

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING**

**Foster City Community Building – 1000 E. Hillsdale Blvd., Foster City  
Wind Room  
(Directions on Page 2)**

**Thursday, November 17, 2011  
7:00 P.M.**

**AGENDA**

- 1. Call to Order/Roll Call/Salute to Flag** (Pierce)
- 2. Comments by the Chair** (Pierce)
- 3. Board Policy Committee Report** (*Attachment*) (Klein)
- 4. Public Comments** (Pierce)  
*Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.*
- 5. Consent Calendar** (Pierce)
  - A. Approve Minutes of the September 15, 2011 Meeting (*Attachment*)
  - B. Receive and File: Budget Status Report – As of September 30, 2011 (*Attachment*)
  - C. Receive and File: Quarterly Investment Report – As of September 30, 2011 (*Attachment*)
  - D. Receive and File: Audit Reports for BAWSCA and BAWUA for FY 2010-11 (*Attachment*)
  - E. Receive and File: Directors’ Reimbursement Report – September 30, 2011 (*Attachment*)
  - F. Authorization to Negotiate and Execute a Contract with PG&E for the Washing Machine Rebate Program (*Attachment*)  
Recommendation: That the Board authorize the CEO to negotiate and execute a contract with PG&E for rebate processing services through June 30, 2013 and offer participation in the program to BAWSCA member agencies through June 20, 2013.
- 6. SFPUC Report** (Carlin)
  - A. MID Water Transfer
  - B. Wholesale Water Rates
  - C. Congressman Nunes’ Legislation
  - D. SFPUC Taste and Odor Event Notification
- 7. Reports and Discussions** (Jensen)
  - A. Long-Term Reliable Water Supply Strategy – Schedule for Policy Decisions (*Attachment*)

- B. SFPUC Water System Improvement Program – Status Report (*Attachment*)
  - 1. WSIP Quarterly Progress Report as of September 30, 3011
  - 2. Westside Groundwater Basin
  - 3. Revenue Bond Oversight Committee (RBOC) – WSIP Construction Management Independent Review Panel
- C. Federal Energy Regulatory Commission (FERC) Process – Update (*Attachment*)
- D. Board Policy Calendar (*Attachment*)

**8. Adjourn to Closed Session (Pierce)**

Public Employee Performance Evaluation:  
 Closed session pursuant to Government Code section 54957  
 Title: Chief Executive Officer

**9. Reconvene to Open Session (Pierce)**

Report on any final action taken in closed session.

**10. Directors’ Discussion: Comments, Questions and Agenda Requests (Pierce)**

**11. Date, Time and Location of Future Meetings (Pierce)**

(See attached schedule of meetings)

**12. Adjourn to next meeting scheduled for January 19, 2012 at 7pm (Pierce)**

*Upon request, the Bay Area Water Supply and Conservation Agency will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and the preferred alternative format or auxiliary aid or service at least two (2) days before the meeting. Requests should be sent to: **Bay Area Water Supply & Conservation Agency, 155 Bovet Road, Suite 650, San Mateo, CA 94402** or by e-mail at [bawsca@bawsca.org](mailto:bawsca@bawsca.org)*

*All public records that relate to an open session item of a meeting of the BAWSCA Board that are distributed to a majority of the Committee less than 72 hours before the meeting, excluding records that are exempt from disclosure pursuant to the California Public Records Act, will be available for inspection at **BAWSCA, 155 Bovet Road, Suite 650, San Mateo, CA 94402** at the same time that those records are distributed or made available to a majority of the Committee.*

**Directions to Foster City Community Bldg. – 1000 E. Hillsdale Blvd., Foster City**

**From Hwy. 101**, take the Hillsdale Ave. exit East. Turn Right into the parking lot just after the intersection with Shell Blvd. The Community Bldg. entrance is separate from the Library entrance and is marked by signage. The Wind Room will be at the top of the stairs on the right, across from the reception station (there is also an elevator).

**From the East Bay**, take Hwy. 92 West, exiting at Foster City Blvd., and going South on Foster City Blvd. to Hillsdale. Turn Right (West) onto Hillsdale and proceed to Shell Blvd., making a U-turn to be able to pull into parking lot on SE corner of Hillsdale and Shell. See underlined sentence of first paragraph above for remainder of directions.

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

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## **MEMORANDUM**

TO: BAWSCA Board Members  
FROM: Arthur R. Jensen, Chief Executive Officer  
DATE: November 11, 2011  
SUBJECT: Summary of Board Policy Committee meeting held October 12, 2011

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Committee Chair Larry Klein called the meeting to order at 1:30 pm. A list of Committee members present (8) and absent (1), and of other attendees is attached.

The Committee took the following actions and discussed the following topics:

### **Consent Calendar:**

Approval of the Minutes from the August 10, 2011 Meeting: The Committee approved the minutes from the meeting of August 10, 2011.

### **Action Calendar:**

Authorization to Negotiate and Execute a Contract with PG&E for the Washing Machine Rebate Program (WMRP): Ms. Sandkulla reported that the recommendation for this action item is to renew the contract with PG&E for the implementation of the Washing Machine Rebate Program for FY 2012-2013. The current contract with PG&E for administrative services for the WMRP will expire June 30, 2012.

The WMRP is included in the FY 11-12 Work Plan adopted by the Board. The program is offered on a subscription basis and is paid for by the participating agencies.

The administrative services provided by PG&E link water and energy efficiency programs in one rebate application, which has been well-received by customers.

Discussions about administrative changes were initiated one year ago by BAWSCA and other Bay Area water agencies. Program changes expected for 2012 includes an increased level of efficiency for qualifying machines.

The WMRP was the first conservation program offered by BAWSCA beginning in FY 2001-02. It has been highly successful ever since, issuing 12,441 rebates between FY2011-02 and FY 2008-09.

Grant funding of \$37.50/rebate is expected as of July 2012 as a result of the Prop 50 grant award. Ms. Sandkulla noted that the Prop 50 Grant will also offset rebate costs of the Lawn Be Gone and the High Efficiency Toilet Replacement Programs. It is a significant grant of nearly \$900,000 for the BAWSCA agencies.

Alternatives to the recommendation would be using a different program administrator, or not offering the program.

The Committee voted unanimously to recommend Board authorization of the CEO to negotiate and execute a contract with PG&E for rebate processing services through June 30, 2013, and offer participation to member agencies for FY2011-12.

Amendment to Policies and Procedures for the Purchase of Equipment and Supplies/Award of Contracts: Mr. Jensen presented the recommendation to amend the Procurement Policy to increase the CEO's discretionary spending authority. Legal counsel had reviewed this and BAWSCA's other administrative policies to ensure conformance with existing laws and agency needs.

Legal counsel's review showed that other Bay Area public entities have limits of \$25,000-\$50,000 depending on the size and nature of the agencies. BAWSCA's existing policy adopted in 2004 has a limit of \$10,000. Many of the comparison agencies have higher numbers of employees and may have large expenses for equipment and supplies. By comparison, the "equipment" that BAWSCA must be able to access is consultants. Considering those needs helped determine the recommended discretionary spending limit.

Mr. Jensen reported his use of discretionary spending authority in FY10-11 was to amend or enter into consultant contracts. A summary was presented.

The KNN contract amendment demonstrated a problem that could be avoided by amending the existing policy. When the SFPUC was in the process of setting wholesale water rates last Spring, KNN, BAWSCA's financial advisor, reviewed the SFPUC's projected revenue needs and found that adjustments were needed. KNN's continued assistance was needed. The CEO authorized an amendment to KNN's contract of \$4,000, the limit of his discretionary spending authority; 10% of the contract amount. The total estimate for KNN's support through the end of that fiscal year was \$15,000. Board authorization was sought and received for the additional \$11,000 needed.

The process was awkward, but was necessary to accomplish what needed to be done in the best interest of the member agencies.

The recommended increase in discretionary spending from \$10,000 to \$25,000, would provide the CEO the latitude to respond to reasonable needs in a timely manner.

Alternatives to the recommendation are to make no change, or to make a greater or smaller change.

In response to Director Pierce, Mr. Jensen stated that in the future the use of the discretionary spending authority will be reported in the bi-monthly budget report provided to the Board through the Board agenda packet.

Director Breault supported the change and this method of reporting. Director Breault noted that the Policy's Section VI requires an annual adjustment of the limit based on the Cost of Living Index that may create unnecessary accounting work. Mr. Jensen concurred and said that had been done since 2004, the change would amount to less than \$2000. Director Breault moved to support the recommendation with an amendment to remove Section VI from the proposed policy. Director O'Connell seconded the motion.

In response to a question, Mr. Jensen said the revised policy would continue to contain the percentage limitation: the revised policy would include a spending limit of \$25,000, or ten percent of the original contract amount, whichever is less.

The Committee unanimously voted to recommend Board adoption of the resolution revising the Procurement Policy to:

1. Increase the CEO's discretionary spending authority to \$25,000 for purchases of equipment and supplies and services, while retaining the existing limit of \$10,000 for construction expenses;
2. Increase the limits for formal solicitation of bids for purchases of equipment and supplies;
3. Remove Section VI, Adjustment of Amounts.

**Discussion item:** Mr. Jensen reported that Sharyn Saslafsky, who serves as SFPUC's official BAWSCA Liaison, has announced her retirement. Ms. Saslafsky regularly attends BAWSCA's Board and Policy Committee meetings and contributes substantially to the effective communications between the SFPUC and BAWSCA.

**Long-Term Reliable Water Supply Strategy – Policy Issues:** Ms. Sandkulla reported the Strategy's progress to date and the upcoming policy decisions upon which the Board will be asked to act.

Ms. Sandkulla noted that the Strategy is being done under the auspice of the Board and consistent with the authorities granted to BAWSCA by the legislation that enabled BAWSCA's formation.

As intended, the Strategy has sought practical solutions to the problem of how much water is needed when and where, in both normal years and dry years. The Strategy has identified specific water supply projects for possible implementation. The professional services contract with CDM in completing Phase IIA of the Strategy is approximately 40% complete.

The current decrease in water use, and decrease in projected water needs, was recognized last Spring as a changed condition that required a reassessment of the scope and schedule of the Strategy.

The Strategy was originally based on the agencies' 2004-05 water demand projections used in the development of the Program Environmental Impact Report for the SFPUC's Water Sys-

tem Improvement Program (WSIP). The agencies' projections for additional water supply needs and a greater desire for drought reliability, as well as the long-lead times needed to complete projects drove the aggressive timeline for the Strategy.

The Strategy was authorized by the Board in July 2010. Shortly thereafter, agencies had to update their water demand projections by June 2011 in compliance with the Urban Water Management Planning Act. Early indications of lower water projections lead to a decision to reassess the amount and timing of water supply needs based on the updated Urban Water Management Plans (UWMPs) from the agencies. As of September, new information is now available for an informed revision to the scope and schedule of the Strategy.

Ms. Sandkulla reported that the total projected demand in the year 2035 has dropped from 343 mgd to 315 mgd, a difference of 28 mgd. Taking into account existing and anticipated water supplies as well as water conservation, the need for additional normal year supplies in 2035 has dropped from a range of 14 to 23 mgd to a range of 4 to 13 mgd. The low end of the range is the amount needed to be developed if San Francisco elects to meet the future needs of San Jose and Santa Clara. The high end of the range is the amount needed if San Francisco elects not to meet the future needs of those two cities.

There are three agencies that need additional normal year supply in the near-term. They are Daly City, East Palo Alto, and Purissima Hills Water District. All three agencies have a combined need of an additional 3 mgd by 2015.

There are four more agencies that need additional normal year supply by 2035. They are Cal Water, Stanford, San Jose and Santa Clara. All seven agencies have a combined projected need of 4 to 13 mgd. Again, the need for 13 mgd results if San Francisco elects not to provide a permanent future supply to Santa Clara and San Jose.

Ms. Sandkulla stated that the current projections demonstrate no immediate need for a regional investment for additional normal year water supply. However, because water need projections are influenced by uncertainty in factors such as population growth, economic conditions, and conservation savings, there are risks to deferring developing new supplies. She stated it would be prudent to do a region-wide reassessment of the water demand projections within the next five years beginning next year. Doing so would provide the following benefits: 1) projections adjusted by changes in the factors introducing the greatest uncertainty, 2) consistency in projection methodology, 3) defensible water demand projections that would be robust enough to supporting regional investments in water supply reliability and 4) support the agencies' development of their UWMP updates which will be due in 2015.

BAWSCA member agencies continue to desire increased drought reliability. The supply need during drought years represents how much water agencies would need if they were to entirely eliminate deficiencies in the water supply received from San Francisco.

The projections made in 2005 showed a drought deficiency of 77 mgd in the year 2035. The current projections show a drought deficiency of 58 mgd in 2035.

The SFPUC's goal for drought reliability is no more than 20 percent deficiencies system-wide in any drought year. During the development of the SFPUC's goal, BAWSCA advocated that

the goal should be for deficiencies of no more than 10 percent during drought years to avoid costly economic impacts.

Reducing drought deficiencies to zero is probably not practically or politically attainable. Even if new drought supplies were created to cut the currently projected deficiency of 58 mgd in half, reflecting a 10 percent system-wide reduction, the service area would still need to invest in a drought supply up to 29 mgd, which is still a significant amount.

Ms. Sandkulla stated that more information is needed about both dry year risks and the costs of possible solutions.

BAWSCA is working with San Francisco's staff to answer two of the questions: Under the reduced projections of future water demand, what future level of drought shortage can be expected? How frequently would such drought conditions occur? The results from these analyses are expected shortly.

BAWSCA is also looking at the potential economic impact of water supply shortages, and at what level of investment might make sense to create additional supply reliability. Ms. Sandkulla stated that information will be available at a later time.

Unlike normal year supplies, there is a shorter timeline for securing access to certain dry year supplies because available supplies and conveyance opportunities may be seized by other agencies. BAWSCA will determine critical timelines, what decisions are needed and the potential consequences of not moving forward.

Through its review of possible water supply projects, BAWSCA identified over 65 water projects in the Phase 1 Scoping Report, reviewed project information with individual agencies, and completed preliminary technical evaluations. The result of the analysis is a shortlist of potentially feasible projects which include expansion of recycled water projects, water transfers from outside the service area, desalination, rainwater harvesting, stormwater capture, and greywater reuse.

Ms. Sandkulla presented a preliminary list of policy decisions that the Board will need to consider next Spring. The Board's decisions will lead to formal modification of the scope and schedule for the balance of Phase II of the strategy. Some activities may affect the Work Plan and Operating Budget for FY 2012-13.

The Board will also be asked to consider a recommendation for next year's Work Plan to collaborate with the member agencies to develop and implement a common method for developing updated agency water demand projections. The result would be useful for all agencies, serve as a sound basis for regional water supply planning and local planning, and support BAWSCA's continued examination of pursuing additional dry year supplies.

In response to Director Breault's question, Ms. Sandkulla stated that there are seven agencies that have a need for additional supplies in normal years, and all but one agency has a need for additional supplies in drought years. Director Breault commented that the need by one third of the agencies as opposed to all agencies may prevent the Board to move forward in providing assistance to find additional supply during normal years. Ms. Sandkulla stated that the recommendation would probably be to not pursue regional investments in normal

year supplies. If BAWSCA could add value to those agencies that need to pursue normal year supplies, and those agencies desired BAWSCA's assistance, alternatives for allocating the costs of such assistance would be presented to the Board for its consideration

Director O'Connell asked whether BAWSCA is looking at projects that can help the agencies in need as well as the membership as a whole, if necessary. Ms. Sandkulla said yes, and explained that for projects such as brackish groundwater desalination, some information is available about how the project could provide both dry year and normal year benefits.

The Committee discussed the possibilities and implications of interagency cooperation to address regional housing allocations and local water supply availability. One question was whether it would be possible for an agency to take on a portion of another agency's housing allocation in exchange for a portion of that agency's unused contractual water supply guarantee. Mr. Jensen noted that nothing prevented willing parties to enter such agreements, but that there may or may not be a shared interest in solving housing allocation problems, and that BAWSCA's possible role in such arrangements was unclear at this time. Initially, BAWSCA would need to determine whether there are actions BAWSCA could take that would be beneficial for the region as a whole.

Ms. Sandkulla noted that the idea of having updated information has helped moved things along as far as looking at what partnerships are possible.

A refined list of policy decisions will be presented to the Board in November. A report to the Board in January will include a schedule for policy decisions in context of the FY 2012-13 Work Plan and Operating Budget. Modifications to the Strategy's scope and schedule will be discussed with the Board in March and May.

Director Pierce asked if the cities served by water districts are forthcoming with information on their housing and employment planning. Ms. Sandkulla stated that cities, water districts and water companies are required by law to collaborate in the development of Urban Water Management Plans. Although the degree and nature of collaboration varies from jurisdiction to jurisdiction, it has improved significantly over the years.

Chair Klein asked whether the graph presenting the water supply needs during normal years overstates the problem, because some agencies may have contractual rights to water that they could make available to agencies that need more water. Mr. Jensen said that such arrangements could occur, that the graph did not assume such arrangements would necessarily occur, and that the graph should be modified to avoid confusion about those points.

Director Guzzetta pursued this concept and asked if this inter-agency transfers are being looked at in the study. Ms. Sandkulla stated that the information provided by the study helps identify which agencies have water they may be willing to sell and which agencies have a need for water and may be in the market for such transfers. The study has not assumed that BAWSCA necessarily has a role in developing transfers between agencies.

Mr. Jensen explained that the effort should not assume such transfers would occur or put pressure on agencies to give up a portion of their supply guarantees.



Director Breault appreciated BAWSCA's sensitivities to putting pressure on the agencies and noted that agencies that have or do not have sufficient supply are aware of it, and that transfers require the willingness of agencies to come to the table for discussion. He observed that the market for inter-agency transfers is still in a state of flux.

Mr. Jensen appreciated the discussion and thanked the Committee members for their input.

SFPUC Water System Improvement Program – Status Report: Mr. Jensen reported that BAWSCA made several recommendations to the Commission at its July 12<sup>th</sup> hearing to adopt proposed changes to the WSIP. The Commission incorporated BAWSCA's recommendations into the resolution it adopted that day. One of BAWSCA's recommendations was for the SFPUC staff to provide a report on how the SFPUC would achieve the Level of Service (LOS) goals for water supply and supply reliability. A staff report was provided to the Commission on September 9<sup>th</sup>. BAWSCA is currently analyzing that report.

At a meeting in August, the Commission discussed water related issues, including potential water supply shortfalls, potential projects for addressing the shortfalls, priorities for meeting the needs of the Wholesale Customers, and SFUPC's future regional role.

The SFPUC anticipates that water supply shortfalls might occur for a variety of reasons. The list of known or possible shortfalls includes: 1) predicted 2 mgd shortfall noted in the final PEIR for the Water System Improvement Program; 2) project permits that require 7.4 mgd of additional reservoir releases to maintain fisheries downstream from Lower Crystal Springs Dam and Calaveras Dam; 3) uncertainty in whether the SFPUC will be able to implement all of its planned water supply projects inside San Francisco, which could result in shortfalls of up to 11.8 mgd; 4) and the possibility that the SFPUC might need to contribute to flows that the Federal Energy Regulatory Commission (FERC) may require downstream from New Don Pedro Reservoir on the Tuolumne River.

