vote to approve the consent calendar. Directors voting no or abstaining are listed under the item number.

9- 1.  Modification to Yuima Municipal Water District’s fiscal year 2016 Municipal and Industrial Supply Allocation.
Approve a modification to Yuima Municipal Water District’s fiscal year 2016 Municipal and Industrial Supply Allocation to provide an additional 2,529 acre-feet under the loss of local supply adjustment.
9- 2. Construction contract for the Nob Hill Improvements project.
Authorize the General Manager to award a construction contract to L.H. Woods and Sons, Inc. in the amount of $9,987,970 for the Nob Hill Improvements project.

9- 3. Adopt positions on various state bills.
Adopt a position of Support and Seek Amendments on S. 1894 (Feinstein).

Note and file the monthly Treasurer’s report.

9- 5. Resolution establishing amount due from the city of San Diego for the In-Lieu Charge as a condition of providing water service for fiscal year 2016.
Adopt Resolution No. 2015- ___ establishing an amount due of $1,999,945.77 from the city of San Diego for the In-Lieu Charge for fiscal year 2016.

9- 6. ACTION FOLLOWING CLOSED SESSION
San Diego Coastkeeper v. SDCWA; San Diego Superior Court Case No. 37-2014- 00013216-CU-JR-CTL.
Seek cost recovery including costs to prepare adequate record and authorize General Counsel to amend legal service agreement to increase fee amount by $55,000 to $255,000.

10. ACTION/DISCUSSION

11. SPECIAL REPORTS
11-A GENERAL MANAGER’S REPORT – Ms. Stapleton reminded the Board of the upcoming Engineering and Operations tour and asked the Directors to complete the RSVP form.
11-B GENERAL COUNSEL’S REPORT – Mr. Hentschke stated there was nothing to report.
11-C SANDAG REPORT – Vice Chair Muir stated there was nothing to report.
SANDAG Subcommittee: Borders/Regional Planning Committee – Director Olson reported on the discussions and actions taken at the SANDAG Borders/Regional Planning Committee, including an overview of a presentation provided during the meeting by Dan Denham.
11-D AB 1234 Compliance Reports – No reports were given.

12. CLOSED SESSION(S)
Mr. Hentschke took the Board into Closed Session on items 12-5 and 12-6. at 3:32 p.m.
12-1. **CLOSED SESSION:**
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: San Diego Coastkeeper v. SDCWA;
San Diego Superior Court Case No. 37-2014-00013216-CU-JR-CTL

12-2. **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

12-3. **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

12-4. **CLOSED SESSION:**
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: Scripps Nob Hill Homeowners Association v. SDCWA;
San Diego Superior Court Case No. 37-2015-00022131-CU-OR-CTL

12-5. **CLOSED SESSION:**
Public Employee Performance Evaluation
Government Code §54957 – Title: General Manager

Conference with Labor Negotiators, Government Code §54957.6
Designated Board Representatives: Chair, Vice-Chair, Secretary
Unrepresented Employee: General Manager

12-6. **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**
13- 1. Approve amendments to employment agreements with General Manager and General Counsel.
   
   **Board Officers’ recommendation:** Approve amendments to the employment agreements with the General Manager and General Counsel.

   No action was taken.

14. **OTHER COMMUNICATIONS**

15. **ADJOURNMENT**
   The meeting was adjourned at 4:25 p.m.

______________________________  ________________________________
Mark Weston, Chair                Mark Muir, Vice Chair

______________________________
Melinda Cogle, Clerk of the Board
San Diego County Water Authority

September 16, 2015

Attention: Board of Directors

General Counsel’s Report – August/September 2015

Purpose
This report discusses certain legal matters receiving attention during the months of August/September 2015.

Significant Developments in Pending Litigation

MWD Rate Cases
2010/2012 Rate Cases: On August 28, 2015, Judge Karnow issued his final Statement of Decision in Phase II of the rate cases, affirming the tentative ruling and finding in favor of the Water Authority on every issue litigated in Phase II. As in the tentative, the Court found that MWD had breached the Exchange Agreement, rejected all of MWD’s affirmative defenses, and awarded the Water Authority $188,295,602 in damages, plus interest—the full amount the Water Authority had sought at trial. The Court also affirmed that MWD had misapplied the MWD Act by under-calculating the Water Authority’s preferential rights, because it had failed to credit the Water Authority’s payments to MWD under the Exchange Agreement for transportation of third-party water. The few changes made by Judge Karnow between the tentative and final versions were to specifically address, and reject, additional arguments that MWD raised in its written Objections.

Judge Karnow also entered a Scheduling Order asking the parties to meet and confer about any remaining issues. The Water Authority intends to file a motion for prejudgment interest, which should be heard by mid-October. Once that motion is decided, Judge Karnow will enter final judgment. At the meet and confer, MWD informed the Water Authority that it intends to file a motion for a new trial, notice of which must be given within 15 days after judgment is entered. If they do so, the deadline for filing a notice of appeal will be 30 days after denial of that order. In the highly unlikely event that Judge Karnow should grant MWD's motion for a new trial, outside counsel will brief the board on the schedule and next steps. If no motion for a new trial is filed, the parties’ deadline to file a notice of appeal is 60 days after entry of judgment. Finally, as the prevailing party in the litigation, the Water Authority will file a memorandum of costs and a motion to recover its attorneys’ fees, which will be scheduled and resolved in late 2015 or early 2016. Motions to recover fees and costs do not affect the appellate timeline.
2014 Rate Case: The case filed on May 30, 2014 challenging MWD’s 2014 rates has been transferred to San Francisco Superior Court, assigned to Judge Karnow, and stayed by stipulation of the parties. At any time, the parties may jointly or individually move to lift the stay; otherwise, the stay will remain in place pending final resolution of the 2010 and 2012 cases.

Special Counsel Expenditures
Funds approved for payments to special counsel during August/September 2015 from the General Counsel’s Operating Budget totaled $15,595.43 for work related to the Metropolitan rate dispute and QSA litigation. In addition, $18,017.12 was approved for payment from Colorado River Program’s Operating Budget for work related to QSA implementation and $2,617.22 was approved for payment from Human Resources’ Operating Budget for work related to personnel issues/labor negotiations. CIP expenditures during August/September 2015 were $282,771.15 for litigation expenses related to the San Vicente Dam Raise Project (Shimmick/Obayashi Joint Venture v. SDCWA), the San Vicente Tunnel Project (Traylor/Shea Joint Venture v. SDCWA), the Nob Hill Improvements Project, and the San Vicente Pumped Storage Study FERC permit.

Prepared by: Daniel S. Hentschke

Attachment: Special Counsel Expenditure Report
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<th>Special Counsel</th>
<th>Project</th>
<th>OP Budget Invoices Approved for Payment this Period</th>
<th>CIP Budget Invoices Approved for Payment this Period</th>
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1 Not included in totals, these legal expenses related to QSA came out of Colorado River Program budget, not GC budget
2 Not included in totals, these legal expenses related to personnel issues/labor negotiations came out of Human Resources budget, not GC budget
3 Not included in totals, these legal expenses related to bond counsel services came out of Finance budget, not GC budget