

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

December 11, 2013 – 1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room

MINUTES

1. Call to Order: 1:30 p.m.

Committee Chair Rob Guzzetta called the meeting to order at 1:30 pm. A list of Committee members who were present (8), participated by teleconference (1), and other attendees is attached.

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

- 2. Comments by Chair:** Chair Guzzetta commented that this is the last BPC meeting for 2013. It has been a busy year with many accomplishments, difficult decisions, and a major transition in the organization. He appreciates the hard work and dedication of the Committee in effectively working together to accomplish BAWSCA's regional responsibilities. It has been a pleasure serving as Chair of the Committee as well as working with each Committee members, and he looks forward to the new year.

- 3. Public Comment:** There were none.

- 4. Consent Calendar:** Approval of Minutes from the October 9, 2013 meeting.

Director Pierce made a motion, seconded by Director O'Connell, to approve the minutes of the Board Policy Committee meeting held on October 9, 2013. The motion passed by roll call vote with an abstention by Director Vella.

5. Action Items:

- A. Resolution Adopting Policy Governing Distribution of BAWSCA's Assets Upon Dissolution:** Chair Guzzetta announced that the item is being pulled from the agenda because further preparations are needed for a sound consideration. It will be considered at the March Committee meeting.

B. Mid-Year 2013-14 Work Plan and Budget Review:

Ms. Sandkulla reported that the Mid-Year Budget review is a process that BAWSCA goes through very thoroughly each year, and even more so this year given the major changes the agency went through. The review was a major focus in the first 2 months of Ms.

Sandkulla's role as CEO/General Manager, and she is pleased to report that the results that need to be achieved continue to be achievable within the approved operating budget, and that only minor changes are needed in the Work Plan.

The Operating Budget approved by the Board in May 2012 was \$3,214,189. The Board authorized an increase of \$66,000 at its meeting on July 18th, revising the Operating Budget to \$3,280,189.

Ms. Sandkulla explained that each year, the Work Plan is diligently developed to align with BAWSCA's goals of ensuring reliable supply of high quality water at a fair price. The mid-year budget review confirms that the most critical and time sensitive items are on schedule.

The work plan items proposed to be re-scheduled are a result of the pace set by outside agencies and are primarily associated with FERC. Both San Francisco and the irrigation districts have slowed down their process in the pre-environmental impact statement phase. This results in less studies that need to be reviewed this fiscal year as they are not yet complete, and provides some flexibility with legal activities otherwise scheduled for this fiscal year.

Ms. Sandkulla stated that the deadline for renewing the FERC license is 2016. BAWSCA will continue to monitor what resources are needed as activities develop. She explained that the work will require a combination of legal, biological, and water resources expertise. BAWSCA's water resources team has been informed and is kept apprised of all developments.

Ms. Sandkulla reminded the Committee that the implementation of the dry-year pilot water transfer with EBMUD is not included in the current work plan. This was a conscious decision because implementation of the pilot water transfer program would be a decision made as a result of the water supply outlook as early as this Spring.

Ms. Sandkulla presented a summary of the FY 2013-14 Work Plan categorized according to BAWSCA's three goals of reliable supply of high quality water at a fair price, and discussed the status and progress of work that are most critical.

In the area of reliable water supply, Ms. Sandkulla reported that the Strategy is on track and is anticipated to be completed by December 2014. This includes the development of the updated water demand projections which is expected to be completed by the end of June 2014.

BAWSCA continues to closely monitor SFPUC's implementation of the Water System Improvement Program (WSIP) and development of its 10-Year Capital Improvement Program (CIP), particularly with the recent changes to the program and the increased costs of the Calaveras Dam Project. Ms. Sandkulla reported that, to date, the Commission has indicated a desire to have a net zero change in their projected rates as forecasted for 10-years. For example, the Commission indicated that the \$54M increased cost of the WSIP adopted by the Commission in April 2013 would be funded through a reduction in the then current 10-Year CIP so that projected rate increases remain unchanged. The result of this action is deferral of planned maintenance that was in the SFPUC 10-year CIP.

Ms. Sandkulla stated that she spoke at the Commission meeting on December 10th and emphasized that BAWSCA is concerned about the practice of funding increases in the WSIP through a deferral of planned work in the 10-Year CIP or other maintenance because that is one of the factors that led to the need for the WSIP today. In her address to the Commission, she emphasized that while BAWSCA and the wholesale customers share SFPUC's concerns with the cost of water and increasing rates, it is critically important that the system is maintained and the investments protected to ensure the reliability of supply.