In addition, the SFPUC must make a decision by 2018 on whether it will meet the long-term water supply needs of San Jose and Santa Clara of up to 9 mgd. Also in 2018, the SFPUC must decide whether it will meet any of the increased needs of Wholesale Customers and whether, in doing so, it will increase the Supply Assurance above 184 mgd.

To meet its water supply reliability level-of-service (LOS) goals, the SFPUC has been trying to develop a groundwater conjunctive use project that involves San Francisco, Daly City, San Bruno and CalWater. The project would provide a regional benefit of providing dry year water supply which BAWSCA members are paying for. San Francisco is also looking at water transfers with irrigation districts, recycled water inside and outside San Francisco, and local and regional desalination.

BAWSCA will complete its review of the report and share any issues of substance with the Board. BAWSCA will continue to meet with SFPUC staff and management, and ensure that the provisions of the Water Supply Agreement are followed. Mr. Jensen noted that the LOS goals for the WSIP are incorporated in the Water Supply Agreement.

BAWSCA will continue to insist that water supply LOS goals should be explicitly addressed. Mr. Jensen reported that BAWSCA was concerned when San Francisco decided that the need to release additional water downstream was not an issue because of the recent down-

turn in water demand. Mr. Jensen noted that had BAWSCA simply been indifferent, there would be no clarity in what goals the SFPUC was going to meet and what actions it take to achieve them.

The report states that staff will come back to the Commission in January 2012 with further report on how it will meet the LOS goals. BAWSCA will continue to track and comment on the SFPUC's progress.

Federal Energy Regulatory Commission (FERC) Process – Update: Mr. Jensen explained that the Modesto and Turlock Irrigation Districts jointly own and operate the New Don Pedro Reservoir which is licensed by FERC. The existing 50-year license will expire in 2016 and the process for scoping studies for the environmental analyses has already begun. FERC can require changes to releases below the dam in order to support fish populations.

Due to prior agreements between San Francisco and the irrigation districts, San Francisco may have responsibilities for a portion of any increase flows required by FERC. Increased flow could impact the reliability of water supplies for San Francisco and its wholesale customers.

BAWSCA, through Hanson Bridgett, is actively engaged in the relicensing process by monitoring the scoping meetings, reviewing documents, providing comments on the scope of investigations and other matters.

No Board action is needed at this time. Staff will continue to monitor the activities and bring forward to the Board Policy Committee and the Board any policy issues that may need to be addressed.

Landscape Education Program: Ms. Sandkulla reported that BAWSCA's Fall 2011 Landscape Education Program received positive media attention in the San Jose Mercury News and Union City Patch. Ten more classes are scheduled for this season, and a report to the Board in November will be timely.

A total of 19 classroom lectures and 7 hands-on workshops are scheduled this season. Both formats have been well-attended with a high attendance average of 32 people.

Three of the hands-on workshops created a demonstration garden in the community of the host agencies. The City of Palo Alto hosted a Parent/Child CA. Native workshop on September 24<sup>th</sup> where more than 20 children attended with their parents. BAWSCA and Palo Alto collaborated with the City's Green Team, Acterra and BayFriendly.org.

The City of Sunnyvale hosted two hands-on workshops that also created a demonstration garden in front of City Hall. The workshops targeted adult participation and focused on the hands-on experience so that participants can come away with the knowledge and confidence of implementing the process in their own spaces.

The program is part of BAWSCA's core conservation plan. It has been primarily managed by Lourdes Enriquez, as part of the agency's reallocation of resources to achieve results included in the fiscal year's work plan.

**Board Policy Calendar:** Mr. Jensen reported that the November Board agenda will include the Board's discussion of the water supply strategy and the Board's action on the procurement policy. The CEO's performance evaluation will also be on the agenda.

Discussion of the preliminary Work Plan for FY 2012-13, and modifications to the scope and schedule of the Strategy will be on the March Board Agenda.

**Comments by Committee Members:** Director Anderson announced that the Los Altos History Museum is currently running its water exhibit until April 2012. Several water districts contributed to the effort. A public opening ceremony is scheduled for October 15<sup>th</sup>.

**Adjournment:** The meeting was adjourned at 2:45pm.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE – October 12, 2011**

**Roster of Attendees:**

**Committee Members Present**

Larry Klein, City of Palo Alto (Chair)  
Rob Guzzetta, California Water Service Company (Vice-Chair)  
Ruben Abrica, City of East Palo Alto  
Robert Anderson, Purissima Hills Water District *by teleconference*  
Randy Breault, City of Brisbane/GVMID  
Irene O’Connell, City of San Bruno (BAWSCA Vice-Chair)  
Tom Piccolotti, North Coast County Water District  
Barbara Pierce, Redwood City (BAWSCA Chair)

**Committee Members Absent**

Bill Quirk, City of Hayward

**BAWSCA Staff:**

Art Jensen	Chief Executive Officer
Nicole Sandkulla	Water Resources Planning Manager
Lourdes Enriquez	Assistant to the Chief Executive Officer
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP

**Public Attendees:**

Peter Drekmeier	Tuolumne River Trust
Sharyn Saslafsky	San Francisco Public Utilities Commission
Nico Procos	City of Palo Alto
Craig Von Bargaen	Camp Dresser McKee

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING  
September 15, 2011 – 7 p.m.  
Foster City Community Building, Foster City CA**

<b>MINUTES</b>
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**1. Call to Order/Pledge of Allegiance/Roll Call – 7:00 pm**

BAWSCA Chair, Barbara Pierce, called the meeting to order. Art Jensen, called the roll. Fifteen (15) members of the Board were present, constituting a quorum. A list of directors present (15) and absent (11) is attached.

**2. Comments by the Chair:** Chair Pierce noted the continued emphasis on the critical issues BAWSCA must address; ensuring the region's access to adequate and reliable water supplies, water conservation, monitoring the huge expenditures for the WSIP and its completion on scope, schedule and budget, and finally, protecting the health and safety and economic well-being of our water users in the face of Restore Hetch Hetchy's plan to offer a charter amendment for San Francisco voters to drain the reservoir.

It is critical that the board supports the CEO and his staff in their efforts to address these challenges as efficiently as possible for the member agencies and their customers.

BAWSCA's position on the efforts to restore Hetch Hetchy remains the same. BAWSCA is opposed to draining the reservoir or changing the operation of the system unless and until an acceptable alternative has been provided, the costs paid for outside of the BAWSCA constituency, legal agreements are in place, and water of the same quality is coming out of the taps.

**3. Board Policy Committee Report:** Committee Chair Larry Klein reported that the committee had a rigorous and creative discussion about what to do with a reserve balance that is currently in excess of the agency's guidelines, and what budgeting process is appropriate to avoid a continuing growth in the general reserve. The two financial issues are rare, but reassuring to have in the current economic conditions. The discussions are reflected in the meeting's summary report.

**4. Public Comments:** Public comments were received from Wynn Grcich, resident of Hayward.

**5. Consent Calendar:**

**Director O'Mahony made a motion, seconded by Director Vella, to approve the Minutes of the July 21, 2011 meeting, and receive and file the Pre-Audit Budget Status Report and Investment Report for period ending June 30, 2011. The motion carried unanimously.**

**6. SFPUC Report:** SFPUC General Manager, Ed Harrington reported the progress of the Water System Improvement Program (WSIP). He was pleased to report that construction

of the Calaveras Dam Project, the last mega project, will kick off on September 19<sup>th</sup>. It will be completed in 2015. The completion of the entire WSIP will occur in 2016.

One of the more difficult projects in the program is Bay Division Pipeline #5. It will be a combination of tunnels and high pipelines going under the Bay and through neighborhoods and other constricted right-of-ways. It has had a variety of issues such as encountering archeological findings during construction, being too close to a Union Pacific railroad track support, and a community interests in an old tree planted in the right-of-way..

In addition, some areas have the potential to experience considerable liquefaction, and the need to conduct a meticulous check of every weld to ensure the integrity of the high pressure water system. In some construction areas the ground has stayed open much longer than expected and the SFPUC is beginning to receive complaints from people in the area. Mr. Harrington said that complaints member agencies may receive can be forwarded to the SFPUC. Further reports on the project will be provided as the project moves along.

Mr. Harrington reported that last Spring's wholesale water rate increase was based on an estimated 140 mgd wholesale delivery through September 2011. While the increase was expected due to borrowing related to the WSIP, it was also affected by the reduced water usage in the system. The Commission had discussed that if water usage decreased below 135 mgd, the rates would have to raised further.

Mr. Harrington reported that water usage will have dropped to 141 mgd, and therefore the rates would not change. However, if water usage drops to below 140 mgd for the next year, the SFPUC will have to consider additional ways to make up the difference between the cost to operate the system and the revenue earned based on usage.

The SFPUC will be doing a study on what factors might be causing the decrease in water use.

Director Kasten asked if there has been consideration of developing a formula for water rates that takes into account the fixed costs and the variable costs. He noted that the more customers conserve, the more they are punished with higher rates and therefore, it becomes more difficult to justify rate increases.

Mr. Harrington acknowledged that it was a difficult issue because for retail customers, passing along the fixed cost as a large component of the water rate diminishes conservation encouragement.

For wholesale customers, several considerations have been previously discussed including rates based on a multiyear average of use, the previous year's usage, or looking at other variables. However, they have not been seen as universally fair for everyone.

David Briggs, SFPUC Division Manager for Water Supply and Treatment reported that a shutdown of the San Joaquin pipelines for thirty days will take place in December. What makes this shutdown different from the others is the thirty-day duration which requires additional planning. Local filter plants and resources will supply the system during the shutdown of San Joaquin pipeline. No major issues are anticipated. The SFPUC will be working closely with the wholesale customers and will meet on November 18th, as well as one-one-one, where needed, to discuss the plan to minimize the risk of service disruptions.

Mr. Briggs reported that following work with PG&E, the SFPUC has confirmed the locations of PG&E's pipelines relative to SFPUC pipelines and facilities. There are approximately sixty places where PG&E pipelines cross the SFPUC's water system. Of the sixty, fifteen are large diameter pipelines of twenty inches or more in diameter. The SFPUC will focus on assessing the risks on those fifteen locations and expects that two or three of the fifteen will require close inspection and verification. The SFPUC is currently in the initial assessment phase, and will be moving into a risk and engineering phase.

Director O'Connell asked if the SFPUC will be making recommendations to PG&E and whether the SFPUC will need help from the jurisdictions that the pipes are in to help encourage PG&E to take action sooner than later.

Mr. Briggs explained that the SFPUC will have a lot of leverage with PG&E according to the terms of pipeline easements, if they are jeopardizing the SFPUC's ability to deliver water. The SFPUC can apply pressure if the PG&E pipeline is not to standard.

In response to a question from Director Pierce, Mr. Briggs stated that the SFPUC will determine the pipes' vulnerability by looking at the geometry, reviewing PG&E's construction and maintenance records.

Director O'Connell encouraged the SFPUC to be diligent in their review.

## **7. Action Calendar:**

- A. Management of the General Reserve Balance: Mr. Jensen reported that in July, the Board increased the maximum guideline for the General Reserve and asked for a report on what beneficial use might be made of a portion of the reserve for a study or a project that would add value to the water customers. The Board also asked that alternatives for managing the general reserve balance be presented at mid-year.

One of the recommendations that resulted from discussion with the Board Policy Committee in August is to refund a portion of the balance to the agencies this Fall.

Mr. Jensen explained that unspent budget varies each year but is typically about 14% percent of the Operating Budget. The unspent funds are deposited in the general Reserve after the books are closed each fiscal year.

A good portion of the savings occur in budget for as-needed consultant services. The amount of unspent money at the end of each year can be reduced through modified budget planning. Mr. Jensen explained that the budget allocation for the as-needed consultants can be reduced to decrease the 14 percent under spending to approximately 5 percent. A contingency pool can be created for the professional services portion of the budget that the CEO can be given the latitude to use if and when needed.

Other options include reducing assessments, investing in a one-time service that provide value to the customers, refunding agencies the excess reserve amount, or allowing the balance to exceed the guideline temporarily, provided there is a compelling reason to do so and that there is a plan to reduce the balance on a specified schedule.

Mr. Jensen stated that reducing assessments can create year-to-year fluctuations. An investment on a one-time project should only be done for the true added value brought

to the water customers and not for the sake of spending the money. Refunding agencies the excess in the reserve balance should not be done as a yearly practice, but applied if proven to be the right choice.

The current estimate of last year's unspent budget will bring the General Reserve to at least \$117,000 above the maximum General Reserve guideline of 35 percent of the Operating Budget. The Committee felt that refunding the agencies the excess amount was the right thing to do.

Mr. Jensen presented the recommendation with slight modifications, but with the same intent and content that the Committee recommends.

In response to Director Weed's question about the consideration of a multi-year workplan, Mr. Jensen explained that BAWSCA does not have the large operating expenditures of a typical water agency. As a result, the variations in the levels of legal and technical work the agency does make it difficult to develop a reliable multi-year budget estimate.

**Director Klein made a motion, seconded by Director Gomez, to:**

- 1) Authorize the CEO to refund to the agencies the excess General Reserve balance above the 35 percent guideline of the Operating Budget in November 2011, based on the balance determined using the results for the FY 2010-11 Audit to be finalized in November;**
- 2) Receive an updated report from the CEO at mid-year that includes information on projected FY 2011-12 spending levels, the projected year-end General Reserve balance, the emergence of issues that would require modifications of the existing Work Plan and Operating Budget, as well as factors that should be considered during preparation of the FY 2012-13 Work Plan, Operating Budget and funding plan;**
- 3) Receive, as part of developing and presenting the preliminary Operating Budget for FY 2012-13, a list of results needing to be achieved during FY 2012-13, a preliminary Work Plan, an estimate of the cost of resources needed to achieve those results, a plan for managing the General Reserve balance and a preliminary funding plan. The Board Policy Committee suggests considering a target of reducing assessments by eight percent.**

**The motion carried unanimously.**

- 8. Reports and Discussions:** Mr. Jensen addressed a statement that was made during public comment about t BAWSCA giving \$140,000 for a study on chloramines. He clarified that no such transaction has ever been made. Mr. Jensen also responded to Director O'Connell's comment to Mr. Briggs about PG&E. He noted that if political pressure is needed to push PG&E to do what is right for the service area of the regional water system, BAWSCA and the SFPUC will work together to achieve the desired results.

- A. Development of a Statistical Tool to Examine Causes of Decreased Water Use: Mr. Jensen reported that in response to the Board's interest on what investment might be made of a portion of the General Reserve that would offer added value to the water



customers, BAWSCA looked into a study of why water demand has decreased throughout California and the Bay Area.

One potential value of the study would include additional insight into why demand had fallen and avoiding over- or under- investing in new water supplies. The results of the study might also be useful to agencies when looking at long-term rate plans, resulting in stabilizing.

BAWSCA reviewed studies done for San Diego and Los Angeles and presented the findings at the August Board Policy Committee meeting. While the study may provide insights at a regional level, members of the Committee questioned whether the study would provide useful information to local agencies. The Committee found no compelling reasons to move forward with a study. No action is recommended to the Board.

Mr. Jensen reported that the SFPUC is considering conducting a similar study. If SFPUC's study includes the entire service area, a recommendation would be for BAWSCA to work closely with the SFPUC to coordinate data collection and so that the conclusions drawn from the results would be appropriate to the wholesale customers. Mr. Jensen also noted that if SFPUC's study moves forward to include the entire service area, the wholesale customers would be paying a portion of the study.

In response to Director O'Mahony's question, Mr. Jensen reported that EBMUD or other Bay Area agencies have not done such a study.

Director Weed commented that the decrease in water consumption is a statewide phenomenon and is being evaluated in a number of levels because it has had a dramatic impact on the revenues of many districts. The Association of California Water Agencies will have this on its agenda for its December meeting.

- B. Water System Improvement Program - Report: Ms. Sandkulla reported that BAWSCA is reviewing four reports from the SFPUC on the WSIP. They include the Quarterly Report for 4<sup>th</sup> Quarter of FY 2010-11, two reports required by AB 1823, and an SFPUC report on the maintenance of water Supply Level of Service Goals and the 2018 SFPUC Decision.

BAWSCA will be commenting on the reports in the forms of a letter to the SFPUC or the State, or interactions with SFPUC staff to resolve any issues found. Written comments will be provided to the Board and member agencies.

Ms. Sandkulla stated that the Quarterly Report shows progress against the revised WSIP that was adopted by the Commission in July 2011 while the report is for the period of April through June 2011. The timing results in some inconsistencies that BAWSCA is clarifying with the SFPUC. One of BAWSCA's recommendations would be to align the report with the timing of program modifications to avoid confusion. Ms. Sandkulla noted that the integrity of the reports is important for building and maintaining confidence that the SFPUC is doing its job correctly and reporting progress transparently.

Two reports required by AB1823 are the Notice of Changes to the WSIP submitted to the State on September 1<sup>st</sup>, and the FY 2010-11 Annual Report to the State due each September 1st.

The Notice of Changes report includes the comments BAWSCA presented to the Commission at its public hearing in July. The SFPUC submitted the report to the California Seismic Safety Commission (CSSC) and Department of Public Health (DPH) which are both tasked with determining whether the changes have increased risks to public health and safety. Their review and comments are due to the Joint Legislative Audit Committee within 90 days of their receipt.

In the past, both CSSC and DPH have asked questions and requested comments from BAWSCA.

The Annual Progress Report on the WSIP is due to the State by September 1<sup>st</sup> regardless of whether or not there are changes to the program. It is a key document submitted to the State and is a report that BAWSCA reviews very closely. Ms. Sandkulla noted that the report has improved over the last few years.

Like the Quarterly Report, an oddity in the Annual Report is that it presents progress made during FY 2010-11 but compares that progress against the schedule that was adopted by the Commission in July. BAWSCA has made suggestions to the SFPUC on the report content and format, and for this report, BAWSCA recommended they include a comparison with the schedule that existed before the new schedule was adopted. The SFPUC did not incorporate that recommendation.

The fourth report is a staff memo addressed to the Commission on the issue of how the SFPUC will meet the Level of Service (LOS) Goals for water supply and drought reliability by the completion of the WSIP. Ms. Sandkulla explained that there were increased fishery flow requirements for the creeks downstream of the Calaveras and Crystal Springs dams. The report provides a status report on SFPUC's investigation of how it will meet the LOS goals. SFPUC staff will report back to the Commission at the end of January 2012 with a recommended action plan and a schedule. BAWSCA will closely review the upcoming report and provide written comments which will be shared with the Board and member agency representatives.

- C. Water Supply Agreement: The Water Supply Agreement has completed its 2<sup>nd</sup> year of implementation with all deadlines and milestones being met. BAWSCA will begin working with the SFPUC in advance of the next wholesale water rate setting to address potential issues.

Mr. Jensen noted that the CEO letter reports the progress on the annual review of accounting and cost allocation for FY 2008-09 and FY 2009-10.

- D. BAWSCA Communication with Agencies Regarding Technical Matters: Mr. Jensen described how BAWSCA coordinates technical work with the staff of member agencies. Currently, BAWSCA has three active committees, including one policy

committee and two technical committees. The Board Policy Committee deals with policy issues that are brought before the Board and comprises Board Members.

