

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD POLICY COMMITTEE**

**February 9, 2005 – 1 p.m.
155 Bovet Road, 1st Floor Conference Room**

MINUTES

1. Call to Order: 1:05 p.m.

The meeting was called to order by committee Chair, Rosalie O'Mahony at 1:05pm. Six (6) members of the committee were present, constituting a quorum. A list of directors present (6) is attached.

2. Public Comment: None.

3. Actions: Approval of Minutes taken at the December 8 meeting

The minutes of the December 8th meeting were unanimously approved.

4. Reports:

A. Comments by Committee Members: None.

B. General Manager's Comments: General Manager, Arthur Jensen, discussed misquotes published in recent news articles about the revisions to the capital improvement program (CIP). One article quoted SFPUC Commissioner Sklar as saying the suburban customers outside SF should pay for the increased costs of the CIP. Mr. Sklar states his comment was that agencies, including, San Francisco that want additional water should pay for the cost of delivering the additional supply.

Mr. Jensen reported that the purpose of the SFPUC meeting held on February 8 was not to adopt the revised CIP, but to give the SFPUC General Manager direction to forward information to San Francisco's Planning Commission. BAWSCA's concerns and comments on the impacts of a 20% system-wide cutback were presented to SFPUC Commissioners in addition to excerpts from a SFPUC study submitted to FERC revealing the impacts of a 15% cutback. By a split vote (4 to 1), the Commissioners decided to move forward with a water supply reliability goal requiring a system-wide average reduction of 20% during drought. Additional information on the BAWSCA agencies' alternative sources of water and how they may be impacted during a drought was requested by the Commission and is currently being gathered. A discussion ensued on the 30-day review period required by AB1823 on documents given to the Commission for their consideration. Art stated that he will assess and take appropriate actions necessary that might affect the flow of information going to the Planning Commission, review the technical document within the 30-day period, once it has been started. The committee concurred with the need

for BAWSCA to review the materials SFPUC sends the Planning Commission and make suitable comments.

The committee read a memo written by board and committee member, Stan Gage, who provided his reaction to the February 8 SFPUC meeting and San Francisco's progress implementing the CIP. Art provided an overview of alternative actions that might be taken to ensure timely progress is made rebuilding the regional water system. He will make a report on these alternatives and a recommended approach at the March board meeting. Mr. Wendell reported that BAWSCA continues to be in close contact with legislators, and Mr. Jensen encouraged another meeting with Mayor Newsom.

- C. San Francisco's proposal for stabilization of wholesale water rates for FY 2005-06 and FY 2006-07:** Mr. Jensen reported his review of SFPUC's proposal to stabilize the wholesale water rates as a result of the \$22M credit now due to the wholesale customers. The SFPUC's estimate of the credit has been changing, as has the potential adjustment to wholesale water rates. Mr. Jensen requested an opportunity to verify the accuracy and reasonableness of the projected rate decrease and following increase, investigate methods by which rate fluctuations that adversely impact some BAWSCA agencies could be minimized without a contract amendment, and submit a report to BAWSCA member agencies outlining options and consequences. The committee concurred. Director Pete Nelson commented that a more stable rate is in the best interests of customers and agencies.
- D. Results to be achieved in FY 05-06 and Preliminary Budget Estimates:** Mr. Jensen presented a list of results to be achieved in FY 05-06 and the preliminary budget estimate of \$1.942. The presentation included figures showing how the budget was allocated toward achieving BAWSCA's goals and how staff and consultant costs compared to the current year budget. Jensen also presented a list of activities that are not funded by the preliminary budget. Additional support in water resources is anticipated and will be included in the refinement of the numbers for board presentation in March. Committee members commented on the importance for achieving results in getting the regional system fixed. Members advised that a contingency equivalent to 1% of budget was too low given the nature of BAWSCA's work and the fluidity of current events. The committee suggested additional professional services be considered for a liaison to SFPUC meetings and for technical assessment of the proposal to drain Hetch Hetchy.
- E. Proposal to drain Hetch Hetchy:** Art Jensen noted that BAWSCA's current position is not neutral and is based on protecting water supply reliability, water quality and cost to water customers. BAWSCA's position may change, but would do so in response to the release of pending Department of Water Resources and Restore Hetch Hetchy reports, or other developments. There is no need for agencies to formally adopt any position at this time. Formal adoption should await the availability of new reports and information not yet completed. Mr. Jensen recommended that agencies stand by BAWSCA's current position. Executive Assistant to the SFPUC General Manager, Sharyn Saslafsky, reported that San

Francisco, through the PUC, is not in favor of the proposal to drain Hetch Hetchy. SFPUC General Manager Susan Leal is in Washington D.C to meet with Senator Feinstein on the issue. SFPUC Director of Planning, Michael Carlin, met with the State Department of Water Resources (DWR), and the San Francisco City Attorney's office is preparing a report on the impacts of draining Hetch Hetchy. That report will be provided to BAWSCA when it is released to the public.

F. SFPUC Implementation of the March 2004 Settlement Agreement: Mr. Jensen stated the Commission approved the Settlement Agreement, but that SFPUC staff have been slow to complete some of its provisions and have decided to address others. Mr. McDevitt reported that the arbitration dealt with major accounting errors and the agreement provided a constructive approach for the SFPUC to improve asset management and avoid similar errors in the future. An asset management report was expected in January 2005 and has not yet been received. Kevin Lyons, SFPUC Asset Management Manager, explained that efforts have begun in the last two months, concentrating on identification of the physical assets and development of an asset management plan. Efforts will continue to meet commitments made. The capitalization process is expected to be completed in the end of March, and implementation will follow as soon as possible. Mr. Jensen stated that he will follow up with Ms. Leal and continue to take appropriate actions to get information and things completed.

5. Public Comment: None.

6. Adjournment: The meeting was adjourned at 3:20. The next meeting is scheduled for April 13, at 1pm in the first floor conference room of the BAWSCA office building, 155 Bovet Road, San Mateo.

Respectfully submitted,



Arthur R. Jensen, General Manager and Secretary

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Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board Policy Committee
February 9, 2005**

Attendance Roster

Committee Members Present:

Rosalie O'Mahony	City of Burlingame (Chair)
Roberta Cooper	City of Hayward
Mike Kasperzak	City of Mountain View
Pete Nelson	California Water Service Company
Chris Reynolds	Skyline County Water District
Rick Wykoff	Estero Municipal Improvement District

Committee Members Absent:

Bern Beecham	City of Palo Alto (Vice-Chair)
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BAWSCA Staff Members Present:

Arthur Jensen	General Manager
Nicole Sandkulla	Senior Water Resources Planner
John Ummel	Senior Administrative Analyst
Ray McDevitt	Hanson, Bridgett, Marcus et al.
Bud Wendell	Management Communications

Guests

Dan Seidel	Los Trancos
John Lisenko	Estero Municipal Improvement District
Sharyn Saslafsky	SFPUC
Eric Sandler	SFPUC
Kevin Lyons	SFPUC