In response to Director Weed's question, Ms. Sandkulla stated that in June 2013, the SFPUC adopted a budget increase on the Regional WSIP of \$77M. The most recent cost changes associated with the Calaveras Dam Replacement Project is not quantified yet.

Ms. Sandkulla explained that the SFPUC's CIP is still in developmental stages and the SFPUC may be able to move things around without impacting overall long-term goals for system maintenance. The concern, however, is with the lack of details in what these potential CIP changes will be. Ms. Sandkulla stated that the CIP includes some major maintenance of the system, but that the amount of routine maintenance included and the breakdown between the water versus power components are not yet known.

BAWSCA will continue to pursue State legislation to extend the State oversight of SFPUC's implementation of the WSIP, as well as monitoring the significance and risks associated with actions taken by proponents of Drain Hetch Hetchy.

In the area of fair price, BAWSCA's goal is highly focused on saving the customers money, and a critical part of it is successfully administering the 2009 Water Supply Agreement. Every year, John Ummel's and Christina Tang's work thoroughly reviews the Suburban Revenue Requirement to ensure customers are billed appropriately for the water supply received. Ms. Sandkulla reported that there is ongoing review and discussions on the FY 2011-12 and FY 2012-13 wholesale revenue requirement and the Board will be updated on further developments. BAWSCA also continues to work for a smooth administration of the bonds.

The work plan also puts focus on the agency's effectiveness, and Ms. Sandkulla is pleased to report that BAWSCA's transition to a new CEO as well as three new staff members has been exceptionally efficient and with no lost momentum.

Ms. Sandkulla reported that the proposed changes to the Work Plan includes development of a new conservation program for implementation next fiscal year, and deferral of work.

The proposed new program is a new subscription based conservation program for residential customers that would be implemented in FY 2014-15. Work in FY 2013-14 would be to prepare the program for implementation after July 1. The program provides a customized water use report that water customers can easily understand. Customer access to the report can be through internet or direct mail. The report informs water customers of their water use and provides comparisons to other customers in their area, as well as conservation measures available to them. Water savings have been reported to be in the range of up to 5%, in addition to the savings associated with the education component.

The program will be subscription based and will be paid for by participating agencies. Member agencies have expressed interest in the program.

Ms. Sandkulla explained that the program was included in the current fiscal year but was deferred due to the staff changes that occurred in May 2013. The program will be prepared in the current fiscal year for implementation in FY 2014-15, which can now take advantage of the \$187K Prop 84 grant funds recently awarded to BAWSCA.

In response to Director Mendall's question, Ms. Sandkulla explained that agencies will retain control over their customers' data through their billing system. The granularity of the data available, including whether data is daily, monthly or bi-monthly, to provide to the customer will depend on each agency's existing metering and billing system. Conservation program information provided to the customers will be customized according to each city or district.

The deferral of work includes the amendment to Tier 1 drought allocation formula. Ms. Sandkulla explained that the Tier 1 Drought Plan, included in the 2009 Water Supply Agreement, allocates available water between the San Francisco retail customers and BAWSCA agencies. An amendment was anticipated for the current fiscal year, however, SFPUC has not indicated a desire to address this matter, and therefore it will be deferred to next fiscal year.

A third item reviewed in the mid-year budget review was the coordination of input to SFPUC's examination of wholesale rate structure. Ms. Sandkulla explained that the 2009 Water Supply Agreement with San Francisco defines how much wholesale customers pay. This is called the Wholesale Revenue Requirement. The rate structure, however, is within San Francisco's authority. SFPUC staff had expressed interest in examining a new wholesale rate structure during FY 2012-13. As a result, BAWSCA anticipated the effort to coordinate input to San Francisco to ensure that the objectives for changing the wholesale rate structure are identified and the wholesale customers' interests are fully represented.

Ms. Sandkulla explained that she initially planned to eliminate the item from the work plan because in talking with SFPUC, they indicated no interest in examining the rate structure. However, in SFPUC's first budget priorities meeting held on December 10th, one Commissioner mentioned the discussion of such a modification. Ms. Sandkulla now anticipates discussions to continue and stated that she will monitor San Francisco's intentions. It is more appropriate to defer this item than to eliminate it as previously thought based on SFPUC's earlier indications.

