

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title: San Francisco Establishing Interim Supply Allocation – Update**

Interim Supply Allocations for each agency are being prepared by San Francisco. The Interim Supply Allocations result from San Francisco's unilateral decision to limit water supply when the SFPUC approved its Water System Improvement Program (WSIP) in 2008. That action imposed an Interim Water Supply Limitation of 184 mgd on Wholesale Customers' collective purchases from SFPUC water in 2018. The SFPUC action also resulted in a limit of 81 mgd on San Francisco retail customers in 2018.

To manage the limitations on sales, the SFPUC will establish an Interim Supply Allocation for each agency by December 31, 2010. To enforce the limitations, the SFPUC will impose a financial incentive to encourage each Wholesale Customer, and the San Francisco retail service area, to stay within their respective allocations. The size of the financial incentive, or Environmental Enhancement Surcharge, will be determined by the SFPUC in Spring 2011.

**Relevant Provisions of the Water Supply Agreement**

The Water Supply Agreement recognizes San Francisco's unilateral decisions and provides procedural rules for establishing the Interim Supply Allocations, setting the Environmental Enhancement Surcharge and the use of any funds generated by the Surcharge. It also allows Wholesale Customers to transfer portions of these Interim Supply Allocations among themselves. But the Agreement does not constitute concurrence by the Wholesale Customers in the SFPUC's limitation, the Interim Supply Allocations or the Surcharge, and preserves Wholesale Customers' ability to challenge the allocations assigned to them and the imposition of the Surcharge, in court.

**BAWSCA's Role and Activities to Date**

To preserve the agencies' ability to challenge these matters, and in contrast to the development of drought allocations, the Water Supply Agreement delegates no authority to BAWSCA or the BAWSCA Board of Directors to establish the Interim Supply Allocations.

As part of its Water Supply Management activities, BAWSCA worked with Water Supply Management Representatives appointed by each member agency to provide input to San Francisco in setting the ISA numbers. BAWSCA produced examples of how Interim Supply Allocations could be set. The agencies were unable to reach consensus on a single method, but agreed that the examples should be shared with San Francisco. BAWSCA presented the examples to SFPUC General Manager Ed Harrington and his staff on July 2, 2010.

**SFPUC's Actions to Date**

On August 5 the SFPUC met with the Water Supply Management Representatives and on August 20th distributed draft Interim Supply Allocations for agency review and comment. The SFPUC also provided a schedule for receiving input and finalizing its recommendation to the Commission. A meeting between the SFPUC and the agencies is scheduled for September 15<sup>th</sup> at which agencies can provide feedback on the draft Allocations. The Commission is expected to consider its staff's recommendations on December 14, 2010.