



**BOARD POLICY COMMITTEE**

**Wednesday, December 13, 2006  
1:30 p.m.**

**BAWSCA Offices, 155 Bovet Road San Mateo, 1<sup>st</sup> Floor Conference Room  
(Directions on page 2)**

**AGENDA**

- 1:30 1. Call To Order, and Roll Call (O’Mahony)**  
Roster of Committee members (*Attachment*)
- 1:35 2. Public Comment (O’Mahony)**  
*Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.*
- 1:40 3. Reports**
- A. Comments by Chair (O’Mahony)
  - B. Comments by Committee Members
  - C. Comments by the General Manager (Jensen)
    - 1. Water System Improvement Program – Quarterly Progress Report
    - 2. Timing of wholesale water rate setting (*Attachment*)
    - 3. Water Education Foundation tour of the Hetch Hetchy system
- 2:00 4. Action Calendar**
- A. Approval of Minutes from the October 11, 2006 meeting (*Attachment*) (O’Mahony)
  - B. Commercial Institutional Industrial (CII) Washing Machine Rebate Program (WMRP) (*Attachment*) (Sandkulla)  
Issue: The implementation of the CII WMRP may require BAWSCA to enter into an agreement with the firm that will be the rebate processor for the energy rebates.  
Information to Committee: Staff memo and oral presentation  
Committee Action Requested: Committee recommendation to the board to authorize the general manager to negotiate and execute an agreement with the rebate processor for the energy rebates, subject to legal counsel’s final review, to implement a commercial Institutional Industrial Washing Machine Rebate Program, and offer participation in the program to interested BAWSCA member agencies.

- 2:20** C. WEF Hetch Hetchy Tour **(Jensen)**  
Issue: Should participation of board members on the Hetch Hetchy tour scheduled for July with Water Education Foundation be a reimbursable activity with BAWSCA?  
Information to Committee: Oral report on requirements for board member reimbursement, possible cost and budget implications, alternatives and recommendation.  
Committee Action Requested: Committee discussion and possible action to recommend whether BAWSCA reimburse directors who choose to participate in the Water Education Foundation Hetch Hetchy tour scheduled for July 2007.
- 2:35** D. Mid-Year Budget Review (*Attachment*) **(Jensen)**  
Issue: Do activities to date, and anticipated activities through the end of the current fiscal year, indicate a need to adjust the work plan or budget for FY 2006-07?  
Information to Committee: Staff memo on mid-year budget review.  
Committee Action Requested: No Committee or board action is recommended at this time.
- 2:40** 5. **Comments by Committee Members** **(O'Mahony)**
- 2:50** 6. **Adjourn to next meeting: Wednesday, February 14, 2006, in the 1<sup>st</sup> floor conference room of the BAWSCA office building, 155 Bovet Road, San Mateo.**

*Upon request, the Board Policy Committee of 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 302, San Mateo, CA 94402** or by e-mail at [bawsca@bawsca.org](mailto:bawsca@bawsca.org)*

**Directions to BAWSCA**

From 101: Take Hwy.92 Westbound towards Half Moon Bay. Exit at El Camino Northbound (move into the far left Lane) Left at the 1<sup>st</sup> stop light which is Bovet Road (Washington Mutual Building will be at the corner of Bovet and El Camino). Proceed West on Bovet Road past Albertson's to two tall buildings to your left. Turn left into the driveway between the two buildings and left again at the end of the driveway to the "Visitor" parking spaces in front of the parking structure.

From 92: Exit at El Camino Northbound and follow the same directions shown above.



**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE**

**Committee Roster:**

Rosalie O'Mahony, Burlingame (Chair)

Bern Beecham, Palo Alto (BAWSCA Chair)

Robert Craig, Westborough Water District

John Fannon, Town of Hillsborough

Kelly Fergusson, Menlo Park

Mike Kasperzak, Mountain View

Patrick Kolstad, Santa Clara

Chris Reynolds, Skyline County Water District

Rick Wykoff, Estero Municipal Improvement District



December 4, 2006

Ms. Susan Leal, General Manager  
San Francisco Public Utilities Commission  
1155 Market Street, 11<sup>th</sup> Floor  
San Francisco, CA 94103

**Subject: The Timing of Wholesale Rate Adjustments**

Dear Susan:

As you know, last year's final wholesale rate adjustment was not announced until early June. At the Suburban Advisory Group (SAG) meeting last spring, BAWSCA members expressed a desire for notification of the pending wholesale rate adjustments earlier in the year. This has become even more important for them now that they are required to comply with Proposition 218.