Ms. Sandkulla stated that in doing the mid-year budget review, examining the potential unanticipated issues that may come up is important so that issues can be brought to the attention of the Board with a recommended action, as necessary. There are none identified at this time, however Ms. Sandkulla stated that one effort, which the Board already is aware of, is the consideration of implementing the pilot water transfer in Spring 2014.

The mid-year budget review also includes a thorough evaluation of expenses including Salaries and Benefits. This is critically important this fiscal year given all the changes in staffing. Ms. Sandkulla is pleased to report that projected expenditures are on target with the approved Operating Budget. No changes to the General Reserve are recommended. The current General Reserve balance of \$985,897 is 30% of the approved Operating Budget, which is within BAWSCA's adopted guideline. Future Work Plan and Budget discussions for FY 2014-15 will include a full analysis of the projected FY 2013-14 expenditures, a review of the General Reserve, and a review of BAWSCA's assessment level.

Director O'Connell made a motion, seconded by Director Vella, that the Committee recommend:

- 1. Board approval of the following revisions to the FY2013-14 Work Plan:**
 - a. Investigate a potential pilot subscription program that would provide customers with water use information designed to promote water conservation, with all costs to be borne by participating member agencies;**
 - b. Complete Phase II of the Pilot Water Transfer Plan to develop the agreements necessary to support a potential pilot water transfer;**
 - c. Defer further evaluation of alternatives to current Tier 1 Drought Allocation Plan with San Francisco to FY 2014-15; and**
 - d. Defer coordination effort related to SFPUC examination of alternative wholesale water rate structures.**
- 2. Board review and discussion related to managing the General Reserve balance at the March 2013 and May 2013 Board meetings.**

The motion passed unanimously by roll call vote.

B. Fiscal Year 2014-15 Work Plan and Budget Preparation:

Ms. Sandkulla explained that the development of the work plan entails a review of major challenges and a look far ahead into the future to identify the results that need to be achieved. Because BAWSCA's work has very long lead times, a long-term perspective helps identify specific objectives, potential issues, and the necessary resources required to achieve the results and address the challenges.

This process also helps with prioritization. Emphasis is placed on the most vital results that need to be achieved. Ms. Sandkulla took the FERC process as an example. It is one of the critical matters identified in BAWSCA's work plan, and one that will be in multiple fiscal years. However, as activities slowed down this fiscal year, staff was able to move its focus on matters that became more critical in providing reliability and high quality water at a fair price. While the FERC process remains a critical item, being able to prioritize items in the work plan maximizes BAWSCA's effectiveness. It is anticipated that work associated with the FERC process on New Don Pedro will be a major effort next fiscal year.

In preparing the budget, Ms. Sandkulla reminded the Committee that there were discussions last year about seriously examining BAWSCA's assessment level and the likely need to increase it in FY 2014-15. She noted that the assessments have remained at the same level since FY 2009-10.

Ms. Sandkulla presented a long-term list of major challenges starting with the period of 2021-2035. Challenges include ensuring that new water supplies are on-line to meet future needs that are not met by San Francisco, extending or renegotiating the 2009 Water Supply Agreement before it expires in 2034, and foreseeing mayoral changes in San Francisco every four years.

Ms. Sandkulla noted that anticipating the renegotiation of the contract with San Francisco is important because the 2009 contract is much improved from the 1984 Master Water Sales Contract. The next contract with San Francisco may also be the time to improve the contractual relationship with San Francisco. Additionally, mayoral changes in San Francisco means there will be inconsistencies in San Francisco's governing processes as they are influenced by the Mayor.

In response to Director Mendall's question, SFPUC Liaison Michelle Novotny explained that every mayor who comes into office has the opportunity to appoint new Commission members to the SFPUC. Because this is not a requirement, the current Mayor made no changes to the existing Commission. The appointment by the mayor is a nomination and needs to be approved by 2/3rds of a vote by the Board of Supervisors. While each Commissioner has a term, it is not guaranteed.

The period of 2016-2020 is a critical period because FERC activities will be combined with the decisions San Francisco has to make by 2018 about San Jose and San Clara's water supply and providing additional water supply to the BAWSCA member agencies. BAWSCA's role in these matters is to conduct investigations and advocate appropriate positions to protect the interests of its member agencies.

The matters of SFPUC's decisions by 2018 has been brought up at the Commission level, and Ms. Sandkulla is pleased to report that one of the Commissioners is pushing SFPUC staff to start their planning efforts in FY 2014-15 in order to ensure they have sufficient information to make those critical decisions in a timely manner. BAWSCA has been applying pressure on SFPUC staff to provide the Commission a clear process and schedule on how those decisions will be made.