The Water Supply Management Committee comprises agency-appointed technical staff from each agency and addresses technical matters. Those representatives also provide input on BAWSCA activities that result in decisions made by the governing bodies of the individual agencies. An example is the Drought Allocation Plan.

The Water Quality Committee, established by the Water Supply Agreement, is a joint committee comprising staff of the BAWSCA member agencies and the SFPUC. It is chaired alternately by a BAWSCA member agency staff person and a SFPUC's staff person. The committee is not BAWSCA's committee, but Mr. Jensen noted that he works closely with the member agency persons serving as committee chair or vice chair.

- E. Process and Schedule for CEO Evaluation: Chair Pierce reported that a packet for the CEO's Performance Evaluation will be distributed to the Board by the end of September. Unlike past evaluations, Chair Pierce noted that the entire Board will be involved in the process. The CEO has been asked to provide a summary of his work in relation to the agreed upon goals of his job and criteria for measuring his performance. This report will be included in the packet that will be distributed to the Board along with the Evaluation Form and Evaluation Procedure.

Chair Pierce urged members of the Board to respond promptly. The formal evaluation will be conducted in Closed Session as part of the November meeting.

Director O'Connell suggested adding an opportunity for Directors to comment on things they would like to change in how things are done, what works and what doesn't. She thought the evaluation form would be an appropriate place to put this as the Directors think about how the CEO interacts with the Board.

- 9. Directors' Discussion:** Director Weed noted his amazement with the evolution of the issues that wholesale customers have been concerned with and commended Mr. Harrington and his staff for the extraordinary achievement with the WSIP. He noted that there was a time when he didn't believe it was possible, but the SFPUC is excelling with the schedule and completion of the program.

He also noted the clear and present danger of the efforts to restore or drain Hetch Hetchy Valley. He encourages the Board Policy Committee to examine ways to work with the SFPUC to show how extraordinary the regional water system is and what a loss it would be if it were to be seriously damaged. He said part of effort could include tours of the system so the public can appreciate the system, realize its regional importance and the threat this effort represents. It would be to everyone's interest if BAWSCA, as an organization, worked with SFPUC in promoting this public information.

**10. Date, Time and Location of Next Meeting:** The next meeting is scheduled on November 17, 2011, in the Wind Room, Foster City Community Center.

**11. Adjournment:**

Respectfully submitted,

Arthur R. Jensen,  
Chief Executive Officer

ARJ/le

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**Board of Directors Meeting**  
**September 15, 2011**

**Attendance Roster**

Present:

Ruben Abrica	City of East Palo Alto
Robert Anderson	Purissima Hills Water District
Cyril Bologoff	City of Brisbane
Randy Breault	Guadalupe Valley Water District
Ken Coverdell	Coastside County Water District
Armando Gomez	City of Milpitas
Tom Kasten	Town of Hillsborough
Larry Klein	City of Palo Alto
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Tom Piccolotti	North Coast County Water District
Barbara Pierce	City of Redwood City
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Rick Wykoff	City of Foster City

Absent:

Tom Chambers	Westborough Water District
Kelly Fergusson	City of Menlo Park
Michael Guingona	City of Daly City
Rob Guzzetta	California Water Service Company
Mike Kasperzak	City of Mountain View
Marty Laporte	Stanford
Jamie McLeod	City of Santa Clara
Dan Quigg	City of Millbrae
Bill Quirk	City of Hayward
Chuck Reed	City of San Jose
Vacant	City of Sunnyvale

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# BAWSCA

## Bay Area Water Supply & Conservation Agency

155 Bovet Road, Suite 302  
 San Mateo, California 94402  
 (650) 349-3000 tel. (650) 349-8395 fax

**TO:** Arthur R. Jensen, CEO  
**FROM:** Deborah Grimes and John Ummel  
**DATE:** November 8, 2011  
**SUBJECT:** Budget Status Report as of September 30, 2011

This memorandum shows fiscal year budget status for FY 2010-11. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA budget includes necessary resources for the RFA and BAWUA.

### Operating Budget Summary:

For the three month period ending September 30, 2011, 25 percent into the fiscal year, total expenditures were \$532,659 or 20 percent of the total budget of \$2,619,705.

**Table 1. Operating Budget Summary as of September 30, 2011**

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
<b>Consultants /Direct Expenditures</b>			
Reliability	853,930	155,940	18%
Fair Pricing	233,00	50,228	22%
Administration	112,000	32,187	29%
<b>Subtotal</b>	<b>1,198,930</b>	<b>238,354</b>	<b>20%</b>
<b>Administration and General</b>			
Salary & Benefits	1,075,875	246,360	23%
<b>Other Expenses</b>			
BAWSCA	258,900	47,896	18%
BAWUA	1,100	0	0%
<b>Subtotal</b>	<b>2,534,805</b>	<b>532,610</b>	<b>20%</b>
<b>Capital Expenses</b>	6,000	0	0%
<b>Budgeted Contingency</b>	77,500	0	0%
<b>Regional Financing Authority</b>	1,500	49	0%
<b>Grand Total</b>	<b>2,619,705</b>	<b>532,659</b>	<b>20%</b>

**Overview:**

Overall expenditures are tracking as expected.

**Consultants**

The \$255,000 budget for technical review and tracking of the SFPUC’s Water System Improvement Program was 10 percent expended. Strategic counsel’s budget of \$140,000 was 21 percent expended. The \$390,000 legal budget was 30 percent expended. The \$268,930 budget for water management and conservation-related activities including public information, regional program and materials, water supply planning, data base development and landscape classes was 12 percent expended.

**Administration**

Salary/fringe costs were 23 percent expended.

**Other Expenses**

Other Expenses were 18 percent expended.

**Discretionary Spending:**

None.

**Use of Reserve Fund Balance:**

In accordance with the adoption of the annual budget in May 2011, the Board approved transferring \$38,005 from the reserve to fund the FY 2010-11 budget if needed. The BAWSCA General Reserve balance shown below does not reflect this transfer or the deposit of unspent funds from FY 2010-11 that will be made following completion of the FY 2010-11 audit. Once the audited financial report has been accepted by the Board of Directors, the unspent balance from FY2010-11 will be transferred to the General Reserve. At that same time, the portion of the General Reserve in excess of the guideline adopted by the Board on September 15, 2011 will be refunded to the member agencies in accordance with Board action.

**Table 2. General Reserve Fund Balance**

<b>Fund</b>	<b>Account Balance (As of 06/30/11)</b>	<b>Account Balance (As of 09/30/11)</b>
General Reserve	\$653,763	\$653,763

**Long-Term Reliable Water Supply Strategy and Use of Water Management Charge:**

Phase 2 of the Long-Term Reliable Supply Strategy (Strategy) began this FY 2010-11. Funding is provided through the Water Management Charge, approved by the Board in July 2010. As of September 30, 2011, Water Management Charge revenue totaling \$1,772,949 has been collected by and received from the SFPUC. Consultant invoices received and paid during through September 30, 2011 total \$773,282. The collection of the Water Management Charge will cease in January 2012, when the authorized funding has been fully collected.



# **BAWSCA**

## **Bay Area Water Supply & Conservation Agency**

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155 Bovet Road, Suite 302  
San Mateo, California 94402  
(650) 349-3000 tel. (650) 349-8395 fax

### MEMORANDUM

**TO: BAWSCA Board of Directors**

**FROM: Arthur R. Jensen, Chief Executive Officer**

**DATE: November 10, 2011**

**SUBJECT: Quarterly Investment Report – As of September 30, 2011**

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In February 2004, the Board originally adopted an investment policy consistent with the Government Code that requires a quarterly report on the Agency's investments be provided to the Board within 30 days after the close of each quarter. The Board most recently reviewed and revised the investment policy at the July 21, 2011 Board meeting. This report presents fund management in compliance with the current investment policy.

Local funds in excess of \$250,000 are deposited in the BAWSCA LAIF account throughout the year to ensure compliance with BAWSCA's investment policy at that time.

BAWSCA's prior and current period local agency investment (LAIF) account balances are shown below.

<u>06/30/11</u>	<u>09/30/11</u>
\$2,181,784	\$2,821,449

Of the total in the BAWSCA LAIF account as of September 30, \$653,763 represents BAWSCA's General Reserve Fund, equivalent to approximately 25 percent of FY 2011-12 Operating Budget. The remaining amount consists of Subscription Conservation Program funds, Water Management funds and unrestricted funds.

Recent historical quarterly interest rates for LAIF deposits are shown below:

<u>06/30/11</u>	<u>09/30/11</u>
0.48%	0.38%

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Item Title:**               **Audit Reports for BAWSCA and BAWUA for FY 2010-11**

**Summary:**

An independent auditors' report has been completed for both BAWSCA and BAWUA for the year ending June 30, 2011. The audit of BAWSCA accounts is required by Division 31, Section 81426 of the Water Code. The audit of BAWUA is prepared in accordance with its bylaws. The audit reports are enclosed for your review. A financial audit of the Regional Finance Authority is not required at this time.

**Fiscal Impact:** None

**Board Policy Committee Action:**

None. The audit became available on October 17th for staff review, allowing its inclusion in the BAWSCA board meeting agenda.

**Recommendation:**

**That the Board receive and file the independent auditors' report for both BAWSCA and BAWUA for the year ending June 30, 2011.**

**Discussion:**

BAWSCA's and BAWUA's financial statements have been audited by the independent auditing firm of Chavan & Associates, LLP. The goal of an independent audit is to provide reasonable assurance that the financial statements are free from material misstatement. Based on their review of the financial statements, the auditors concluded that the financial statements are in conformance with generally accepted accounting principles, and fairly presents, in all material respects, the financial position of both BAWSCA and BAWUA and the changes in financial position and cash flows for FY 2010-2011. As demonstrated by the statements, schedules and notes included in the auditors' reports, BAWSCA and BAWUA are meeting its responsibility for sound financial management.

Enclosed Separately:

1. BAWSCA FY 2010-2011 Audit Report
2. BAWUA FY 2010-2011 Audit Report

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# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

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155 Bovet Road, Suite 302  
San Mateo, California 94402  
(650) 349-3000 tel. (650) 349-8395 fax

**MEMORANDUM**

**TO:** BAWSCA Board of Directors

**FROM:** Arthur R. Jensen, CEO

**DATE:** November 8, 2011

**SUBJECT:** Directors' Reimbursement Report for the Period Ending September 30, 2011

In March 2006, the Board adopted a directors' expense reimbursement policy consistent with the Government Code that requires a quarterly report on the Agency's reimbursement of directors' expenses. This report shall show the amount of expenses reimbursed to each director during the preceding three months.

There were no director expenses reimbursed for the quarter ending November 30, 2011.

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**           **Authorization to Negotiate and Execute a Contract with PG&E for the Washing Machine Rebate Program**

**Summary:**

Since January 2008, PG&E has administered a joint Water Utility and Energy Utility Residential Washing Machine Rebate Program (WMRP) in partnership with BAWSCA and the other major water utilities in the Bay Area. The current WMRP will end December 31, 2011. BAWSCA's current administrative contract with PG&E expires June 30, 2012 as it anticipates a 6 month close out period for the current program. However, in order to continue the WMRP through all of calendar year 2012, a new contract with PG&E needs to be executed.

Participating BAWSCA member agencies have expressed an interest to continue the joint WMRP with PG&E. A new contract between BAWSCA and PG&E would allow continuation of the current WMRP to at least June 30, 2012 at which time BAWSCA would have the opportunity to modify its participation in the WMRP through December 31, 2012 consistent with the desires of the participating member agencies.

**Fiscal Impact:**

None. As a subscription program, all costs are paid by participating BAWSCA agencies with all expenses, payments and bank transactions associated with subscription programs accounted for separately from BAWSCA's operating budget.

**Board Policy Committee Action:**

The Board Policy Committee voted unanimously to recommend approval of the proposed Board action.

**Recommendation:**

**That the Board authorize the Chief Executive Officer to:**

- 1) Negotiate and execute a contract with PG&E for rebate processing services through June 30, 2013; and**
- 2) Offer participation in the program to BAWSCA member agencies through June 30, 2013.**

**Discussion:**

Since 2001, BAWSCA has partnered with other major Bay Area water utilities to offer the Bay Area Water Utility Clothes Washer Rebate Program (WMRP). In January 2008, PG&E began administration of the WMRP on behalf of the Bay Area water utilities to offer a new combined Water Utility and Energy Utility rebate program to Bay Area residents.

The change to PG&E as the administrator of the program has increased visibility of the program, increasing rebate activity up to 30% in some areas. Customers have indicated a high rate of satisfaction with the current format of the WMRP because they are able to complete a single rebate application form and get rebates from both PG&E and the Bay Area water utilities.

As has occurred before, PG&E and the Bay Area water utilities are considering modifications to the WMRP including modification of the specific machines eligible for rebate and the rebate amounts. Further discussions with PG&E and the Bay Area water utilities and participating BAWSCA agencies will continue over the coming month as the WMRP details are finalized to ensure BAWSCA agency satisfaction in continued participation. PG&E is proposing no increases in costs or new costs for administering the program in calendar year 2012.

BAWSCA agency participation in BAWSCA's conservation programs, including the WMRP, typically operates on a fiscal year basis, as this is consistent with the budget cycles of most of the BAWSCA agencies. In contrast, PG&E operates on a calendar year basis, which is why the current WMRP ends December 31, 2011. BAWSCA's current contract with PG&E expires on June 30, 2012 which allows for a 6-month close-out period. In the event that PG&E or BAWSCA were to elect not to continue the WMRP beyond December 31, 2011, the six-month close-out period accommodates the three months that customers have to submit a rebate request, plus processing time for the rebates and resolution of all accounting.

A new contract with PG&E starting January 1, 2012 through June 30, 2013 would allow for the current WMRP to continue through December 31, 2012 with a 6-month close-out period allowance.

**Alternatives to the Recommended Action:**

Two primary alternatives exist to the recommended action.

1. Offer Program Using Different/New Rebate Administrator: Prior to using PG&E as the rebate administrator for this program, the Bay Area water utilities contracted with Electric Gas Industry Associates (EGIA) to administer the program. Other entities also exist that would potentially be willing to administer a regional WMRP. The EGIA administrative fees for the WMRP were greater than PG&E's current administrative fees. Furthermore, customers have indicated a high rate of satisfaction with the current format of the WMRP because they are able to complete a single rebate application form and get rebates from both PG&E and the Bay Area water utilities. At this time no other Bay Area water utilities have indicated a desire to change WMRP administrators. In addition, customer satisfaction rates might decrease if BAWSCA did not continue to utilize PG&E as the program administrator because they would no longer be able to fill out a single rebate application. Lastly, if BAWSCA decided to go with a different WMRP administrator, a full request for proposal process would be required, which would delay the continuation of the WMRP until a new contract was in place.
2. Not Offer Program: The WMRP has been the most successful conservation program offered within the BAWSCA service area to date. Since 2001, the number of agencies, total budgets, and total number of rebates issued has increased each year. Continued implementation of the WMRP with expanded customer participation is one of the five key conservation measures included in BAWSCA's 2009 Water Conservation Implementation Plan. Full implementation of these five measures will be critical to achieving sufficient conservation savings to continue to provide reliable supplies to all BAWSCA member agencies through 2018.

**Background:**

The Bay Area Water Utility Clothes Washer Rebate Program began on October 1, 2001. In 2002, the regional program expanded with eight other Bay Area water agencies joining to offer a single Bay Area Water Utility Clothes Washer Rebate Program covering a region of 2.7 million residential customers. In addition to BAWSCA, other participants in this regional program include Contra Costa Water District, Zone 7 Water Agency, East Bay Municipal Utility District, Alameda County Water District, Santa Clara Valley Water District, Marin Municipal Utility District, Sonoma County Water Agency, and City of Davis. SFPUC joined in July 1, 2006.



**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**        **Long-Term Reliable Water Supply Strategy – Schedule for Policy Decisions**

**Summary:**

This report presents the progress and results achieved to date in developing the Long-Term Reliable Water Supply Strategy (Strategy), identifies upcoming policy decisions that the Board will be asked to consider and act upon, and provides the schedule for when these policy items will be presented to the Board.

**Recommendation:**

Board discussion item. No Board action is recommended or required at this time.

**Progress and Results Produced to Date:**

On July 15, 2010, the BAWSCA Board authorized the initiation of Phase IIA of the Long-Term Reliable Water Supply Strategy (Strategy) to reliably meet the projected normal and drought year water needs of the member agencies through 2035. The original schedule for Phase IIA identified completion in January 2012. A revised schedule is being finalized.

*Reassessment Resulting From Changed Conditions Completed.* As discussed at the May 2011 Board meeting, the overall schedule for the Strategy has been slowed down to allow for a reassessment of the normal and drought year water supply needs of the BAWSCA agencies and their customers. This reassessment of both scope and schedule was prudent and necessary given the significant reduction in water demands that have been experienced by all the BAWSCA member agencies (and water agencies throughout the State) in recent years.

*Water Demand and Supply Projection Updates Completed.* As of September 2011, BAWSCA was provided with updated water demand and supply projections from each of the member agencies. Where appropriate, agency's provided information from recently adopted Urban Water Management Plans UWMPs. For the few member agencies not required to prepare UWMPs, separate projections were received.

Based on the updated demand and supply projections from the member agencies:

- Total water demand in 2035 was reduced 8 percent, from 343 mgd to 315 mgd.
- The need for additional water supply in normal years in 2035 was reduced from 23 mgd to 13 mgd.
- The need for additional water supply in dry years in 2035 was reduced from 77 mgd to 58 mgd (assuming, initially, no reductions during droughts, or 100 percent reliability).

It's important to note that the water supply needs were calculated on an individual agency basis and that the numbers presented here represent the sum of projected water supply needs of the individual BAWSCA member agencies.

The magnitude of the changes in projected water needs confirms the appropriateness of the decision to reassess scope and schedule for the Strategy.

The current projections represent a significant change in the need for additional normal year supply in 2035 by the BAWSCA agencies. In fact, only seven agencies need additional normal year supply in 2035 (Cal Water, Daly City, East Palo Alto, Purissima Hills, Stanford and potentially San Jose and Santa Clara).

While the reduction in normal year water supply need suggests that there is no immediate need for an investment in a regional water supply at this time, agency projections are influenced by current population and economic growth projections in addition to achieved conservation savings. There is a potential risk associated with a deferral of development of new supplies if there is a sudden rebound in economic conditions. For this reason it would be prudent to reassess, with increased rigor, the demand and supply projections for the BAWSCA member agencies in the next few years. The proposed FY 2012-13 BAWSCA Work Plan will include the initial steps for this task.

The current projections continue to identify a need for additional dry year supply reliability. Several important questions pertaining to dry year reliability of the SFPUC Regional Water System are still being examined. Some of those answers will be available this Winter to provide the necessary technical information to support consideration of identified policy issues by the Board.