The recent California Supreme Court decision regarding Proposition 218 (*Bighorn-Desert View Water Agency v. Beringson*) ruled that local governments may not increase water rates without first notifying the public by mail 45 days prior to the date of a scheduled rate hearing. It's my understanding that this decision does not apply to SFPUC wholesale rate setting. However, early notification of San Francisco's final rate determination is imperative for BAWSCA agencies to incorporate SFPUC rate changes into their own budgets and to implement retail water rates prior to the summer, high water use season.

The Master Water Sales Contract requires that adjustments to the wholesale rate be "coordinated with the budget development process" which typically concludes in February. The past practice has been for the SFPUC to provide a preliminary rate forecast early in the year (also usually in February) at the SAG meeting but then wait until late Spring in order to fine-tune the adjustment before formally announcing the final wholesale rate effective on July 1.

This year we were told the SFPUC wanted to wait as long as possible to announce the final rate adjustments in order to minimize the uncertainty of highly variable spring water purchases. Regardless of whether rates are set toward the beginning or the end of spring, the calculations must include an estimate for either the current or the coming spring's water purchases. The balancing account was established precisely to deal with such uncertainties in rate setting. The contract provisions protect both the wholesale water customers and San Francisco's retail water customers.

The history of wholesale rate setting reveals that uncertainties come from variances between: (1) projected and actual water purchases due to weather variability, (2) budgeted and actual spending due to emergencies or other factors, and (3) projected and actual dates for completion and capitalization of capital projects. The inevitable variances cannot entirely be avoided but they can be explained.

Variances in revenue can be explained, particularly if due to variations in water purchases due to changes in weather. Variations in spending can be explained, particularly if due to emergency expenditures or other actions truly outside San Francisco's control. Variances in project completion dates should be minimal with the project management systems now in place. However, as the rate of capital additions increases, this factor may become far more significant than the difference between projected and estimated spring water purchases.

Again, regardless of the source of uncertainty, the balancing account exists to protect the financial interests of both wholesale and retail customers whole.

We suggest that San Francisco use its best efforts to finalize wholesale rate setting prior to March 15<sup>th</sup>. This will allow the wholesale customers to: (1) incorporate the SFPUC rate change into their next-year's budgets, (2) provide the 45 days notice per Proposition 218, and (3) adopt and implement their next year's rates prior to summer, thereby influencing water use behavior during the highest water-use time of the year.

I will actively support any reasonable proposal for administration of rates in a manner that is appropriate for both the City and County of San Francisco and its wholesale customers. I look forward to your response and would be pleased to discuss the matter at your convenience.

Sincerely,



Arthur R. Jensen  
General Manager

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

**October 11, 2006– 1 p.m.  
155 Bovet Road, 1<sup>st</sup> Floor Conference Room**

<b>MINUTES</b>
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**1. Call to Order: 1:10 p.m.**

The meeting was called to order by committee Chair, Rosalie O'Mahony at 1:10. Five (5) members of the committee were present, constituting a quorum. A list of directors present (5) and absent (1), and members of the community attending is attached.

**2. Public Comments:** There were no public comments.

**3. Reports:**

- a. Comments by Chair: The agenda includes two proposed committee action to recommend support of AB 1881 and the Bay Area IRWMP. The committee will receive an update on the proposal to drain Hetch Hetchy. Changes on the WSIP and its effects on the wholesale customers will be reviewed.
- b. Comments by Committee Members: The committee agreed to move the meeting time of the Board Policy Committee to 1:30pm beginning December 13, 2006.
- c. General Manager's Reports:

Water System Improvement Program – Project Schedule Changes: Mr. Jensen stated that he will further discuss with Tony Irons the interpretation and significance of the earned value graphs provided in the June 2006 quarterly progress report. At the September BAWSCA Board meeting, Mr. Sklar stated that the earned value graphs are irrelevant during the design phase. However, Mr. Irons has told the board that project management is relatively easier during construction and that the planning, permitting and design phases are critical to keeping the program on schedule. Clearly, tracking progress and budget during the earlier phases is important and should be possible.