Director Pierce asked what kind of information BAWSCA will be looking for as part the SFPUC's investigations. Ms. Sandkulla explained that BAWSCA would be interested in knowing where San Francisco's interests lie, what options will they consider, and how BAWSCA can be of help to San Francisco in pursuing those considerations to ensure certainty to the member agencies. BAWSCA will take advantage of the information obtained and the technical knowledge developed from the Long-Term Reliable Water Supply Strategy (Strategy) to help the member agencies and San Francisco make informed decisions.

Additionally in 2016-2020, ensuring that San Francisco maintains its Tuolumne River water rights, enforcing the Water Supply Agreement (WSA) to ensure San Francisco maintains their water supply, quality, maintenance and reporting commitments, and assisting member agencies in the negotiations of a new Tier 2 drought allocation formula before its 2018 expiration are critical activities.

Ms. Sandkulla explained that the Tier 2 drought allocation plan is the formula that determines the allocation of water supply among the member agencies. The date for this plan to expire is before the expiration of the WSA because it is tied to San Francisco's 2018 decisions. Given the potential impact of San Francisco's 2018 decisions on the drought allocations, there was a lack of comfort in committing to the Tier 2 plan among the member agencies beyond 2018.

Director Mendall asked whether the potential impacts of the Bay Delta plan to the member agencies should be included in the list of challenges. Ms. Sandkulla reported that BAWSCA has been approached by the Executive Director of ACWA, Tim Quinn, to speak to the BAWSCA Board about ACWA's proposal for the Bay Delta, and what it entails. The Chair of the BAWSCA Board has agreed to have him speak at the January Board Meeting.

Ms. Sandkulla explained that because member agencies' primary source of water, for the most part, is San Francisco, the Bay Delta supply is not something BAWSCA and its member agencies deal with directly. She stated that one of the things that BAWSCA expects San Francisco to do about the Bay Delta plan is to protect their wholesale customers' interests with regard to that supply. Ms. Sandkulla will ask San Francisco for a presentation on how it plans to protect its wholesale customers' interests.

Director Mendall asked for background information in advance of the January Board meeting so that members of the Board are more informed in anticipation of Mr. Quinn's presentation.

Director Weed noted that the water bond is tied to the Bay Delta plan and includes a local water resources component that could potentially impact BAWSCA and its member agencies. He suggested that this aspect be included in Tim Quinn's presentation to the Board in January.

Based on the challenges anticipated for the coming years of up to 2035, Ms. Sandkulla presented the challenges that BAWSCA ought to be looking at for FY 2014-15.

Extending the State oversight of the WSIP until its completion through legislation, and monitoring the implementation of the WSIP and taking necessary steps, are critical activities in fiscal year 2014-15 to continue to protect the interests, health and safety of the water customers. Equally important are the administration of the bonds, completion of BAWSCA's Strategy by December 2014, and the effective representation of the member agencies in the FERC relicensing process of New Don Pedro.

Ms. Sandkulla noted that BAWSCA will have further discussions with San Francisco and the irrigation districts about the FERC process and anticipated schedule for FY 2014-15. Legal counsel is continuing to monitor ongoing activities very closely by attending specific meetings and tracking documents to see what can be expected next year.

Additionally, amending the Tier 1 drought allocation formula with San Francisco and looking at additional drought protection to protect member agencies from economic impacts of drought are activities Ms. Sandkulla expects to pursue next fiscal year.

Finally, completion of the Long-Term Reliable Water Supply Strategy and identification and an implementation plan to ensure that new water supplies or water transfers are brought on line to meet the needs of agencies that require additional water, and continuing to protect the water customers efforts from the efforts to drain Hetch Hetchy are important activities next fiscal year.

In response to Director O'Connell, Ms. Sandkulla reported that proponents are pushing the efforts to drain Hetch Hetchy at the State and Federal Level. An editorial written by former California Congressman Dan Lungren, and former State Attorney General, John Van de Kamp, supports amendments to the Raker Act that would stop the use of the Hetch Hetchy Valley as a municipal reservoir.

Director Weed suggested that BAWSCA look at the current contract with San Francisco and the ability to exchange water among member agencies. This may help address and lead to a resolution for the issue of Santa Clara and San Jose.