*Short List of Potential Projects Identified to Meet Supply Needs Completed.* The Reliable Water Supply Strategy Phase I Scoping Report identified over 65 potential water supply projects. Individual meetings with member agencies to discuss these projects were held and a technical evaluation of the projects using available information was performed. The result is a short list of potential projects that have been identified for continued technical evaluation by BAWSCA:

- Expand Existing Recycled Water Projects
  - Daly City
  - Palo Alto
  - Redwood City
- Water Transfers
- Desalination
  - Bay Intake (Seawater)
  - Under Bay Intake (Seawater)
  - Brackish Groundwater
- Rainwater Harvesting, Stormwater Capture, and Greywater Reuse

Each of these potential projects is being further developed by the technical team to enable a complete technical evaluation. This work is coordinated with affected water and wastewater utilities.

**Potential Policy Decisions To Be Presented to Board Regarding the Strategy:**

When policy questions are brought to the Board for consideration, the Board will also be provided with alternatives, supporting economic, technical and other information, a specific recommendation and the pros and cons of each alternative examined. An assessment of benefits, beneficiaries and cost allocation alternatives will be provided prior to implementing any project or requesting any additional funds.

There are several early policy decisions that will be presented to the Board as part of its review of the FY 2012-13 Work Plan and consideration of the FY 2012-13 BAWSCA operating budget. These policy decisions include:

- Concur that BAWSCA should defer regional development of normal year water supplies
- If value can be added for the seven agencies needing more water in normal years, decide whether BAWSCA should assist them and determine how related costs should be allocated
- Support BAWSCA working with agencies to develop a new demands projections process that will serve as a sound basis for regional water supply planning
- Support BAWSCA's continued pursuit of additional dry year supplies

Additional policy issues and potential decisions will continue to be presented to the Board through Summer and Fall 2012 including:

- What is the acceptable level of service for drought reliability?
- What level of investment for supply reliability is desired and appropriate?
- What role will BAWSCA play in implementing potential solutions to achieve goals of Strategy?

**Revised Schedule for Completion of Current Phase of Water Supply Strategy:**

A revised schedule to complete the current phase of BAWSCA's Long-Term Reliable Water Supply Strategy is being prepared with the technical team. The current contract completion date is June 2012. An extension of nine months is being evaluated and will be presented to the Board in January. No change in cost is anticipated at this time.

**Background:**

Purpose and Need for the Strategy. A reliable supply of water is needed to support the health, safety, employment, and economic opportunities of the existing and expected future residents in the BAWSCA service area and to support the agencies, businesses, and organizations that serve those communities. The following facts support the purpose and need for the Strategy:

- Water demands in the BAWSCA service area are projected to exceed supplies even after accounting for significant water conservation efforts;
- Existing supplies within the BAWSCA service area are subject to drought shortages and other impacts (e.g., climate change, environmental restrictions); and
- The consequences of supply shortfalls are regional and severe (e.g., a 20% water supply shortage can result in \$7.7 billion dollars of impact to water-dependent customers in the BAWSCA service area).

BAWSCA is developing the Strategy to quantify when, where, and how much additional supply reliability and new water supplies are needed throughout the BAWSCA service area through 2035. The Strategy will then identify water supply management projects that can be cost-effectively implemented by a single member agency, by a collection of the member agencies, or by BAWSCA, in an appropriate timeframe to meet the identified needs.

While supplies are expected to be sufficient until 2018, there are compelling reasons to develop a long-term strategy:

- Long lead times are required to complete projects that produce water supplies

**November 17, 2011 – Agenda Item #7A**

- If economic recession is a significant factor in current low water use, the end of the recession could be followed by rapidly increasing water needs for jobs and residents, and an orderly plan would be essential.
- Drought reliability remains a common concern for almost all agencies.
- The pursuit of water supplies, and means to transport and store them, is increasingly competitive, and without a well-considered plan, opportunities will be lost.

In all instances, and in accordance with a key BAWSCA principle, the water supply management projects that are developed as part of this Strategy will be paid for by those agencies that benefit from their development.

Success of the Strategy will depend on timely and appropriate actions by the BAWSCA Board and by the individual member agencies. Progress on the development of the Strategy will be monitored closely to ensure that a reliable, high quality supply of water is available where and when people within the BAWSCA service area need it.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**           **Water System Improvement Program – Status Report**

**Summary:**

There are three subjects worth reporting on the progress of the SFPUC's Water System Improvement Program.

**Recommendation:**

Board discussion item. No Board action is recommended or required.

**Discussion:**

WSIP Quarterly Progress Report as of September 30, 2011: On Monday, November 7, the SFPUC released the WSIP 1<sup>st</sup> Quarterly Progress Report covering the quarter ending September 30<sup>th</sup> 2011. BAWSCA has begun its review and will report its findings to the Board when the review is completed. An excellent video about the program appeared on KQED last week.

During the last two months, BAWSCA's technical team has been reviewing construction budget and schedule contingencies to determine whether the program can be completed on schedule and within budget. As has been our practice, when questions arise during our reviews, we meet with the SFPUC program manager and staff to ensure an accurate understanding of the materials we have reviewed, and, if issues require attention, concur on what steps should be taken.

Ms. Sandkulla will have met with the program manager prior to the Board meeting. If any of the issues being explored are significant, we will report them at the Board meeting and state what steps are being taken to address them.

Westside Groundwater Basin: The Westside Groundwater Basin project is an element of the Water System Improvement Program. The purpose of the project is to provide increased water supply reliability primarily during droughts. The Westside Basin has been a source of water on the north peninsula for many years. This project would provide the ability to increase groundwater storage during wet years and recapture that water during dry years. Agencies participating in the project include San Francisco, Daly City, San Bruno and the California Water Service Company, all of which currently overlay a portion of the basin.

Many years have been spent compiling and analyzing technical data and working out among the parties how the groundwater storage and pumping would be managed. This is vital to determine whether the proposed benefits of project could actually be realized. As a project intended to provide increased reliability for all of the customers of the San Francisco Regional Water System, all of the customers pay the costs associated with developing, operating and maintaining the facilities required to make the project work.

The project schedule has been extended due to the difficulties of reaching agreement among the parties. Delays are significant because escalation of construction costs adds an

estimated \$200,000 per month of delay to the cost of the project. The project has already been delayed six months.

Last Spring, BAWSCA requested that the Commission receive a report stating whether the project was, in fact, feasible, and if not what other project would be undertaken to achieve the water supply reliability goal.

Based on encouraging progress reported by the SFPUC, the CEO sent the attached letter, dated October 19, 2011, to the managers of the participating agencies. On November 2, 2011, Mr. Ritchie informed the Commission that most of the outstanding issues have been resolved and that the project can move forward once a few remaining issues are addressed. He projects that those issues will be resolved and a further report to the Commission made in December or January.

**Revenue Bond Oversight Committee (RBOC) WSIP Construction Management**

**Independent Review Panel:** The RBOC was created by the voters in San Francisco to provide additional oversight of the use of revenue bonds issued by the SFPUC for water, wastewater, and electric power projects. The City Charter amendment that created the RBOC provided one member of the committee should be appointed by BAWSCA. John Ummel is the current appointee to the RBOC.

This year the RBOC has undertaken a review of WSIP construction management. The WSIP program manager provided the RBOC access to the SFPUC's Independent Review Panel, comprising experts from both industry and university backgrounds. In addition, the RBOC hired its own consultant to observe and comment on the work of the Independent Review Panel. The Panel's draft report is under review and BAWSCA, among others, will be submitting comments to the RBOC and SFPUC. The Panel's report is expected to be finalized before the end of the calendar year.

**Attachments:**

1. October 19, 2011, Mr. Jensen's letter on the Progress on the Westside Groundwater Basin Conjunctive Use Project
2. November 2, 2011, Mr. Ritchie's Update on WSIP Regional Groundwater Storage and Recovery Project

# BAWSCA

Bay Area Water Supply & Conservation Agency

October 19, 2011

**Mr. Ed Harrington, General Manager**  
San Francisco Public Utilities Commission  
1155 Market Street, 11<sup>th</sup> Floor  
San Francisco, CA 94103

**Ms. Patricia Martel, City Manager**  
City of Daly City  
333 90<sup>th</sup> Street  
Daly City, CA 94015

**Mr. Rob Guzzetta, VP of Operations**  
California Water Service Company  
1720 North First Street  
San Jose, CA 95112

**Ms. Connie Jackson, City Manager**  
City of San Bruno  
567 El Camino Real  
San Bruno, CA 94066

**Subject: Progress on the Westside Groundwater Basin Conjunctive Use Project**

Dear Colleagues,

You are to be congratulated for your efforts to make this project a success. While I understand the agreements are not yet in place, the rate of progress increased this fall.

BAWSCA has followed its development and the rate of progress closely because the projects would benefit the entire region, and the costs are being paid by all BAWSCA member agencies, in addition to San Francisco. In March, the Commissioners on the SFPUC accepted our recommendation that its staff report back on whether the project is feasible and, if not, what other projects would be pursued to meet the SFPUC's adopted reliability goals. Our concern was that money was being spent, the cost of the project was increasing, and the parties had not yet reached agreement on fundamental issues.

Steve Ritchie assures me the participating agencies are working hard to meet the Commission's late October deadline for reporting on the feasibility of the project. This is heartening because the project, if implemented, would be a relatively low-cost means of using "free" reservoir storage to provide a reliable supply of water to the region during dry years.

I will provide a copy of the SFPUC staff report to the BAWSCA Board and summarize the status of the project at the Board meeting on the evening of November 17. I will make sure to send you a copy of any material presented to the Board.

Warm regards,

  
Art Jensen  
Chief Executive Officer

cc: Steve Ritchie, SFPUC, Assistant General Manager, Water Enterprise  
Patrick Sweetland, City of Daly City, Director of Water and Wastewater  
Tom Salzano, CWSC, Water Resource Planning Supervisor  
Klara Fabry, City of San Bruno, Public Services Director

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# San Francisco Water Power Sewer

Operator of the Hetch Hetchy Regional Water System

1155 Market Street, 11th Floor  
San Francisco, CA 94103  
T 415.554.3155  
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November 2, 2011

TO: Commissioner Anson B. Moran, President  
Commissioner Art Torres, Vice President  
Commissioner Ann Moller Caen  
Commissioner Francesca Vietor  
Commissioner Vince Courtney

THROUGH: Ed Harrington, General Manager

FROM: Steven R. Ritchie, Assistant General Manager, Water

RE: Update on WSIP Regional Groundwater Storage and Recovery Project

### Summary

This memo provides an update on the WSIP Regional Groundwater Storage and Recovery (GSR) Project. At the July 12, 2011 Commission meeting, you directed us to report on whether the GSR Project remains feasible and, if not, identify feasible alternatives to the Project and an estimated schedule and cost for their completion.

The GSR Project is a regional dry-year water supply project located in northern San Mateo County. The proposed Project involves development of an "in-lieu conjunctive use project" with SFPUC wholesale customers Daly City, California Water Service Company (Cal Water) and San Bruno (collectively, the "Participating Pumpers") to provide 7.2 mgd over the design drought. Up to 61,000 AF of water would be stored as part of the project.

Negotiations have been ongoing since 2007 with the Participating Pumpers to finalize key aspects of a proposed GSR Operating Agreement and to describe their future groundwater pumping. Additional groundwater modeling and required analysis of related environmental impacts cannot proceed without an accurate description of future pumping by the Participating Pumpers. The negotiations are on the critical path and the current delay has lasted six months. The lack of resolution is also delaying the SF Groundwater Project because of the need to describe the cumulative pumping impacts of both projects in their respective EIRs. Cost impacts of the delay due to increased escalation of construction costs and increased soft costs are about \$200,000 per month for the GSR Project and \$165,000 per month for the SF GW Project.

We have made significant progress and have resolved most of the outstanding issues and appreciate the time and energy that Daly City, Cal Water and San Bruno have dedicated to resolving these issues. However, there are still a few outstanding issues to resolve. We expect to resolve these issues in the next two weeks. In the meantime, the EIR analysis remains on hold pending resolution of the remaining issues. We will report back at either the December 13 or January 10 Commission meeting on resolution of the remaining issues and the related feasibility of the proposed GSR project.

Edwin M. Lee  
Mayor

Anson Moran  
President

Art Torres  
Vice President

Ann Moller Caen  
Commissioner

Francesca Vietor  
Commissioner

Vince Courtney  
Commissioner

Ed Harrington  
General Manager



### **Background**

The proposed GSR Project is a "conjunctive use" project which is defined as the coordinated use of groundwater and surface water by using storage in a groundwater basin as a reservoir. An ideal setting for a conjunctive use project includes: 1) a groundwater basin where the overlying users have the ability to use both groundwater and surface water supplies; 2) available storage space in the aquifer; 3) an ability to increase surface water deliveries in normal and wet years to recharge the basin; and 4) an ability to recover the stored water in dry years. The GSR Project meets all of these criteria. In normal and wet years, the SFPUC would supply supplemental surface water to the Participating Pumpers, to be used in place of most groundwater pumping (i.e., "Storage Years"). The reduced pumping during normal and wet years will thereby increase the volume of groundwater in storage that can be pumped in dry years (i.e., "Recovery Years"). See Attachment 1 – GSR Fact Sheet.

Conjunctive Use is widely used as a water supply tool throughout California including the Santa Clara, Livermore, and Niles Cone Groundwater Basins, the Central and West Basins in the Los Angeles area, and groundwater banks in the San Joaquin Valley.

### **Project Setting**

The 40 square mile Westside Groundwater Basin extends from Golden Gate Park in San Francisco to the City of Burlingame in San Mateo County (See Attachment 2 – Regional Map). For convenience purposes, the portion of the Westside Groundwater Basin north of the San Francisco/ San Mateo County line is generally referred to as the North Westside Groundwater Basin. The portion of the Westside Basin located south of the County line is generally referred to as the South Westside Groundwater Basin. Although there is no physical boundary between the North and South portions of the Westside Basin, conditions differ between the two in that groundwater is generally above sea level in the North Westside Basin, whereas water levels in the South Westside Basin are generally well below sea level, creating unused water storage space that would be used by the GSR Project.

### **GSR Project Description**

The GSR Project would help achieve the WSIP Water Supply Level of Service Goal which provides for a target delivery reduction during a design drought of 8.5 years that is time-phased with a gradual regional system reduction from 3.3% up to 20% over 8.5 years.

The GSR Project proposes installation of 16 groundwater wells with a total capacity of 7.2 mgd. As currently planned, four of the wells will be connected to the Daly City water system, two to three will be connected to the Cal Water system, two to three will be connected to the San Bruno water system and seven will be connected to the SFPUC transmission system. Disinfection will be provided for all wells and treatment will be required at some of the wells for pH adjustment, fluoride addition, and the removal of manganese. The WSIP approved budget is \$85M with a projected completion date of June 2016.

### **GSR Project Benefits**

Benefits to the Regional System include a new dry-year and emergency water supply that is stored locally without the need to build new surface water storage. Up to 61,000 AF of water could be stored as part of the project. For comparison purposes, the capacity of Crystal Springs Reservoir is 58,000 AF.

Without the GSR Project, the SFPUC cannot meet its water supply level of service goal and thus would need to increase dry-year rationing unless additional dry year water supplies are obtained.

Benefits to Daly City, Cal Water and San Bruno include reduced pumping and treatment costs during storage years, improved basin conditions associated with generally higher groundwater levels, reduced risk of saltwater intrusion, and the ability to use GSR wells as a temporary back-up supply during planned and unplanned outages.

### **GSR Progress to Date**

Design Phase - Utility, topographic and property boundary surveys have been completed for all 16 sites. Groundwater and geotechnical investigations have been completed at 14 of the 16 planned well sites. The 65% design is underway and will be completed in November 2011.

Environmental Phase – The EIR Notice of Preparation was issued in June 2009. Environmental field surveys have been completed for all sites. Work on the administrative draft EIR is underway. Potential groundwater pumping impacts that need to be analyzed in the EIR include: well interference, subsidence, sea water intrusion, effects on surface water bodies, and water quality. Analysis of these impacts cannot be completed until there is agreement between SFPUC, Daly City, Cal Water and San Bruno on the operating parameters of the proposed project, which includes the operation of the partner agencies' own wells in addition to new Project wells.

Right-of-Way Phase – Eleven of the sixteen wells will be constructed on SFPUC owned property. The remaining five wells are on property owned by other parties that will require post-CEQA acquisition. In addition, the project requires eight Access Easements and five Pipeline Easements. Discussions and coordination with the property owners has been ongoing.

Test Well Construction - The Bid and Award phase is underway for construction of six test wells in early 2012. The test wells, commonly used in groundwater projects, will provide important water quality and well yield information to identify and resolve environmental and design issues. After certification of the Project EIR and assuming Commission approval of the Project, the test wells can be converted to permanent project production wells by installing pumps and related accessory equipment that will allow the delivery of groundwater to end users.

Outreach - Over the last three years the SFPUC has held GSR Project outreach meetings with a variety of local stakeholders including the City of South San Francisco, Town of Colma, cemetery and golf club irrigation



pumpers, San Mateo County, BART, Jefferson School District, and San Francisco International Airport.

### **Existing and Planned Pumping**

The Participating Pumpers are the only municipal water suppliers in the South Westside Basin. Several golf courses, cemeteries, and parks also pump water from the basin for irrigation purposes. In 2004, three Lake Merced area golf courses replaced groundwater with recycled water produced by Daly City for a majority of their irrigation needs.

While not within the GSR Project area, North Westside Basin pumpers include Golden Gate Park, the SF Zoo, and a private school. As part of the WSIP San Francisco Groundwater Supply Project, the SFPUC is planning to develop 4 mgd of groundwater supply from the North Westside Basin for regular and emergency water supply purposes that will be blended with imported surface water. The North Westside Basin cannot be operated conjunctively because it lacks unused water storage space – instead, groundwater would be pumped on a regular basis, similar to the operation of the SFPUC's Sunset Well Field between 1930 and 1935.

### **History**

The GSR Project was initially identified in SFPUC planning studies conducted in the late 1980's. Historic groundwater levels had been depressed up to 300 feet below sea level, providing an ideal setting for conjunctive use. In 1995, the Commission adopted Resolution No. 95-0082 directing staff to develop a conjunctive use program with the Participating Pumpers with three goals: (1) increasing and stabilizing water levels in Lake Merced and the underlying aquifer; (2) increasing the reliability of the SFPUC system during drought periods; and (3) long term management and maintenance of the aquifer as a sustainable resource.

In 2001, the environmental group California Trout filed a complaint with the State Water Resources Control Board concerning Lake Merced and the Westside Basin Aquifer. The complaint named all major pumpers in the Westside Basin and alleged that groundwater pumping from the Westside Basin harmed public trust resources in Lake Merced. As a result of the complaint, the SFPUC, Daly City, Cal Water, San Bruno, and three Lake Merced-area golf clubs agreed to voluntary mediation with Cal Trout and other environmental stakeholders. The following accomplishments are a result of mediation, or as an outgrowth of that cooperation:

- Construction of a recycled water plant in Daly City to provide irrigation water supplies to three golf clubs near Lake Merced in place of groundwater pumping. The SFPUC contributed \$1 million towards the capital cost of this facility. Recycled water deliveries started in 2004.
- Installation of a coastal and bay-side sea water intrusion monitoring well network.