The SFPUC now expects delays in completing several projects. Project delays or deletions require the SFPUC to notify the State [Water Code, Section 73502(d)]. BAWSCA will continue to work with San Francisco to understand the potential significance of any project delays, and will keep the BAWSCA board informed.

Potential Impacts of Climate Change on Hetch Hetchy Water Supply System: The potential impacts of climate change on the Hetch Hetchy water supply system was

discussed by President Sklar at the September BAWSCA board meeting. A letter will be sent to President Sklar requesting when a scientific report by San Francisco on the potential impacts of climate change will be available.

Bay Area Water Stewards (BAWS) Symposium: The water use efficiency experts who comprised the panel at the September 28<sup>th</sup> BAWS Symposium were pleased with the high attendance by BAWSCA agencies. The panel and the question and answer portion was well-managed, and there were no surprises. BAWSCA will look into the ideas offered by the expert panel.

Mr. McDevitt stated that the experts were thoughtful and well-organized in analyzing the water demand projections put together by the SFPUC and the member agencies in 2004. The experts' opinions were that the wholesale customers' water demand projections are unclear and water conservation efforts are not enough. BAWSCA is working with legal counsel in assessing the need to clarify information that was misused or mischaracterized.

Seismic Safety Improvements to Local Water Systems – Status Report: Since the year 2000, BAWSCA agencies have been evaluating and improving the ability for local systems to deliver water to customers following a major seismic event. The California Seismic Safety Commission noted that even after the SFPUC completes the Water System Improvement Program, the SFPUC will be unable to ensure that water reaches 30 percent of the turnouts to local systems, and that the public should be informed of this risk.

The Commission also recommended that the reliability of local water distribution systems, both inside and outside San Francisco, be evaluated and improvements made if necessary.

The General Manager's Technical Advisory Committee formed a subcommittee to address the recommendations related to local water distribution systems. At a meeting held on September 25<sup>th</sup>, the subcommittee considered five objectives to identify: what is expected of each agency, what actions are needed, how will progress be reported, how existing efforts can be used and how additional efforts be resourced.

The TAC reviewed a list of questions identified by the subcommittee to establish a baseline of each agency's status with seismic improvements. A preliminary questionnaire will be developed and an outline for reporting consolidated progress and status will be drafted. The TAC and the subcommittee will coordinate how goals and standards will be specified, and what public information activities might be involved.

Proposal to Drain Hetch Hetchy: Observations from the October 10<sup>th</sup> Hearing before the Assembly Water, Parks and Wildlife Committee: The hearing on the proposal to drain Hetch Hetchy was a well-organized effort by Committee Chair, Assemblymember Lois Wolk, and committee members, Bill Emmerson, Barbara Matthews, Joseph Canciamilla, and Michael Villines. Congressman George Miller sat with the committee and stated his openness to consider the concept of restoring the Hetch Hetchy Reservoir. Congressman

Miller referred to what other western water supply projects have achieved, and noted that public values have changed over time.

Presentations were made by the authors of the Department of Water Resources (DWR), report. The Committee had solicited testimony by a variety of stakeholders, including proponents of the proposal, the SFPUC, BAWSCA, Modesto and Turlock Irrigations Districts. The hearing focused on possible next steps. The next level of studies would reportedly cost about \$25 million. Committee chair Wolk appeared determined to move forward.

BAWSCA position focuses on protecting the interests of the water customers. In addressing the next steps, BAWSCA's statement calls for a three-stage process: develop an alternative, reliable and high-quality supply of water; establish legally enforceable agreements and operating permits; and have all facilities operational and all agreements executed prior to further study of valley restoration.

The next level of study is expected to cost \$25 million, and Assemblymember Wolk will pursue additional funding. Hearings can be expected to take place around the State.

Pending matters for November, December and January: Upcoming matters for the board in the meetings scheduled for November, December and January include the BAWSCA and BAWUA audit reports for FY 05-06, San Francisco's PEIR on the Water System Improvement Program, BAWSCA's mid-year budget review, and the election of officers for the BAWSCA and RFA boards of directors.