Ms. Sandkulla reported that there is some work in this regard by specific member agencies and BAWSCA has been participating in those discussions, however, BAWSCA's role is not clear. There is a fine line between supporting a market and being in the middle of negotiations for a market between two member agencies. The conclusion of the Strategy will be a finite point of identifying available alternative water supplies, and may help make BAWSCA's role in this aspect much clearer in making this idea work for the interests of BAWSCA and its member agencies.

Ms. Sandkulla emphasized that in developing next year's work plan, it is important to keep in mind that some of the critical items on BAWSCA's work plan have limited schedule flexibility because of deadlines driven by outside agencies and work products of others that BAWSCA must act upon. Examples are the FERC activities and the Tier 1 and Tier 2 drought allocation plans. Additionally, Ms. Sandkulla explained that BAWSCA needs to affect San Francisco's 2018 decisions early in the process. BAWSCA must also keep focus on the Strategy and the Pilot Water Transfer plan which are both on its critical phases, as well as the results that must be achieved next fiscal year to meet future deadlines. Most importantly, BAWSCA will continue to achieve results that are most cost effective for its member agencies in all aspects of the work plan.

Ms. Sandkulla explained that BAWSCA's challenges will continue through at least 2020 or until reliable supplies are secured for the service area. As a results driven agency, BAWSCA will continue to look into enforceable documents such as agreements and

legislation. While these documents are not guarantees, they are the best things BAWSCA can stand upon. BAWSCA has, and will continue to focus on rigorous technical investigations to support negotiations. The agency will also continue its coordination with outside agencies as appropriate to achieve the best results.

The work plan and budget will be developed in the next five months. Ms. Sandkulla explained that she will present the same information to the full Board in January. Based on the Board's discussions, a preliminary FY 2014-15 Work Plan and Budget, which will include a full analysis of the General Reserve and alternatives for funding the budget, will be presented to the Committee in February, and to the Board in March. A recommended work plan and budget will be presented to the Committee in April, and to the Board in May.

Director Pierce asked who was the driver behind San Francisco's initial decision to defer action on water supply until 2018 and whether there is someone on BAWSCA's side who watches San Francisco's efforts to prepare for its upcoming 2018 decisions related to water supply. Nicole explained that the drivers of the decisions that San Francisco has to make by 2018 are the environmental agencies. BAWSCA maintains successful relationships with many of these entities. Additionally, BAWSCA is applying strong pressure to SFPUC to prepare for the 2018 decisions now, and is closely monitoring all progress being made by the SFPUC in its planning work.

Director Breault asked if there are advantages to having a 2-year budget. Ms. Sandkulla stated that while she is able to list the results that need to be achieved over a long-term period, and the anticipated challenges the agency needs to address, the resources needed to achieve the results and address the challenges are not as easy to identify. She therefore does not think a 2-year budget would be helpful to the agency's effectiveness.

Director Weed suggested expanding the scope and functions of BAWSCA, specifically in two areas: greater role in emergency planning to include, among other things, the potential benefit of increasing the regions ability to access FEMA funds and acquiring a line of credit through the ACWA JPIA that could then be made available to member agencies.

Director Guzzetta commented that ongoing maintenance of the Regional Water System is something BAWSCA should stay on top of because deferred maintenance can be costly and it is critical that this system is maintained for future generations.

This was an informational report and no action was requested from the Committee

6. Reports:

- A. Pilot Water Transfer Plan – Status Report: Ms. Sandkulla reported that work has begun in preparing the agreements needed between BAWSCA, East Bay Municipal Utility District (EBMUD), Hayward and SFPUC to implement the pilot water transfer.

BAWSCA is taking the lead in drafting the agreements. Ms. Sandkulla is pleased with BAWSCA's record of success in writing agreements alongside Hanson Bridgett. She

added that BAWSCA's agreements are well-received by other public agencies and that taking the lead puts BAWSCA in the driver's seat. A recent meeting that was held with EBMUD and a potential seller was successful and confirmed each agency's respective interests in a successful pilot water transfer.

BAWSCA will be closely monitoring the water supply outlook over the next few months. Ms. Sandkulla explained that EBMUD's supply situation is different from the SFPUC's. EBMUD's Sierra supply is from a lower elevation, and therefore they have the potential to be more impacted by the dry spell in the last 2 years than San Francisco. In addition, EBMUD's demand has not experienced as much depression as the water demand on the San Francisco Regional System. Because the initial trigger of the pilot water transfer is that EBMUD is in a drought condition, BAWSCA will be monitoring the developments very closely.