- Ongoing coordinated work to develop a Westside Basin computer groundwater model. The effort is led by Daly with support from Cal Water, San Bruno and the SFPUC.
- Implementation of a conjunctive use pilot study with Daly City, Cal Water, and San Bruno in which these entities reduced pumping and purchased supplemental surface water from the SFPUC. The results of this pilot study indicate that conjunctive use is viable in the South Westside Basin.
- Implementation of an Annual Groundwater Monitoring Program for the Westside Basin. The SFPUC leads this effort with support from Daly City, Cal Water, and San Bruno.
- Initiation of a process to develop a Groundwater Management Plan for the South Westside Basin. San Bruno leads this effort with participation by Daly City, Cal Water, the SFPUC and other stakeholders.

#### **Operating Agreement**

The SFPUC, the Participating Pumpers, and respective counsel for the parties began drafting provisions of a proposed operating agreement for the GSR Project in February 2007. Key elements of the operating agreement currently under consideration include the following:

Project Operations- In wet and normal water years, the SFPUC may have supplemental surface water available for delivery to storage in the southern Westside Basin. The hydrologic impacts of this proposed operation were analyzed in the program EIR for the Water System Improvement Program approved by the SFPUC in 2008. The operating agreement would require Daly City, Cal Water and San Bruno to take delivery of up to 5.52 mgd of supplemental surface water supplies using their existing turnouts on SFPUC transmission pipelines in lieu of pumping groundwater. As a result of these deliveries, up to 61,000 acre feet of groundwater storage credits would accrue in a "SFPUC Storage Account" managed for the benefit of all system customers.

During droughts, emergencies, and scheduled maintenance on the SFPUC Regional Water System, the SFPUC and the Participating Pumpers would extract water from the SFPUC Storage Account using new Project wells, up to a maximum rate of 7.2 mgd and a maximum annual volume of 8,100 acre feet. This pumping would increase the volume of surface water available to all SFPUC retail and wholesale customers.

Project Water Accounting - Groundwater storage credits would accrue to the SFPUC Storage Account for each unit of surface water that replaces groundwater production by the Participating Pumpers during wet and normal water years. The Participating Pumpers would not pay for supplemental surface water that replaces groundwater production at the time of delivery – the water provided would be considered a delivery to storage. Instead, the

Participating Pumpers would pay for water they pump from the SFPUC Storage Account using Project wells at the established SFPUC wholesale water rate. Water may only be pumped from GSR Project wells if there is a credit balance in the SFPUC Storage Account – no overdrafts would be allowed. During drought years, the volume of water available to each Participating Pumper from the SFPUC system, comprised of reduced surface water deliveries and water pumped from Project wells, would not exceed the amount of water otherwise available to them under the Tier 2 of the Water Shortage Allocation Plan between the SFPUC and BAWSCA. Water pumped from GSR Project wells for non-Project purposes (e.g., a localized emergency in a Participating Pumper's service area) would not be debited from the SFPUC Storage Account.

Ownership, Operation and Maintenance of Participating Pumpers' Existing Wells - The Participating Pumpers would continue to own, operate and maintain their own wells ("Existing Facilities"). The Participating Pumpers would be obligated to maintain their Existing Facilities so that in the event of a multi-year drought, the Existing Facilities would be capable of meeting their service area demands coupled with production from new Project wells.

Ownership, Operation and Maintenance of Project Wells - The SFPUC would own all GSR Project facilities and the real property rights that are required to construct those facilities. The SFPUC and the Participating Pumpers would operate and maintain Project wells connected to their respective water systems and be responsible for drinking water permitting requirements established by the California Department of Public Health.

GSR Project Cost Recovery - Project capital costs would be recovered through debt service charges for bonds used to construct Project facilities that are factored into wholesale and retail water rates set by the SFPUC. GSR Project Operations and Maintenance Expenses incurred by Daly City, Cal Water and San Bruno and the SFPUC would be classified as Regional expenses under the wholesale Water Supply Agreement, meaning that the Participating Pumpers would recover such expenses on an annual basis, unless such expenses were incurred for non-Project operating purposes such as a localized emergency.

GSR Project Administration - An Operating Committee made up of SFPUC and Participating Pumper representatives would develop annual budgets and operating plans for Project wells.

Outstanding Issue - The SFPUC has no rights to pump water in the south Westside Basin because it has no wells or production history in that part of the Basin. The Participating Pumpers each have appropriate groundwater rights to the native yield of the Basin. The SFPUC would have the right to pump water it imports and stores in the Basin during wet and normal years under California law. The tension between these two interests has been the subject of intense discussion for over a year.

The Participating Pumpers' rights can be formally quantified in only two ways. A time consuming groundwater adjudication involving all major pumpers,

including third party irrigation well owners, would establish such rights through a superior court judgment as against the public at large. Alternatively, groundwater pumpers may agree by contract to limit the exercise of their rights among themselves. The Participating Pumpers each must agree to limit their future groundwater production in the Operating Agreement in order to protect the ability to extract water from the SFPUC storage account for the benefit of all customers of the Regional Water System. Without such agreement, excessive pumping could result in the gradual draining of the SFPUC Storage Account and potentially cause impacts to other water supply wells.

Modeling performed by the parties suggests that the Participating Pumpers can pump a total of 6.9 mgd without causing continued decline in basin water levels. While Daly City, Cal Water and San Bruno agree that the overall pumping limit of 6.9 mgd is accurate, they want the flexibility to adjust the apportionment of this total volume among themselves on an annual basis. They also want to be able to pump in excess of 6.9 mgd, provided that total pumping does not exceed 6.9 mgd on a 5-year rolling average basis. The Operating Agreement provisions currently under consideration would also permit the Operating Committee to unanimously agree to increase pumping above the 6.9 mgd limit based on actual operating experience or other circumstances, provided that doing so would not cause continued decline in basin water levels.

The current outstanding issues relate to the amount of flexibility that should be provided in implementing the 5-year rolling average.

Process for Approval of Operating Agreement - The environmental impacts of GSR Project operation described in the Operating Agreement would be analyzed in the Project EIR along with the impacts of constructing Project facilities. The Operating Agreement can only be approved if the San Francisco Planning Commission certifies the Project EIR and the SFPUC as the Project sponsor approves the project. Following these actions, the SFPUC and the Participating Pumpers may consider approval of the Operating Agreement.

**Recommendations:** We have made significant progress and have resolved most of the outstanding issues and appreciate the time and energy that Daly City, Cal Water and San Bruno have dedicated to resolving these issues. However, there are still a few outstanding issues to resolve largely related to the amount of flexibility to incorporate within the 5-year rolling average. We expect to resolve these issues in the next two weeks. In the meantime, the EIR analysis remains on hold pending resolution of the remaining issues. We will report back at the December 13 or January 10 Commission meeting on the resolution of the remaining issues and the related feasibility of the proposed GSR project.

Memo to Commissioners  
Regional Groundwater Storage and Recovery Project  
November 2, 2011  
Page 8 of 8

Attachment 1 – GSR Fact Sheet  
Attachment 2 – Regional Map

cc: Art Jensen, BAWSCA  
Rob Guzzetta, California Water Service Co.  
Pat Martel, Daly City  
Connie Jackson, San Bruno



**Attachment 1**

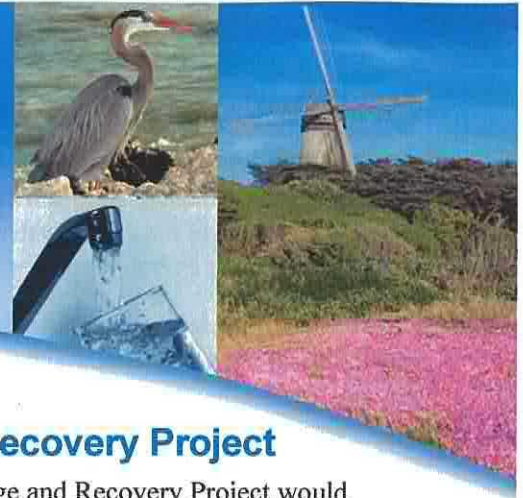
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# Regional Groundwater Storage and Recovery Project

Creating Local and Reliable Water Sources

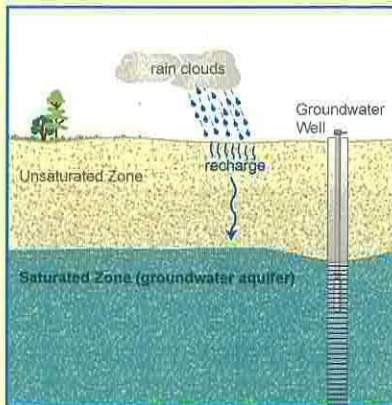
Hetch Hetchy Regional Water System

Services of the San Francisco Public Utilities Commission



## What is Groundwater?

Groundwater—also known as well water—is a naturally occurring source of local, renewable, fresh water located underground. As rainwater seeps into the ground, it moves downward between soil particles and collects in an underground geologic reservoir. When such a reservoir can readily yield water to springs or wells, it is called an aquifer and is a potential source of drinking water.



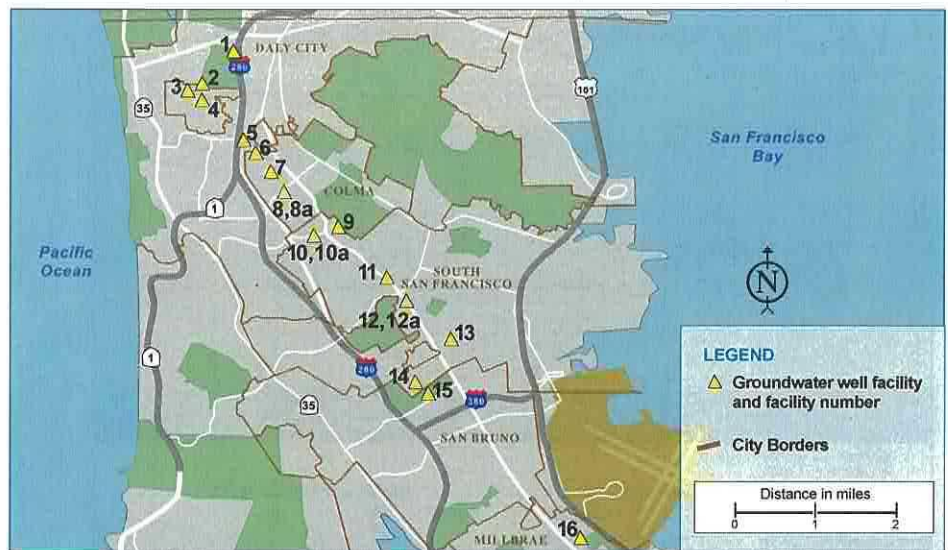
## A Vital Drinking Water Source

Groundwater is a source of drinking water and is part of the water supply for many communities throughout California. Approximately 40% of the State's drinking water comes from groundwater. The cities of South San Francisco, Daly City, and San Bruno have been pumping groundwater from the Westside Groundwater Basin for drinking water and irrigation for almost 100 years.

## Proposed Regional Groundwater Storage and Recovery Project

The proposed Regional Groundwater Storage and Recovery Project would balance the use of both groundwater and surface water to increase water supply reliability during dry years or in emergencies. The proposed project is located in San Mateo County and is sponsored by the Hetch Hetchy Regional Water System in coordination with its partner agencies, the California Water Service Company, City of Daly City and City of San Bruno. The partner agencies currently purchase wholesale surface water from us and also independently operate groundwater production wells for drinking water and irrigation.

The proposed Regional Groundwater Storage and Recovery Project would extract groundwater from the South Westside Basin groundwater aquifer in San Mateo County. The South Westside Basin aquifer is within the larger Westside Basin aquifer, which extends from Golden Gate Park in San Francisco south to Burlingame. The trough-shaped basin is filled with sand, silt and clay sediments, and groundwater is stored between the sand and silt particles. Westside Basin wells typically draw water from depths of between 300 and 700 feet below the ground surface.



The proposed project would include installation of up to 16 new recovery well facilities in northern San Mateo County to pump stored groundwater during a drought. During years of normal or heavy precipitation, the proposed project would provide surface water to the partner agencies in order to reduce the amount of groundwater pumped. Over time, the reduced pumping would result in the storage of approximately, 61,000 acre-feet of water. This would allow recovery of this stored water at a rate of up to 7.2 million gallons per day for a 7.5-year dry period. The water would be in compliance with the California Department of Public Health requirements for drinking water supplies. The proposed project would include construction of well pump stations, disinfection units and piping.



## How Would the Proposed Project Work?

Groundwater storage and recovery—also called “conjunctive use”—is the coordinated management of surface water and groundwater supplies to maximize the sustainable yield of the overall water resource. Conjunctive use is becoming a key part of the state’s overall water management strategy.

As part of this proposed project, surface water would be used instead of groundwater in wet years. This would increase the amount of groundwater stored in the aquifer by allowing it to recharge through rainfall and decreased pumping. In dry years or during drought conditions when less surface water is available, groundwater would be pumped from the expanded underground storage at new recovery groundwater well facilities.

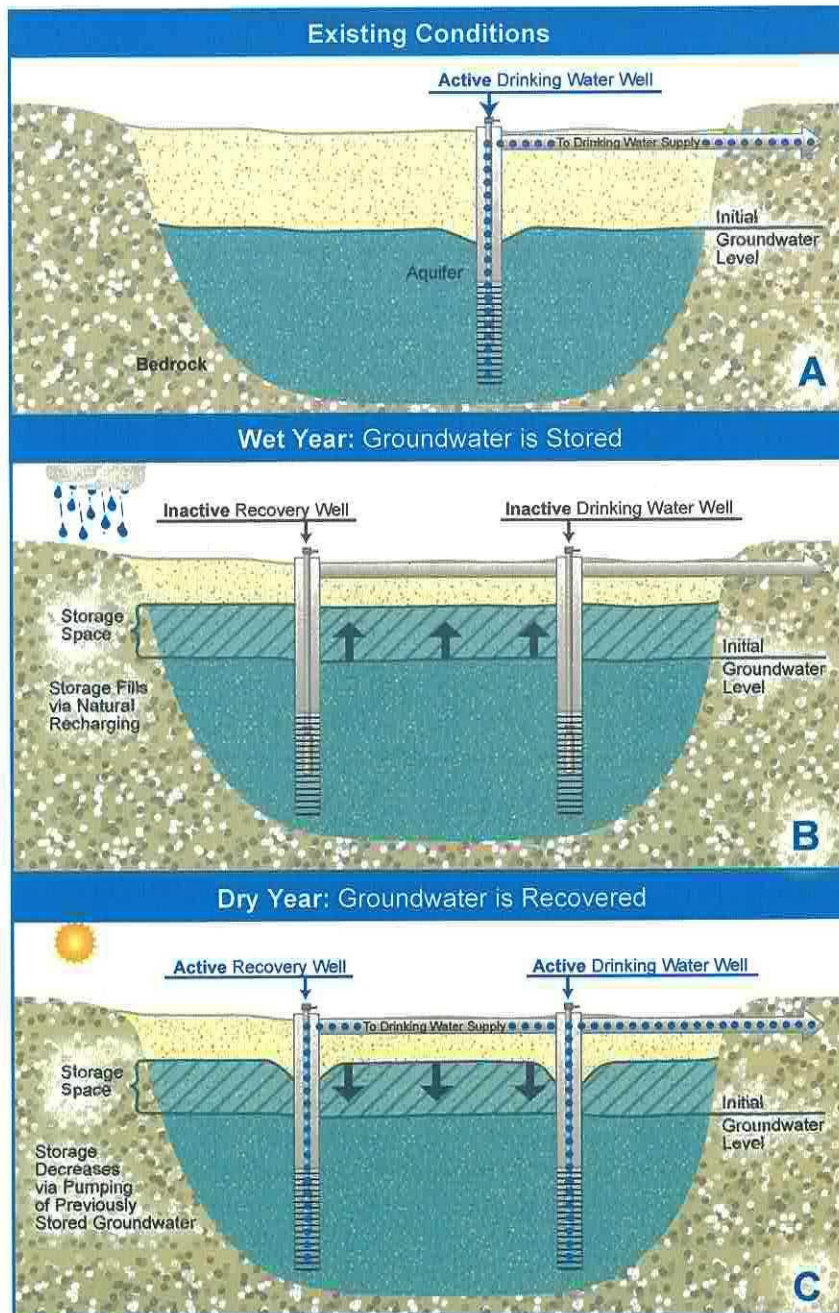


Figure (A) reflects the existing groundwater conditions, showing available storage space above the aquifer. In (B) the upward arrows represent the filling of the storage space with groundwater during wet years; in (C) the downward arrows represent the decline in stored water during dry years.

## Other Locations Implementing Groundwater Storage/ Recovery Programs

Many water agencies in California operate groundwater storage and recovery—or conjunctive use—programs. Bay Area agencies include the Santa Clara Valley Water District, the Alameda County Water District and Zone 7, serving Livermore, Pleasanton and Dublin.

## Groundwater and the Regional Water System

The Regional Groundwater Storage and Recovery Project is part of the \$4.4 billion Water System Improvement Program to upgrade the Hetch Hetchy Regional Water System and ensure continued reliable water delivery to more than 2.5 million Bay Area customers.