**4. Action Calendar:**

- a. Approval of the minutes of the August 9, 2006 Meeting: Director Reynolds provided clarification on the third sentence of the paragraph referring to Agenda Item 4B on page 5, to say, "Mr. Jensen stated that the snowpack that relates to Hetch Hetchy typically amounts to about 600,000 acre-feet, or two thirds of the storage at Hetch Hetchy watershed.

**M/S/C (Kasperzak/Fergusson/Unanimous) that the minutes of August 9, 2006 be approved with the clarification provided by Director Reynolds.**

- b. Integrated Regional Water Management Plan: BAWSCA is a participating agency in the nine (9) Bay Area county effort to develop an Integrated Regional Water Management Plan (IRWMP) that coordinates a strategic approach to regional water resources management. BAWSCA is also a co-applicant of projects submitted for grant funding through the Bay Area IRWMP. The draft Bay Area IRWMP was released in September. The plan will be finalized in late November, and must be adopted by participating agencies, including BAWSCA, by January 1, 2007. BAWSCA's participation in developing the Bay Area IRWMP has been included in BAWSCA's workplan for the past 3 years.

**M/S/C (Kaskperzak/Wykoff/Unanimous) to recommend that the board of directors adopt the Bay Area IRWMP.**

- c. AB 1881 (Laird): AB 1881 promotes conservation and water use efficiency through implementation of new guidelines and ordinances for a water efficient landscape. The bill offers opportunities to save water, money, and promote reliable supply, by requiring DWR to update the model landscape ordinance by January 1, 2009, and for local agencies to adopt by January 1, 2010, the updated ordinance, or their own, provided that it is as effective as the State's. BAWSCA member agencies are encouraged to consider meeting the requirements sooner than the timeline provided in the legislation, and take affirmative actions to enforce the ordinance.

**M/S/C (Kasparzak/Fergusson/Unanimous) to recommend that the board of directors encourage member agencies to proactively implement the applicable provisions of AB 1881 as soon as possible**

5. Adjournment: The next meeting is scheduled for December 13, 2006, at 1:30pm 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

ARJ/le

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
Board Policy Committee  
October 11, 2006**

**Attendance Roster**

**Committee Members Present:**

Rosalie O'Mahony	City of Burlingame (Chair)
Kelly Fergusson	City of Menlo Park
Mike Kasperzak	City of Mountain View
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
John Ummel	Senior Administrative Analyst
Lourdes Enriquez	Assistant to the General Manager
Ray McDevitt	Hanson, Bridgett, Marcus et al.
Bud Wendell	Management Communications

**Guests:**

Vivian Blumenkamp	League of Women Voters
Jane Ratchye	City of Palo Alto
Sharyn Saslafsky	San Francisco Public Utilities Commission

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE**

**Agenda Title:**           **Commercial Institutional Industrial (CII) Washing Machine Rebate Program**

**Summary:**

Following the success of the residential washing machine rebate program (WMRP), BAWSCA staff is evaluating a new water conservation opportunity that has arisen: a Commercial (Coin-op) High Efficiency Washing Machine Rebate Program. The California Public Utilities Commission, via the investor owned utilities (IOUs) such as PG&E, has provided substantial funding for rebates to businesses that purchase energy efficient commercial clothes washing machines. These same machines are also water efficient. A contractor team is already in place that will market the program and process all the energy rebates. BAWSCA can join with this team to offer a single rebate to the commercial customer which would combine rebates on the energy side and on the water side. The new program would be similar in operation to the residential WMRP; BAWSCA would administer the program for its member agencies but the contractor team would market the program and process all rebates. All program costs would be paid by participating agencies.

BAWSCA staff only recently learned of this opportunity and therefore we are in the process of obtaining additional information, including the funding and administration services contracts for the energy efficiency rebates. BAWSCA staff will work with legal counsel to determine what contractual arrangements would be necessary to implement a commercial WMRP.

**Fiscal Impact:**

The program would be administered by BAWSCA and offered on a subscription basis to its member agencies, with no fiscal impact to BAWSCA.

**Recommendation:**

- 1. That the Board Policy Committee recommend that the Board authorize BAWSCA General Manager to negotiate and execute an agreement with the rebate processor for the energy rebates, subject to legal counsel's final review, to implement a Commercial Institutional Industrial Washing Machine Rebate Program;**
- 2. Offer participation in the program to interested BAWSCA member agencies.**

**Discussion:**

For the last several years, BAWSCA worked with other Bay Area water agencies to provide the Washing Machine Rebate Program for *residential* clothes washers. An opportunity exists to join a rebate program targeted towards *commercial* clothes washers. Commercial washers are the larger-capacity, frequently used machines that are found in locations such as multi-family housing laundry rooms, commercial laundromats, hotel facilities, and other institutions or businesses. Older machines are often energy and water intensive. The California Public Utilities Commission has identified these machines as an opportunity to save energy and has therefore provided the energy utilities substantial funding for energy-efficiency rebates for commercial

customers that purchase new, energy efficient machines. The energy utilities have already formed a contractor team to market their rebate program and to process rebates.

BAWSCA (as well as other Bay Area water agencies) are examining the opportunity to partner with the energy utilities in order to offer a commercial WMRP that would improve both energy and water efficiency. This program would be similar to the current residential WMRP. The proposed rebate levels are \$130 on the energy side and \$220 on the water side, for a total rebate amount of \$350.

BAWSCA would offer the program on a subscription basis to its member agencies. The participating agencies would pay for all costs associated with the program which include a portion of the program set-up fees (proportional to the number of rebates the plan is offering), and a fee for each rebate processed in the program.

This opportunity has been reviewed with BAWSCA member agencies through the Water Management Subcommittee of the general manager's Technical Advisory Committee. BAWSCA members have expressed interest in participating in a commercial WMRP through BAWSCA. Several BAWSCA members participated in a similar program a few years ago that was very successful and since that time have continued to support BAWSCA's efforts to identify and implement a similar combined energy and water rebate program.

In order to implement the program, BAWSCA will likely need to enter into a contractual agreement with the firm that will be the rebate processor for the energy rebates, Electric Gas Industries Association (EGIA). BAWSCA and EGIA entered into an agreement earlier this year for rebate processing, program administration, and grant administration services for the residential WMRP. It is not clear at this time whether BAWSCA will need to enter into a new contract with EGIA for the commercial WMRP or BAWSCA may amend its existing contract with EGIA. Staff is gathering information on the various contracts that are in place on the energy side for the commercial WMRP, and will provide them to legal counsel for review.

If BAWSCA member agency are interested in providing the program to their customers, BAWSCA's centralized administration can make it more cost-effective for them to implement.

**Alternatives:**

1. BAWSCA can provide centralized administration and access to the commercial washing machine rebate program to interested member agencies at no net cost to BAWSCA.
2. Individual agencies can pursue the program.

BAWSCA's involvement saves money for agencies and their customers. Centralized administration enables large and small agencies leverage available staff time and implement the program efficiently. Enabling more agencies to implement the program saves more water.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Title:**        **Mid-Year 2006-07 Budget Review**

**Summary:**

A review indicates that all planned and anticipated work can be performed within the originally adopted budget for FY 2006/07. No budget adjustments are needed at this time.

**Fiscal Impact:**

None

**Recommended Committee Action:**

No budget adjustments are recommended at this time.

**Discussion:**

BAWSCA is achieving the results associated with this fiscal year's budget. Anticipated work through the end of this fiscal year can be accomplished with the existing budget.

Relatively minor reallocation of budgets between tasks within legal counsel's scope of work will accommodate changes in the anticipated levels of effort associated with planned activities. These changes are within the general manager's authority and require no board action.

Several new activities have been identified that may occur between now and June 30<sup>th</sup>. These activities or potential activities include:

1. Helping sponsor the Water Education Foundation tour of the Hetch Hetchy Water System
2. Decreasing the costs to administer water conservation programs, while increasing the efficiency and accuracy, by computerizing customer data, the customer confirmation process, cost allocation calculations and summary reporting.

All of these activities could be funded using a small portion of the budgeted contingency. If expenditures in any item would exceed the general manager's discretionary spending authority, the item would be brought to the board for consideration.

If new issues arise during the spring, they will be brought to the attention of the committee and board with recommendations to reallocate and/or augment existing resources, if necessary.