### Schedule

**Environmental Review:** 2009 to 2013

**Design:** 2009 to 2013

**Construction:** 2013 to 2015

*Dates subject to change*



Hetch Hetchy  
**Regional  
Water  
System**

Services of the San Francisco  
Public Utilities Commission



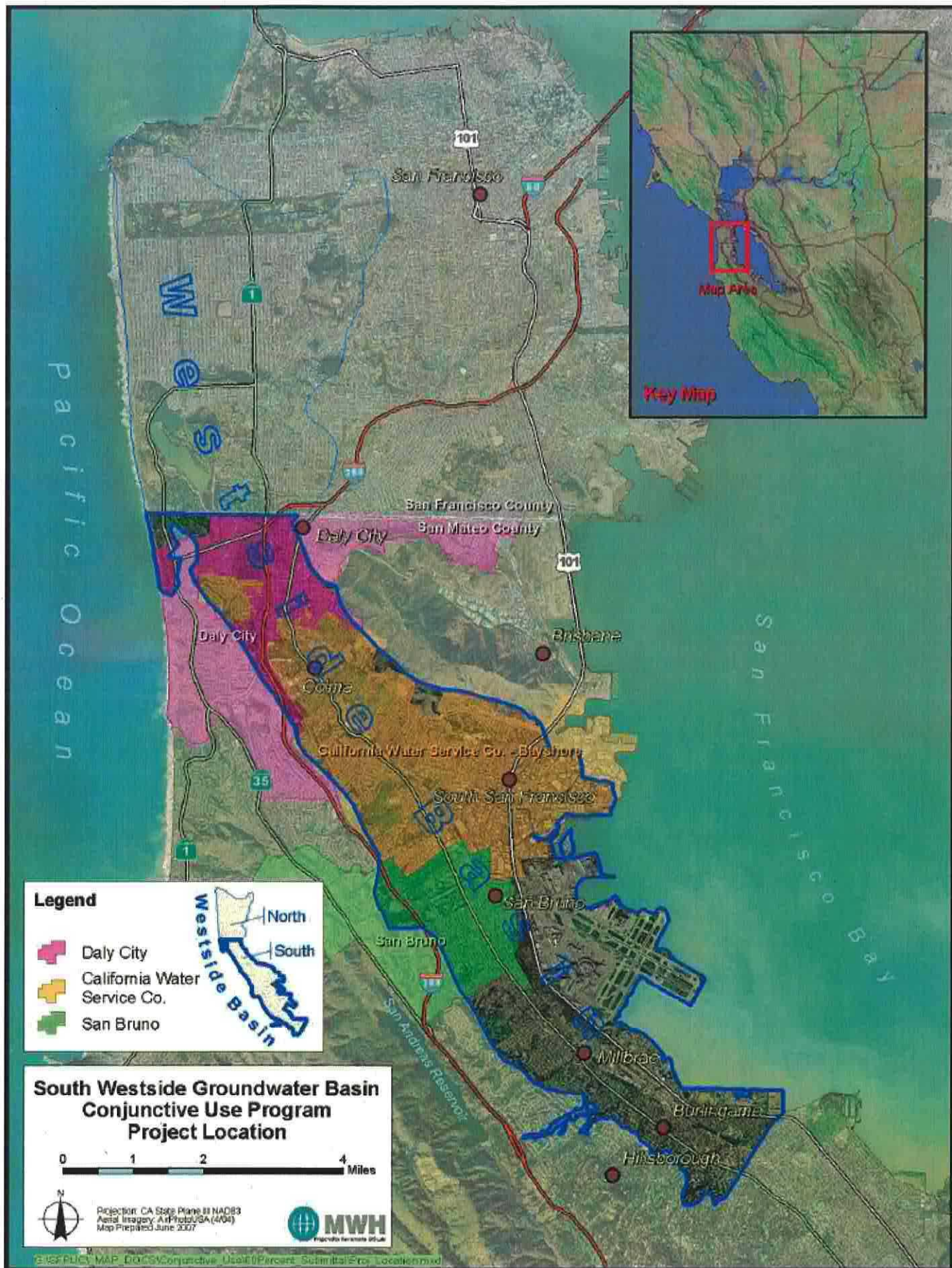
**HETCH HETCHY  
WATER SYSTEM  
IMPROVEMENT  
PROGRAM**

### Contact Information

Michele Liapes, Communications  
415-554-3211 mliapes@swater.org

[www.swater.org/groundwater](http://www.swater.org/groundwater)





Attachment 2

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title: Federal Energy Regulatory Commission (FERC) Process - Update**

**Summary**

This memorandum summarizes BAWSCA's recent involvement with the preliminary scoping process for the Federal Energy Regulatory Commission's relicensing of the New Don Pedro Project.

The Federal Energy Regulatory Commission (FERC) license for hydropower facilities at the New Don Pedro Project operated by Modesto Irrigation District and Turlock Irrigation District (the Districts) will expire in 2016. The Districts jointly own and operate New Don Pedro and hold a license from FERC. In February of this year, the Districts initiated procedures to renew the FERC license for the New Don Pedro Project.

The Districts are scheduled to file a formal application for a new FERC license in early 2014, followed by a year and a half of formal environmental analysis under the National Environmental Protection Act.

In addition to the licensee Districts, the interested parties that have actively engaged in the preliminary relicensing activities so far include:

- State and Federal resource agencies (e.g., California Department of Fish and Game, United States Fish and Wildlife Service, National Oceanic and Atmospheric Administration);
- Public agencies (e.g., City and County of San Francisco, City of Modesto, BAWSCA);
- Environmental interest groups (e.g., Tuolumne River Trust, Restore Hetch Hetchy);
- Local citizens and regional interest groups (e.g., Lower Tuolumne Farmers, Mapes Ranch).

**Fiscal Impact**

BAWSCA's involvement with the FERC relicensing of the New Don Pedro Project was anticipated and is included in the adopted FY 2010-2011 budget. Expenditures to date, estimated at \$37,000, have been focused on legal assistance with monitoring the scoping process, attending scoping meetings on the subjects most strongly related to BAWSCA's interests, and developing a record of pre-application proceedings. These expenditures ensure that BAWSCA has a visible presence in the relicensing process and that it will be well-positioned to take a more active role should the need arise. At this time, no change to the existing budget for Hanson Bridgett is proposed, however it may be necessary to address modifications during the mid-year budget review.

**Recommended Board Action**

Discussion Item. No Board action required.

**Background**

In 1964, FERC issued a 50-year license (with an effective date of May 1, 1966) to the Districts for the 161-megawatt New Don Pedro Dam and Reservoir, which submerged and replaced the original Don Pedro Dam, built in 1924.

The New Don Pedro Reservoir began commercial operation in 1971, and is operated to provide irrigation storage, hydroelectric power, flood control storage, recreational benefits, fish and wildlife conservation, and municipal water supply. Article 37 of the New Don Pedro Project license established minimum flow releases for the first 20 years of operation (1971-1991) and reserved FERC's authority to revise the minimum flow requirements after 20 years. The current license expires in 2016, and the preliminary stages of the relicensing process began earlier this year.

The Hetch Hetchy system regulates the inflows to the New Don Pedro Project. San Francisco agreed to help finance construction of the New Don Pedro Project in return for storage rights in the New Don Pedro Reservoir. San Francisco exercises these rights in the form of a water banking agreement with the Districts, whereby San Francisco at times allows some of the water it could have diverted from the Tuolumne River to flow downstream for storage in New Don Pedro Reservoir to satisfy the demands of the Districts' senior water rights at other times when San Francisco instead diverts Tuolumne River water in excess of its entitlements. This arrangement allows San Francisco to use a greater portion of its upstream storage reservoirs for municipal water supply.

Currently, the relicensing proceedings are in the early pre-application scoping process. This process involves approximately three years of preliminary collaboration between the Districts and interested parties for development of the studies to be used in the formal environmental analysis of the Districts' 2014 application. The previous license was for a term of 50 years. The new license will be issued for a term between 30 and 50 years, at FERC's discretion.

BAWSCA has monitored the scoping meetings since their inception, paying particular attention to issues that have the greatest potential to shape release flow requirements under the terms of the new FERC license. Changes to the license requirements for release flows at New Don Pedro Dam could significantly increase the amount of water required to be released from New Don Pedro for environmental purposes. San Francisco has rights to store exchange water in New Don Pedro and may potentially have responsibility for a portion of any increased flows required by FERC, thereby potentially affecting water supplies available to BAWSCA agencies.

A copy of the comments on FERC's relicensing scoping process filed earlier this year by BAWSCA's CEO, Art Jensen, is attached to this memo, without enclosures, for your information.

Attachment:

- June 10, 2011 BAWSCA comments on Scoping Document 1 and Pre-Application for Environmental Impact Statement on relicensing of the Don Pedro Project



# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

June 10, 2011

Honorable Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, D.C. 20426

**Re: Don Pedro Hydroelectric Project (P-2299-075) – Comments on Scoping Document 1 and Pre-Application Document for Environmental Impact Statement on Relicensing of the Don Pedro Project**

Dear Secretary Bose:

The Bay Area Water Supply and Conservation Agency ("BAWSCA") submits the following comments on the Scoping Document 1 and the Pre-Application Document ("PAD") for the Environmental Impact Statement ("EIS") for the relicensing of the Don Pedro Hydroelectric Project, and provides additional information related to the scoping of the of the Project. BAWSCA has and shall continue to participate in the general Relicensing Participant meetings and Water Resources Work Group meetings hosted by the applicants, Turlock and Modesto Irrigation Districts (the "Districts"). BAWSCA also monitors all filings made with the Federal Energy Regulatory Commission ("FERC") under the P-2299-075 docket number.

BAWSCA is a special district that represents the interests of twenty-four cities and water districts and two private utilities that purchase water wholesale from the San Francisco Regional Water System ("SFRWS"). These entities provide water to 1.7 million people, businesses and community organizations in Alameda, Santa Clara and San Mateo counties, a total of two-thirds of the water delivered by the SFRWS. The BAWSCA agencies are long-term wholesale purchasers of water from San Francisco. BAWSCA's governing board includes representatives from each of its twenty-six member agencies.

BAWSCA's predecessor organization, the Bay Area Water Users Association ("BAWUA") intervened in prior FERC proceedings relating to the Don Pedro Hydroelectric Project because of the potential effects of FERC licensing on water supply reliability in the Bay Area. The connection between FERC licensing of the Don Pedro Project and water supply in the Bay Area continues today. Water from the Tuolumne River is essential to supply BAWSCA's member agencies with water for domestic, municipal, commercial and industrial needs. The SFRWS is dependent on and obtains 85 percent of its water supply from the Hetch Hetchy Water and Power System, which is located on the Tuolumne River upstream of the Don Pedro Project. Current operation of the Don Pedro Project balances the competing needs of multiple water users and natural resources that depend on the Project for water supply.

Any future operating scenarios in the EIS that change the current operation of the Don Pedro Project or reduce the availability of water to BAWSCA member agencies must consider the effects that a reduction in water supply would have on Bay Area communities. Water from the Don Pedro Project affects socioeconomic conditions in the service areas of BAWSCA's twenty-six member agencies that rely on consumptive water deliveries from the SFPUC. (See PAD Sections 5.9 and 6.1.10). The EIS must analyze how any future operating scenarios of the Don Pedro Project affect the availability of water to existing uses in the Bay Area and must analyze the scope and severity of the impacts to the local economy. It is BAWSCA's understanding that on July 25, 2011, the Districts will

Honorable Kimberly D. Bose, Secretary  
June 10, 2011

be submitting a proposed study plan addressing foreseeable socioeconomic impacts associated with any changes in operations at Don Pedro Reservoir occurring as a consequence of relicensing. Although no draft of the Districts' proposed socioeconomic study plan has yet been made available for review, the proper scope of any socioeconomic study will depend on the specifics of any proposed alterations to existing operations. At this time the potential alternatives to current operations remain unknown.

In response to Scoping Document 1's request for information that can help provide a framework for future analysis, BAWSCA refers to and incorporates by reference my answer testimony and two related exhibits from the 2009 Administrative Law Judge Proceeding for Projects Nos. 2299-065 and 2299-053. These documents describe BAWSCA's interests in FERC's relicensing of the Don Pedro Project as well as the general socioeconomic effects that would result from a reduction in water deliveries to the Bay Area community. See Exhibit No. BAW-1, Answer Testimony of Arthur R. Jensen on Behalf of the Bay Area Water Users Association (10/6/2009, Accession No. 20091129-0088); Exhibit No. BAW-2, Resume for Arthur R. Jensen (10/6/2009, Accession No. 20091129-0089); Exhibit No. BAW-3, An Economic Evaluation of the Water Supply Reliability Goal in the SFPUC Water System Improvement Plan (10/6/2009, Accession No. 20091129-0090). For convenience and to ensure that they are fully incorporated into the record for the current proceedings, a copy of these documents is enclosed herein.

BAWSCA appreciates the opportunity to provide these comments and looks forward to participating in the relicensing of the Don Pedro Hydroelectric Project.

Sincerely,



Arthur R. Jensen  
Chief Executive Officer/General Manager

cc: General Manager, Modesto Irrigation District  
General Manager, Turlock Irrigation District  
General Manager, San Francisco Public Utilities Commission

# Board Policy Calendar for FY 2011-12

Board Meeting	Purpose	Issue or Topic
July	D&A D&A S&D	Rules of the Board – Proposed modifications General Reserve policy SFPUC WSIP analysis of construction bids
September	D&A S&D S&D	Management of General Reserve SF WSIP – Annual Progress Report & Compliance with AB 1823 Water Supply Agreement – Report on second year administration
November	D D&A	Water Supply Strategy – Policy decisions and schedule CEO Performance review
January	D&A D&A S&D D D	BAWSCA Mid-year progress and budget review Management of General Reserve Water Supply Strategy – Progress report Discussion of results to be achieved during FY 2011-12 <b>Release of Annual Water Conservation Report FY10-11</b>
March	D D&A	Discussion of preliminary Work Plan and budget for FY2012-13 Water Supply Strategy – Policy Decisions
May	D&A D&A	Adoption of Work Plan and Operating Budget for FY 2012-13 Approval of annual contracts for FY2012-13

Key: D = Discussion, A = Action, S = Status Report

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**Bay Area Water Supply and Conservation Agency  
and Regional Financing Authority**

**Meeting Schedule through June 2012**

<b>Schedule for BAWSCA Board Meetings (Meetings are held from approx. 7:00 – 9:00 p.m.)</b>	
<b><u>Date</u></b>	<b><u>Location</u></b>
Thursday – November 17, 2011	Wind Room, Foster City Community Center
Thursday – January 19, 2012	Wind Room, Foster City Community Center
Thursday – March 15, 2012	Wind Room, Foster City Community Center
Thursday – May 17, 2012	Wind Room, Foster City Community Center

<b>Schedule for RFA Board Meetings (Meeting time will be announced)</b>	
<b><u>Date</u></b>	<b><u>Location</u></b>
Thursday – January 19, 2012	Wind Room, Foster City Community Center

<b>Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.)</b>	
<b><u>Date</u></b>	<b><u>Location</u></b>
Wednesday, December 14, 2011	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday, February 8, 2012	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday, April 11, 2012	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday, June 13, 2012	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING**

**November 17, 2011**

Media coverage of interest between October 24, 2011 and November 10, 2011.

*Attached documents are being provided to you for your information and are not in the agenda for discussion.*

**Correspondence**

Date: November 10, 2011  
From: Arthur Jensen, Chief Executive Officer  
To: BAWSCA Board of Directors  
Re: Chief Executive Officer's Letter

*Topics Covered in the CEO Letter:*

1. *Tentative Resolution of Outstanding Issues (Wholesale Revenue Requirement)*
2. *SFPUC Water Purchases During FY 2011-12*
3. *SFPUC Water Rate Setting for FY2012-13 (attachment)*
4. *Report on the Ability for Water Utilities and Fire Protection Agencies to Respond to Fire Following Earthquake*
5. *Landscape Education Program (attachments)*

Date: November 4, 2011  
From: The Hon. Devin Nunes, Congressman, 21<sup>st</sup> District, California  
To: The Hon. Rodney Frelinghuysen, Chairman Subcommittee on Energy and Water Development, and Related Agencies Committee on Appropriations  
Re: Delta and Hetch Hetchy

Date: November 4, 2011  
From: The Hon. Devin Nunes, Congressman, 21<sup>st</sup> District, California  
To: The Hon. Jeb Hensarling, Co-Chairman Joint Select Committee on Deficit Reduction  
The Hon. Patty Murray, Co-Chairwoman Joint Select Committee on Deficit Reduction  
Re: Deficit Reduction on Hetch Hetchy Deficit Revenue Raiser

**Media Coverage**

**Water Supply**

Date: November 3, 2011  
Publication: Modesto Bee  
Opinion: MID looking at sale to SF in right way

Date: October 29, 2011  
Publication: Modesto Bee  
Article: Modesto Irrigation District water deal stirs up debate

Date: October 28, 2011  
Publication: Modesto Bee  
Article: MID water sale meetings draw a strong response

Date: October 27, 2011  
Publication: Modesto Bee  
Article: Inside OID's successful water transfers

Date: October 25, 2011  
Publication: Modesto Bee  
Article: Modesto district's proposed water deal with San Francisco would net millions

Date: October 24, 2011  
Publication: San Francisco Examiner  
Article: San Francisco gave contracts a \$300M boost, some without review

**Water Quality**

Date: November 2, 2011  
Publication: San Francisco Chronicle  
Article: SFPUC: If your water stinks, don't be alarmed

**Other**

Date: November 5, 2011  
Publication: USA Today  
Article: Earthquakes have a bigger health toll than other disasters

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# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

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155 Bovet Road, Suite 302  
San Mateo, California 94402  
(650) 349-3000 tel. (650) 349-8395 fax

## **MEMORANDUM**

**TO:** BAWSCA Board of Directors  
**DATE:** November 10, 2011  
**FROM:** Arthur R. Jensen, Chief Executive Officer  
**SUBJECT:** Chief Executive Officer's Letter

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### **Tentative Resolution of Outstanding Issues (Wholesale Revenue Requirement)**

SFPUC and BAWSCA staff members have tentatively agreed on ways to resolve issues about how certain expense items were treated in calculating the FY08-09 wholesale revenue requirement and wholesale water rates. An issue was whether certain expenses benefitted the wholesale customers. For example, subsequent review by the SFPUC confirmed that expenses related to the maintenance of Lake Merced and the City's 311 call center should not be charged to the Wholesale Customers. A credit owed to the Wholesale Customers of approximately \$1M has been calculated and verified. A memorandum of understanding (MOU) is currently being reviewed by respective legal counsels. Issues involving FY09-10 are still being discussed but resolution should be reached by the end of December.

### **SFPUC Water Purchases During FY 2011-12**

Wholesale water purchases from the SFPUC were down 9 percent for the first four months of the fiscal year. Not since FY1992-93 have combined purchases for July, August, September and October been this low. This reduction in purchases is greater than expected, especially for summer months, and is attributable to several possible factors: a relatively cool climate, a weak economy, conservation and the higher cost of water.

### **SFPUC Water Rate Setting for FY 2012-13**

Given that purchases were low during the high-water-use portion of this year makes it likely that SFPUC revenues will be lower than needed this fiscal year, requiring a higher-than-projected adjustment to wholesale water rates for next fiscal year. Wholesale water rates for FY2012-13 were previously projected to increase by about 10 percent.

The CEO submitted the attached letter to Mr. Harrington, praising portions of the rate setting process the SFPUC followed last Spring, and offering assistance to ensure that the FY2012-13 wholesale water rates would be set in a manner consistent with the Water Supply Agreement.

Mr. Harrington has said the SFPUC will consider ways to minimize rate increases, including the possible deferral of cash-funded capital improvements and leaving vacant staff position unfilled. The SFPUC is expected to provide BAWSCA with an update on FY2012-13 wholesale rates by the end of November. This information will be shared with our member agencies.

#### **Attachment:**

October 24, 2011 Letter to Ed Harrington regarding Wholesale Water Rate Setting for FY 2012-13



## **Report on the Ability for Water Utilities and Fire Protection Agencies to Respond to Fire Following Earthquake**

A report prepared by the Pacific Engineering Earthquake Research Center and submitted to the California Seismic Safety Commission is expected to be released in the next two months. The report addresses whether water utilities and fire protection entities are coordinated and well-prepared to protect communities from fire following a major earthquake, and includes recommendations to correct or mitigate perceived weaknesses.

The draft report included the following observations and recommendations:

- Many local water distribution systems and fire protection entities are unprepared for such an event;
- Many water providers and fire protection entities do not coordinate effectively;
- Long-term, a regional auxiliary fire protection system should be built.

The report will be available in the next two months, and may attract considerable attention on the April anniversary of the 1906 Earthquake. The staffs of BAWSCA member agencies have been informed and encouraged to read the report and respond to any issues that may relate to their water system or coordination with other entities.

## **Landscape Education Program**

BAWSCA's Landscape Education Program continues to receive the interests of water customers in the services area. Offered in the Spring and Fall of each year since 2006, the program teaches the efficient use of water in the landscape by using California native and drought tolerant plants, drip-irrigation systems, and implementing sustainable landscape practices from composting to graywater irrigation.

Recent media coverage in the San Jose Mercury News and Union City Patch highlighted classes that focused the use of California native and drought tolerant plants as alternatives to lawn. The coverages help promote lawn replacement rebate programs offered by BAWSCA, as well as Santa Clara Valley Water District, and East Bay Municipal Utility District, and others.

The program has expanded to partnerships with the Cities of Palo Alto and Sunnyvale where outdoor spaces were transformed into demonstration gardens for the community. Hands-on workshops were held at these locations and provided participants the opportunity to execute what they learn, as well as assist in developing a demonstration garden for the community to enjoy and learn from.

The Fall 2011 Landscape Education Program includes a total of 26 lecture classes and workshops throughout the service area from August through early November. To date, 25 of the 26 classes have been held with a total attendance of more than 700 people.

The Landscape Education Program is part of BAWSCA's Core Conservation Program.

Attachments:

1. September 19, 2011, Union City Patch
2. July 21, 2011, Mercury News

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

*Via Electronic and U.S. Mail*

October 24, 2011

Ed Harrington, General Manager  
San Francisco Public Utilities Commission  
1155 Market Street, 11th floor  
San Francisco, CA 94103

**Subject: Wholesale Water Rate Setting for Fiscal Year 2012-13**

Dear Mr. Harrington:

I was pleased to receive the SFPUC Rates Administrator's October 11th letter informing BAWSCA that there will not be a wholesale rate reset for Fiscal Year 2011-12. It is also timely for me to share my thoughts about rate setting for next fiscal year, and specifically any action that might change the structure of wholesale water rates.

Last Winter, the SFPUC proposed a rate structure that, initially, appeared to have merit as a means to stabilize revenue to the SFPUC and rates for the Wholesale Customers. However, upon closer analysis, the Wholesale Customers raised concerns and I appreciated your willingness to consider revisions to your staff's water rate recommendations prior to the May 10, 2011 Commission meeting. I was also pleased that, during the meeting, President Vietor proposed the rate resolution amendment directing the SFPUC General Manager to work closely with the Wholesale Customers on development of future rate increases.

Several positive steps have been taken since the May 10th meeting. First, all monthly water use reports now contain a projection of water purchases through the end of the fiscal year, which helps everyone anticipate the impact that water use trends might have on future water rates. Second, by late November, the SFPUC staff is to provide BAWSCA an estimated range of the Revenue Requirement, projected wholesale water deliveries and the resulting rate for Fiscal Year 2012-13. Once that information has been received and reviewed, our staffs should meet (1) to discuss the assumptions, analysis and results, and (2) to ensure that the appropriate steps, as required by the Water Supply Agreement (Agreement), are followed so that discussions can focus on goals and results rather than process.

However, we remain very concerned about potential changes in rate structure. As you know, the Agreement specifies certain steps that must be followed if a change in rate structure is considered so that potential financial impacts to Wholesale Customers are examined and that the evaluation of alternatives takes those effects into account.

The rate reset element of the current rate constitutes a change in rate structure, but its development, evaluation and adoption did not follow the precise process prescribed in the Agreement. Section 6.04.B of the Agreement requires that any proposed change in rate structure be accompanied by a report describing the financial effects on the Wholesale Customers

Mr. Harrington  
October 24, 2011  
Page 2

accompanied by a 60 day comment period. Although variations of rate resets were briefly described in the February 3, 2011 and April 7, 2011 notices to the Wholesale Customers, the rate reset element of the rate increase adopted in May did not appear in its final form on schedule W-25 until the distribution of the agenda packet for the May 10th Commission meeting. The Wholesale Customers did not have sufficient opportunity to comment on this particular reset proposal or work with SFPUC staff to determine whether the reset was a mutually agreeable risk management tool. As a result, the potential financial impacts of the adopted rate reset on Wholesale Customers were not examined or reported.

While the Wholesale Customers did not challenge this new rate structure, their acquiescence to this change in rate structure during this rate year should not be construed as a waiver of the Agreement's provision requiring specified notice for future rate structure changes. I am relieved that wholesale water purchases through September made it unnecessary to implement the current rate reset provision. As your staff prepares to share the Revenue Requirement and projected deliveries and rates for next year, please let me know if there are concepts or issues the two of us should discuss. I am committed to working collaboratively with you to set the appropriate ground work for a smooth rate setting process in the coming year.

Sincerely,



Arthur R. Jensen  
CEO and General Manager

cc: Todd Rydstrom, SFPUC, Asst. General Manager/CFO, Business and Financial Services  
John Ummel, BAWSCA, Sr. Administrative Analyst

## Water District Offers \$500 Rebates for Water-Efficient Lawns

Tri-City residents can cash in on the Alameda County Water District's new Lawn-Be-Gone rebate program. Learn more at the district's October class.

**Union City Patch: September 19, 2011**

*By Alameda County Water District*

The Alameda County Water District is offering rebates of up to \$500 to Tri-City residents who convert their lawns to water-efficient landscaping.

“Replacing a traditional lawn with eco-friendly plants and flowers results in a landscape that provides long-term benefits to the homeowner and the environment,” said Stephanie Penn, ACWD water conservation specialist. “Water-efficient landscaping conserves water, is easy to maintain, and is exciting and stylish.”

When Sophie, a part-time environmental artist in Fremont, heard about ACWD's new Lawn-Be-Gone rebate program, she jumped at the opportunity to replace her water-thirsty front lawn with a new water-efficient landscape that would require less maintenance and fewer chemicals. She took the following steps to reinvent her landscape:

**Design Concept** - Sophie worked closely with her landscaper to come up with a plan for her new front yard. She chose a design that incorporated three California habitat types: chaparral, sage scrub and desert.

**Plant Selection** - Sophie selected a diverse variety of low water use plants. A few of her favorites include western redbud, island bush poppies, yarrow and manzanita. ACWD maintains a list of low water use plants that are eligible for the program.

**Hardscape** – Sophie carefully situated her new plants among granite boulders and raised features, lending her garden both structure and a natural appearance. She also replaced her concrete walkway with a path made of permeable decomposed granite to reduce storm water runoff and encourage infiltration.

**Water Efficiency** – In addition to choosing the right plants, water efficiency requires an efficient drip irrigation system with a pressure regulator and the use of at least of three inches of mulch around the plantings to reduce evaporation.

**Turf Removal** - Sophie chose a technique of turf removal known as “sheet mulching,” which involves smothering the lawn with cardboard and compost. Sheet mulching is a great choice because planting can begin immediately, it is chemical free, and there is no need for offsite waste disposal.

**New Landscape Installation** – Fall is a good time to install a new landscape because the new plants, which require additional water to become established, can take advantage of winter rains.

**Reap the benefits** – Sophie’s new front yard is a diverse, low water use landscape that will serve as habitat for wildlife and save her money on water bills, fertilizer, and maintenance.

Program Details:

- Rebates of up to \$500 are available to single-family homeowners.
- Rebates of up to \$3,000 are available to multi-family complexes and commercial properties.
- Rebates are based on the number of square feet of turf replaced.
- Rebates are issued on a first-come, first-served basis.
- To be eligible for a rebate, customers must be pre-approved by ACWD.

To help local residents learn more about the process of converting a lawn to water-efficient landscaping, ACWD will host an “Alternatives to Lawn” class on Saturday, Oct. 22, from 9 a.m. to noon. The class will take place at ACWD headquarters at 43885 S. Grimmer Blvd., Fremont. Register for the class by calling 650-349-3000 or emailing [landscape@bawsca.org](mailto:landscape@bawsca.org).

For more information about ACWD’s Lawn-Be-Gone Rebate Program, including eligibility and program requirements, call Stephanie Penn at 510-668-6534 or visit [www.bawsca.org](http://www.bawsca.org).

Before beginning any landscape plan it’s important to check with your city, and in many cases your homeowners association, about any regulations or permit requirements that may apply to you.

# The Mercury News

MercuryNews.com

## Sunnyvale hopes to lead by example with water-efficient garden and free classes

By Alia Wilson, Sunnyvale Sun  
awilson@community-newspapers.com

Posted: 07/21/2011 08:04:30 PM PDT

Updated: 07/21/2011 08:04:30 PM PDT

For the fifth year in a row, the city of Sunnyvale and the Bay Area Water Supply and Conservation Agency are hosting free landscape education classes with an emphasis on water efficiency. New this year, the classes will include hands-on workshops that will allow participants to create a model landscape in front of city hall, which will serve as an example for other residents.

Lawn alternatives, edible gardening and water-efficient irrigation practices are just a few of the classes that will start Aug. 6, with the hands-on workshops taking place Oct. 1 and 8.

"People interested can come and get their hands dirty and create a model landscape to serve as a focal point for the city, but also as something for the community to refer to," said Dustin Clark, the city's environmental sustainability coordinator. "We're hoping that this first one will be such a success that we'll be able to expand. The hope is to identify as many sites in the city and create a groundswell."

According to a 2006-07 study by the Bay Area Water Supply and Conservation Agency, the Bay Area showed a possibility for water conservation through outdoor water use.

"It was an untapped area in our residential sector, which runs roughly 60 percent," said Nicole Sandkulla, water resource planner for BAWSCA. "The residential sector is the largest single customer class. We thought if we wanted to increase water conservation efforts, let's focus on outdoor water use. This was

a great opportunity to do that."

One positive aspect of sustainable vs. traditional landscapes is the former may use a fraction of the amount of available water, according to Clark. Water-efficient gardens also produce a fraction of yard waste and reduce the hours in maintenance.

"Yard waste with a traditional landscape may produce 670 pounds vs. 250 pounds [with a sustainable landscape]," Clark said. "Maintenance may take up to 80 hours a year vs. 15 hours with a sustainable landscape, not to mention the benefits of creating a habitat."

Master gardener and landscape education enthusiast Janet Hamma said she is happy to observe all of the new wildlife her water-wise garden draws to her Hanover Avenue home.

"It's really interesting to learn how easy it is to do landscaping with California natives," Hamma said. "The classes are excellent. I learned a lot about different plants. I've already landscaped California natives into my front yard, and my back yard is mostly vegetables, fruit trees and low-water plants. Being water-wise definitely shrank my water bill and I really like seeing all the butterflies, hummingbirds and lizards. So I really enjoy that—seeing a little more wildlife."

To learn more about the upcoming classes, visit [green.insunnyvale.com](http://green.insunnyvale.com) or [www.bawsca.org](http://www.bawsca.org). Registration is required for classes. Email [landscape@bawsca.org](mailto:landscape@bawsca.org) or call 650.349.3000 to register.

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DEVIN NUNES  
21ST DISTRICT, CALIFORNIA



1013 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-5233

COMMITTEE ON WAYS AND MEANS  
SUBCOMMITTEES:  
HEALTH  
TRADE  
PERMANENT SELECT COMMITTEE  
ON INTELLIGENCE  
ASSISTANT MAJORITY WHIP

UNITED STATES  
HOUSE OF REPRESENTATIVES

November 4, 2011

113 NORTH CHURCH STREET  
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VISALIA, CA 93291  
(559) 733-3861  
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SUITE 206  
CLOVIS, CA 93612  
(559) 323-5235  
WWW.NUNES.HOUSE.GOV

The Honorable Rodney Frelinghuysen  
Chairman, Subcommittee on Energy and Water Development, and Related Agencies  
Committee on Appropriations  
H-307 United States Capitol  
Washington, DC 20515

Dear Chairman Frelinghuysen:

I take this opportunity to request the inclusion of the attached legislative language to the Fiscal Year 2012 Energy and Water Appropriations measure.

The Raker Act, enacted a century ago, authorized the construction of the Hetch Hetchy Water and Power System in Yosemite National Park which has caused environmental damage to our nation's flagship National Park. To date this damage has never been mitigated. The same act mandated that the City of San Francisco pay the Department of the Interior a meager annual charge of \$30,000 for the easement to use the Hetch Hetchy Valley in the Park as a water reservoir. Even with the negative effects to the environment, this annual charge, set in the early 1910s, has never increased. For nearly a century, the San Francisco Public Utilities Commission has short changed the taxpayer and has evaded various environmental laws, including the Endangered Species Act, that protects the Bay-Delta and its imperiled fisheries.

Despite the fact that the federal and state pumping operations at the south end of the Sacramento-San Joaquin River Delta have had to comply with stringent federal biological decisions put in place under the auspices of the Endangered Species Act, the Federal government has ignored thousands of in-Delta water diversions that have significantly impacted Delta water quality and fish habitat. This uneven application of the law must end.

These massive loopholes have pre-empted state environmental laws and have been exploited by wealthy subsidized corporate Delta farmers and the social elite in San Francisco. Failure to close these loopholes will further threaten the recovery of endangered Sacramento River winter-run Chinook salmon and the Delta smelt. Not only will this help restore water quality in the Bay-Delta, but it will go a long way to providing economic recovery to California's fishing communities.

Again, I request that you include the attached legislative language to the Fiscal Year 2012 Energy and Water Appropriations bill that is being pre-conferenced at this time. We must close regulatory loopholes and ensure everyone pays their fair share to address the nation's budget crisis.

Best regards,

Devin Nunes  
Member of Congress

cc: Chairman Doc Hastings  
Majority Whip Kevin McCarthy



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DEVIN NUNES  
21ST DISTRICT, CALIFORNIA



1013 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
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**COMMITTEE ON WAYS AND MEANS**

SUBCOMMITTEES:

HEALTH

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**PERMANENT SELECT COMMITTEE  
ON INTELLIGENCE**

**ASSISTANT MAJORITY WHIP**

UNITED STATES  
HOUSE OF REPRESENTATIVES

November 4, 2011

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The Honorable Jeb Hensarling  
Co-Chairman Joint Select Committee on Deficit Reduction  
129 Cannon House Office Building  
Washington, DC 20515

The Honorable Patty Murray  
Co-Chairwoman Joint Select Committee on Deficit Reduction  
448 Russell Senate Office Building  
Washington, DC 20510

Dear Congressman Hensarling and Senator Murray:

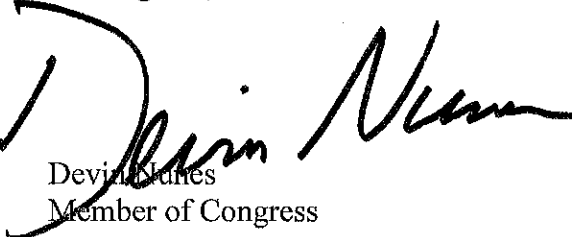
I take this opportunity to request that you include the attached legislative language which would provide nearly \$340 million in Federal revenue to assist in reaching the goals set out for deficit reduction.

The Raker Act, enacted nearly 100 years ago, mandated that the City of San Francisco pay the Department of the Interior a meager annual charge of \$30,000 for the easement to use Hetch Hetchy Valley in Yosemite National Park as a water reservoir. Even with the negative effects to the environment, this annual charge, set in the early 1910s, has never increased. Furthermore, since the construction of the Hetch Hetchy Water and Power System a century ago, the environmental damage to our nation's flagship National Park has never been mitigated.

This language mandates the San Francisco Public Utilities Commission pay the fair market value for the use of Yosemite National Park and its resources. This is done through a "Net Benefits Methodology" developed by the National Park Service to determine the annual permit fee for a hydroelectric facility within a national park – estimated to be \$300 million over ten years. This language further applies Section 3407 of the Central Valley Project Improvement Act to the Hetch Hetchy Water and Power System. Section 3407 assesses a restoration fund fee which is used to mitigate for the environmental damages caused by the operation of the project. All other users of Federal water in California are assessed this fee and Federal law should be equally applied – estimated to be nearly \$40 million over ten years.

Again, I request that you include the attached legislative language to the final deficit reduction product. We must ensure everyone pays their fair share to address the nation's budget crisis.

Best regards,



Devin Nunes  
Member of Congress

cc: Chairman Doc Hastings  
Majority Whip Kevin McCarthy

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**Modesto Bee**

Posted on Thu, Nov. 03, 2011

**CAROL WHITESIDE: MID looking at sale to SF in right way**

*By Carol Whiteside*

Water is the lifeblood of our agricultural economy, our economic development hopes and our environmental quality. It is not infinite, but is a resource that should be used wisely, thoughtfully and with an eye toward the future.

The recent public meetings and fact gathering by the Modesto Irrigation District to explore a potential transfer of water to the city and county of San Francisco is the right way to approach a complicated issue that has both great potential and possible drawbacks for this area.

The reason we can even discuss water transfers or sales is because of the vision of our early leaders in building and maintaining Don Pedro dam and reservoir. Again, we are calling on our leaders for long-term planning and vision.

MID water transfers are not new. The MID has transferred more than 30,000 acre-feet of surface water annually to the city of Modesto for domestic water use for years. This water has also been made available at the lowest rate (that which goes to agriculture), saving Modesto residents millions. The MID transferred water to San Francisco in the 1990s. The Oakdale Irrigation District transfers (sells!) water, and its infrastructure costs have been paid for by this approach.

Here are some fiscal realities:

- The MID needs to spend close to \$115 million to improve its infrastructure, building and repairing canals for irrigation and water delivery. It also needs to secure the relicensing of Don Pedro Dam, a five- to seven-year process that will cost the MID approximately \$25 million.
- San Francisco has proposed a two-part water transfer, an initial transfer of 2,200 acre-feet that would begin next year, and a larger transfer of 25,000 acre-feet that cannot be approved until after an extensive environmental review process, which will take more than a year.
- In return, the MID would receive upward of \$690 per acre-foot. The current rate for this water in the MID is just under \$7 an acre-foot for both agricultural and city domestic use. Transferred water would bring 100 times the normal return.

The revenue would make it possible to pay for the needed infrastructure improvements with minimal if any rate impacts. This could be a win-win for our farmers, our economy and for the residents of Modesto.

For the MID to pursue this request, certain ground rules must be set:

- The MID should never transfer or sell any water rights. That is the cornerstone of our legal protection. Our water rights are untouchable.

- No proposal should be considered that negatively impacts agricultural lands, aquifers or fisheries; MID agricultural and electric customers or the domestic water use agreement with the city of Modesto; or our partner, the Turlock Irrigation District.

We should include one final consideration: Does it help keep water and electric rates low?

We have to be realistic. The cost of meeting regulatory changes and of maintaining and adding infrastructure increases daily. Improvements are necessary to effectively serve customers, and to minimize water loss due to leakage and spillage.

We must also be mindful of the beneficial use doctrine, which requires that water use benefit urban, agricultural and-or environmental needs. Water lost due to outdated infrastructure is not considered a beneficial use.

Water transfers are not only permissible under the law; municipal water use is considered one of its highest uses.

The initial transfer of 2,200 acre- feet, a tiny fraction of the water that passes through the river and district canals each year, can and should proceed as it has already received environmental clearance.

But before considering any further transfer, the MID should authorize a full-scale environmental review, so that all the elements and impacts can be scrutinized in a full and transparent process.

If water saved through increased efficiency of the MID irrigation system and water use practices can be transferred and the proceeds utilized to pay for system improvements, ratepayers will save millions.

Only if the results meet our tests, should it be approved. If they do not, the MID can negotiate changes or forgo the proposal entirely.

It would be foolish not to give serious consideration to this proposal as long as it protects our water rights and our agricultural and domestic needs are secured.

**Whiteside is a former mayor of Modesto and the founder of the Great Valley Center. She is now a public affairs consultant with California Strategies.**

## **Modesto Bee**

Posted on Sat, Oct. 29, 2011

### **Modesto Irrigation District water deal stirs up debate**

*By John Holland [jholland@modbee.com](mailto:jholland@modbee.com)*

When San Francisco came calling for some of the Modesto Irrigation District's water, people started asking questions:

- Why can't you get it from that big ocean next to your city by building a desalinization plant?
- Why can't your Bay Area customers conserve more water?
- Wouldn't you rather buy giant bags of North Coast river water that can be sent to San Francisco by tugboat?

The proposed sale of some of the MID's Tuolumne River supply has stirred a vigorous discussion — no surprise with California water issues.

It happened Tuesday night at the Old Fisherman's Club, a wood-paneled hangout where the MID kicked off the public meetings on the sale and heard mostly from skeptical farmers.

It has happened in cyberspace, where water watchers latched onto the The Bee's coverage and weighed in by e-mail — including a company promoting bags filled with abundant Mad River water.

Exact details about the sale remain under wraps because they are being negotiated. MID officials did say that the water — made available by conservation projects along the canals — could be as much as a seventh of the average annual deliveries to farmers over the past 20 years.

And it's likely that the price paid by San Francisco will be many, many times what the MID's farmers pay.

The details will come into focus as a board vote on the sale approaches. For now, here's a rough outline of where things stand:

- **WHY SELL?** — The income could pay for about \$110 million in improvements to the irrigation system, MID General Manager Allen Short said.

The alternative, he said, could be fivefold to sevenfold increases in water rates, which are just \$6.75 per acre-foot this year.

With the sale, Short said, "we can hold the existing rate structure in place for a number of years well into the future."

He added that the sale would be just water, not the underlying water rights that are one of the MID's biggest assets.

- **WHY BUY?** — San Francisco draws its main supply from the Tuolumne, upstream from the MID's diversion at Don Pedro Reservoir.

A shortfall of 27,500 acre-feet could develop by 2035, said Steven Ritchie, assistant general manager for the water enterprise at the San Francisco Public Utilities Commission. It supplies about 2.5 million customers in four Bay Area counties.

MID officials said an initial sale of 2,200 acre-feet could bring in about \$1.5 million, which works out to \$682 per acre-foot.

That's not such a high price, Ritchie said Friday, compared with alternatives such as desalination and waste-water recycling.

"For us, that kind of price range works because we don't have to build any new plumbing to pick up this water from MID," Ritchie said.

He added that water conservation is part of the plan but will not be enough to make up the shortfall.

- **WHO'S WORRIED?** — San Francisco has tangled with environmentalists since the days of John Muir, who fought to keep Hetch Hetchy Reservoir out of Yosemite National Park.

A century later, the proposed sale has stirred opposition from people who would rather see the water sustain the river downstream of Don Pedro.

"Most of the Tuolumne River is already diverted and it's literally killing the river," said Patrick Koepele, deputy executive director of the Tuolumne River Trust, in an e-mail last week. "MID's proposed water sale proves that they have extra water. Instead of shipping it to San Francisco, that water should stay here where we need it to revive the Tuolumne River and maintain a healthy ag-based economy."

Restore Hetch Hetchy, a group seeking to remove San Francisco's main reservoir, opposed the proposed sale in a letter Friday to Short.

"In this case, Restore Hetch Hetchy does not support the potential transfer as it would further dewater the Tuolumne River between Hetch Hetchy and Don Pedro Reservoir (and perhaps below Don Pedro Reservoir as well)," Executive Director Mike Marshall wrote.

- **WHO ELSE IS WORRIED?** — Farmers warn that the sale would give the impression that the MID has more water than it needs. They worry especially about possible increases in fish releases through the upcoming relicensing of Don Pedro by the Federal Energy Regulatory Commission.

"The people who sit on the opposite side of the table in this FERC relicensing are more concerned about fish than human beings and producing food," said John Herlihy, a Modesto-area cattle rancher and retired agricultural banker.

He expressed his concern at a Wednesday meeting at the MID headquarters that also drew members of the Stanislaus Taxpayers Association and Tea Party Patriots.

"I'm not happy, the tea party's not happy, and I'm sure all the people here are not happy," tea party member April Premo said.

- **WHAT'S IT WORTH?** — Critics say the per-acre-foot price that San Francisco would pay is much less than the economic impact of putting that water on farmland.

They note that farming and food processing provide plenty of jobs in a county battered by the housing collapse and related troubles.

They urge the MID to use its conserved water to recharge groundwater basins or to supply farms in other parts of the Central Valley.

Short said these other sales are complicated by the need for major new pipelines to transport the water.

He said the income from San Francisco would help stimulate the economy, as people work on the canal system improvements.

- **AND WHAT ARE THOSE?** — The district has an 11-year plan that includes improving automated controls, building connections between canals and other work.

It includes replacement of the nearly century-old flume that carries the main canal over Dry Creek just east of Albers Road.

"This is all the water for all the crops from here on," irrigation manager Ed Tobias said during a visit to the 55-foot-tall flume Wednesday.

The structure is made of five concrete sections that might be damaged in an earthquake, he said.

The district also plans to build three small reservoirs at the ends of canals to catch flows that run out the ends. That water now goes into the Stanislaus and San Joaquin rivers.

• • •

Wednesday's meeting concluded with remarks from Cecil Hensley, who is about to end a 20-year tenure on the MID board and was its irrigation manager before retiring.

He talked about how the water flow might be improved with money from the proposed sale.

"I don't think anybody should get nervous about it," he said, "because it's going to be looked at very closely."

**Bee staff writer John Holland can be reached at [jholland@modbee.com](mailto:jholland@modbee.com) or (209) 578-2385.**



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## **Modesto Bee**

Posted on Fri, Oct. 28, 2011

### **MID water sale meetings draw a strong response**

*By John Holland [jholland@modbee.com](mailto:jholland@modbee.com)*

By Thursday morning it was clear that Modesto-area residents feel strongly about water.

The Modesto Irrigation District held the third of four meetings this week on a possible water sale to San Francisco.

General Manager Allen Short repeated his assurances that the sale would not reduce the MID's ability to supply its farmers in dry years. And he noted that the water — freed up by conservation projects along the canals — would bring plenty of money for improving the system.

Critics continued to say that the water would make even more money if it went to expanded crop production in the San Joaquin Valley. And they worry that environmentalists and government agencies could think that the MID has a surplus that can be released into the Tuolumne River to help fish.

"Water is too important a resource to gamble with or sell off at any price," said Joan Rutschow of the Stanislaus Taxpayers Association.

The district also has heard this week from environmentalists, who argue that San Francisco could get by with water conservation, recycling and other alternatives.

The series of meetings ended Thursday evening in Waterford.

San Francisco is in talks to buy as much as 25,000 acre-feet a year for its Hetch Hetchy Water and Power System on the Tuolumne. That's a seventh of the MID's average annual deliveries to farmers over the past two decades.

The price has not been set, but officials said an initial sale of 2,200 acre-feet could bring about \$1.5 million. That works out to \$682 per acre-foot, compared with \$6.75 paid this year by farmers.

**Sunday's Bee will take a deeper look at the debate.**

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## **Modesto Bee**

Posted on Thu, Oct. 27, 2011

### **Inside OID's successful water transfers**

*By Steve Knell*

As Modesto Irrigation District constituents begin discussions on the merits of water transfers, I think it appropriate to share some of the experiences of the Oakdale Irrigation District.

OID has been transferring 40,000 acre-feet annually since 1998 through one municipal contract (city of Stockton via Stockton East Water District) and two environmental water contracts (Bureau of Reclamation).

One contract ended last year and the two federal contracts will end this year. OID has all its contracted water back and is currently deciding how best to re-market that water.

To dispel one fear, contracted water (again, not your "rights") allows you the opportunity to get your water back at the end of the contract.

Why do transfers? The OID used the revenues derived from water transfers to rebuild and modernize its water delivery system. OID did a planning study that showed the life-cycle replacement cost for OID to be \$3 million a year. That's just to replace the parts and pieces of its existing old delivery system. OID's modernization needs, to become more water-use efficient, was another \$3 million a year.

To meet these needs, the cost of agricultural water to our constituents would need to go up six times its current rate. That wasn't going to happen. OID could have raised property taxes the same amount; again, not going to happen.

OID's funding options came down to a few choices: Bake sales, car washes or water transfers. OID made a difficult business decision and went with water transfers.

Our district found a workable solution in taking a small portion of our water; sensibly marketing that water in dry-year defensible contracts and using those contracts to derive revenues to rebuild and modernize a dilapidated water delivery system. We were able to protect water rights and did not have to increase water rates to OID constituents. It has served OID well.

Over the last 10 years OID has spent \$41 million on system improvements funded by water transfer revenues. Our customer service has significantly improved. OID water rates have not increased, and we have gone through three years of drought without a water shortage. We still have lots to do, but we're doing it on our terms.

Sensibly done, with great caution and good board and public oversight, water transfers can work to make a better district. I would encourage a similar honest and open-minded discussion on the merits of MID utilizing this same funding option when the details are made public.

**Knell is general manager of the Oakdale Irrigation District.**

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## **Modesto district's proposed water deal with San Francisco would net millions** ***By John Holland***[\*\*\*jholland@modbee.com\*\*\*](mailto:jholland@modbee.com)

*last updated: October 25, 2011 06:06:24 AM*

San Francisco could pay a high price for a small amount of water in the first of its proposed deals with the Modesto Irrigation District.

The district on Monday disclosed that the initial sale could be 2,200 acre-feet of water a year, less than 1 percent of what the MID diverts from the Tuolumne River.

That sale could bring more than \$1.5 million a year, which works out to at least \$682 per acre-foot.

That's a hundredfold increase over the \$6.75 per acre-foot that the MID's farmers pay this year for their basic allotment of water. An acre-foot covers an acre a foot deep.

San Francisco could spread the cost among about 2.5 million customers in the Bay Area.

The sale is under negotiation.

The district staff estimated that other water transfers in the future could bring \$18 million to \$25 million per year. The possible volume and prices were not mentioned.

The MID provided the information in advance of four public meetings this week on the water sale concept. No board vote has been scheduled.

The district expects to make water available by building small reservoirs to capture flows that now go out the ends of canals.

San Francisco would divert the extra water in its Hetch Hetchy Water and Power System, higher in the Tuolumne watershed.

Supporters say such deals would raise money for MID system improvements and ease pressure for water and electricity rate increases. They note that the district would not give up its long-term rights to the water because it would still be a "beneficial use" under state law.

Critics say the water would be better used by Modesto-area farms and cities and for recharging groundwater basins. They worry that environmentalists and wildlife agencies could demand more flows in the lower Tuolumne if the MID gives the impression it has excess water.

Sales beyond the initial deal would require extensive study of the effects on the river and MID water users, the staff said.

San Francisco is facing a shortfall of about 27,500 acre-feet a year by 2035. Other options include desalination of seawater and increased water recycling, conservation and groundwater use.

The system serves San Francisco and parts of three other counties.

**Bee staff writer John Holland can be reached at [jholland@modbee.com](mailto:jholland@modbee.com) or 578-2385.**

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## **San Francisco gave contracts a \$300M boost, some without review**

By: [Dan Schreiber](#) | 10/24/11

*Examiner Staff Writer*

The San Francisco Public Utilities Commission placed change orders for the rebuild of the Hetch Hetchy water system. (AP file photo)

During the past five years, more than 100 of The City's largest contracts grew in cost by nearly \$300 million — sometimes without the knowledge of San Francisco's most powerful decision-makers.

That's according to a new Budget Analyst's Office report requested by Board of Supervisors President David Chiu, who said he's fed up with the difficulty of tracking how San Francisco spends its money.

Contracts must be approved by city boards and commissions, but revisions for unforeseen costs frequently don't require additional authorization. A change of less than \$500,000, for example, doesn't need approval from the Board of Supervisors.

The report recommends that The City's \$500,000 threshold for supervisor scrutiny of such changes should be lowered, and that San Francisco should adopt a process similar to the one Santa Clara County uses to approve a bulk list of contract changes. But Chiu said more information needs to be analyzed before he drafts legislation to address the problem.

"At the very least, we need to have more transparency," Chiu said, adding that The City also should adopt a uniform tracking method for departments to monitor contracts.

The report examined 218 construction and professional services contracts worth \$5 million or more — a stack of agreements totaling \$6.4 billion — from July 2006 to September 2011. It found that the original amounts of 107 of those contracts were later increased with so-called "change orders" that added \$295.2 million to The City's tab.

Chiu didn't have specific figures, but said many of the change orders reviewed by the budget analyst didn't go to the board for approval.

The report addressed the contracts of 10 departments, with the San Francisco Public Utilities Commission accounting for most of the total cost increase from changes. According to the report, 56 out of 86 SFPUC contracts reviewed over a five-year period had change orders, which added \$166.6 million in costs.

Tyrone Jue, a spokesman for the SFPUC, cautioned against using change orders to gauge the efficacy of a department or project. Jue said the SFPUC's change orders over the past five years were all for the massive \$4.6 billion rebuild of the Hetch Hetchy water system, but the project as a whole is \$160 million under budget.

"Change orders don't always tell the whole story," Jue said.

[dschreiber@sfxaminer.com](mailto:dschreiber@sfxaminer.com)



## **Where the changes were concentrated**

*Four agencies accounted for the lion's share of the cost differences.*

### **San Francisco Public Utilities Commission**

- 86 Contracts
- 56 Contracts with changes
- \$2,540,177,433 Original contract amount
- \$166,610,235 Additional cost in changes
- \$2,706,787,668 Final contract amount

### **San Francisco Department of Human Services**

- 27 Contracts
- 12 Contracts with changes
- \$944,564,106 Original contract amount
- \$53,994,400 Additional cost in changes
- \$998,558,506 Final contract amount

### **San Francisco International Airport**

- 48 Contracts
- 19 Contracts with changes
- \$907,629,009 Original contract amount
- \$17,122,074 Additional cost in changes
- \$924,751,083 Final contract amount

### **San Francisco Department of Technology**

- 4 Contracts
- 3 Contracts with changes
- \$44,193,905 Original contract amount
- \$31,759,286 Additional cost in changes
- \$75,953,191 Final contract amount

## **Cost creep**

*Contracts greater than \$5 million between July 2006 and September 2011:*

- 218 contracts — totaling \$6.4 billion
- 107 increased in cost — totaling \$295.2 million
- 9.5 percent average increase
- \$2.8 million average cost increase

*Source: Budget Analyst's Office*

Read more at the San Francisco Examiner: <http://www.sfexaminer.com/local/2011/10/san-francisco-gave-contracts-300m-boost-without-review#ixzz1cNtvmJSj>

## **SFPUC: If your water stinks, don't be alarmed**

San Francisco Chronicle

[Peter Fimrite, Chronicle Staff Writer](#)

Wednesday, November 2, 2011

**San Francisco** -- Just because your tap water stinks and tastes bad doesn't mean it is dangerous to drink, the San Francisco Public Utilities Commission says after dozens of people complained about a musty aroma and odd flavor.

There is blue-green algae in the water, but not enough to cause any health problems, according to Andrew DeGrace, the water quality division director for the commission.

"We're saying that people should not be concerned," DeGrace said. "The levels we are talking about are so small that it is not a health-related issue."

The water district had to increase the amount of water it was taking from the Calaveras Reservoir, on the Alameda-Santa Clara county line, in an attempt to lower the water level so workers can begin a multi-million dollar dam replacement project, DeGrace said.

The Calaveras water has a higher level of Aphanizomenon, a common form of blue-green algae. Blue-green algae can become toxic in high concentrations, but DeGrace said the amount that is in the water that utility district customers in San Francisco and the Peninsula are getting does nothing more than give the water a musty odor and taste.

The public utilities commission usually uses about 11 1/2 gallons of Hetch Hetchy water to each gallon from Calaveras. The new blend is roughly 3-to-1, he said.

Still, DeGrace said, only 9 algae cells per milliliter are in the water, a level that is acceptable in drinking water. The sudden change nevertheless prompted 40 customers to lodge complaints over the past few days, he said.

"A few days ago I noticed my tap water really stinks and tastes bad in an unusual way," e-mailed one customer who identified herself only as Janis. "I asked a few neighbors, and they notice the smell in their taps, too."

The Mission District woman said she has been suffering from debilitating allergy problems for the past week that she thinks may have been caused by the algae-laden water.

The water district will continue pumping Calaveras water until the beginning of next week, but DeGrace said the odor and taste problem will probably subside before then.

"It's still good water," he said. "We have exceptionally high qualities of water, so for us this is an elevated level (of algae), but for most water districts it's a low level."

E-mail Peter Fimrite at [pfimrite@sfchronicle.com](mailto:pfimrite@sfchronicle.com).

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**Earthquakes have a bigger health toll than other disasters**  
**USA Today**  
**November 4, 2011**

When an earthquake hits, up to 8 percent of a city's population can suffer fatal injuries, a new report suggests.

That's because the mass casualties, lacerations, broken bones and crushing injuries associated with these natural disasters occur when bridges and roads may be impassable and local and regional emergency medical care is disrupted, according to a group of Boston researchers who report their findings online Nov. 3 in *The Lancet*.

Millions of people live in major cities, such as [New York](#), [Los Angeles](#), Tokyo, Delhi and Shanghai, that are situated on fault lines, the researchers noted.

In the past decade, earthquakes have caused more than 780,000 deaths, according to the report. Many people died immediately, while others died from their injuries in the hours and weeks that followed.

Hours after an earthquake, a second wave of deaths occurs among victims with serious injuries, such as liver or spleen lacerations, broken pelvises and head injuries, the researchers revealed, and the fatalities don't stop there.

In the days and weeks following an earthquake, more people with sepsis (blood infection) and multi-organ failure also die from their injuries. People with sepsis are two and a half times more likely to die than those without it, the report revealed.

Moreover, earthquake victims with chronic diseases, like diabetes and heart disease, are at greater risk of death due to limited access to medical care.

Up to 15 percent of a city's population could also be crushed by heavy loads, resulting in amputations and kidney failure, according to the report. The death rate for people in kidney failure in the wake of an earthquake ranges from 14 percent to 48 percent, the researchers added.

Still, they noted, the most common earthquake-related injuries include the following:

- Lacerations (65 percent)
- Broken bones (22 percent)
- Bruises or sprains (6 percent)
- Crush injuries (3 percent to 20 percent)

Earthquakes could also trigger heart attacks. The report revealed heart attacks rose by 35 percent in the week following the 1994 earthquake in Northridge, Calif. Similar surges were reported in other places, such as Taiwan. An increase in arrhythmias and cases of high blood pressure were also recorded following this type of natural disaster.

Earthquakes can also harm the health of people who are displaced from their homes, according to the report. Overcrowded shelters can lead to epidemics of infectious diseases. Bodies, however, generally do not play a major role in the spread of disease, the researchers noted.

Mental health issues, particularly depression and post-traumatic stress disorder, also increase in the wake of major earthquakes.

Children are often at higher risk of injury and death than are adults during earthquakes, the researchers said. The elderly are also more likely to be adversely affected, since they may not be able to respond as quickly or may be unwilling to evacuate their homes.

More information

The U.S. Federal Emergency Management Agency provides more information on earthquakes.