Director Mendall commented that he was pleased with the Committee and Board discussions back in October and November, but noted that the outline to the agreement still does not include acknowledgment of the non-monetary impacts on Hayward's users.

Ms. Sandkulla explained that the agreements are in the initial stage of development and the draft outline talks about what to do to address the concern raised by Hayward, and what options might be available. She anticipates a recital on what the partnership entails, specifically the purpose of the pilot and what the partners are experiencing.

The Committee further discussed the topic of Hayward's concern and the following comments were stated during the discussions:

Director Breault believes the Board agrees that if there are potential negative impacts to Hayward, BAWSCA and its team will work with Hayward to identify the things that ought to be looked at as the transfer is done. "We'd want a decision to be fact-based."

Ms. Sandkulla stated that while the operation will result in differing quality levels, it is unknown to what extent the difference will be in comparison to the changes in water quality when San Francisco deliveries water from the local watersheds. Often times, there are different qualities being served from the San Francisco Regional Water System under varying circumstances. Ms. Sandkulla stated that BAWSCA and the team are open to looking at the options to address Hayward's concern. No specifics as to what can and would be done to address Hayward's concern are identified yet as staff of both agencies are actively working on this area. She, however, stated that as a water supplier, Hayward will be delivering water that far exceeds potable quality.

Director O'Connell stated that one of the reasons this is a pilot program is to find out what differences takes place, and suggested that a paragraph be included to state that BAWSCA recognizes that Hayward may experience negative impacts. She noted caution in addressing water quality variations.

Director Mendall noted that when San Francisco uses local water supplies, the impact is equally shared among the member agencies. Director Mendall then noted that while the

extent of the impacts of the pilot water transfer are unknown, there will be impacts that are going to be unique to Hayward, meaning they will not be experienced by other member agencies as Hayward will be the sole recipient of the water supply from EBMUD's system. Director Mendall added that there are differences in water quality that are outside of our control. But the impacts to water quality as a result of the water transfer are within our control. These changes would come as a result of a decision that Hayward and BAWSCA make to implement the pilot water transfer. As such, some considerations need to be given for the impacts that Hayward is going to have from the transfer, and there needs to be answers to these and other important questions when Hayward constituents ask.

Ms. Sandkulla and the committee agreed that there should be answers, however, the answers are not yet known. Ms. Sandkulla further explained that just like San Francisco, in a drought situation, chemistry changes, and EBMUD is not entirely sure what their water quality will be during the exact moment of a potential water transfer. BAWSCA and EBMUD are doing an investigation to look at what these differences are so that this information can be more fully understood. In addition, BAWSCA is also working closely with Hayward staff to determine what they are looking for in response. At this time, the answers are not yet known. BAWSCA and the team are gathering as much water quality data as possible to understand the differences, the potential impacts, and how to mitigate those impacts.

Ms. Sandkulla stated that the agreement must satisfy Hayward. As a signatory to the existing 3-way intertie agreement that operates the facilities proposed to be used as part of the pilot water transfer, Hayward has a separate and distinct role in authorizing the pilot water transfer. Therefore, Hayward must be satisfied with the proposed approach to address the stated concerns given that its approval is necessary to move forward with the pilot water transfer.

Committee Chair Guzzetta stated that there is consensus among the Board that any negative impacts to Hayward will be recognized. The direction to staff is to present the facts and a recommendation on how to address the concern.

- B. Water System Improvement Program – Status Report: Ms. Sandkulla reported that BAWSCA meets with SFPUC's WSIP Program Manager and team of project managers following release of the WSIP Quarterly Reports to discuss BAWSCA's questions on the program's progress. The most recent meeting was held on December 3rd.

Ms. Sandkulla reported that she will be meeting with the new Program Manager, Dan Wade, in January. In that meeting she plans to address the schedule and cost increases for the Calaveras Dam Project and other projects that are projected to go beyond their currently adopted schedule. She also plans to follow up on the letter Julie Labonte verbally committed to in response to BAWSCA's recommendations made in September 2013 as she has yet to receive a letter. Finally, she intends to establish BAWSCA's relationship with Mr. Wade, and encourage his focus on the successful direction of the WSIP.

Ms. Sandkulla was pleased to report that the Commission directed SFPUC staff to include specific reporting on water supply projects and water supply Level of Service goals in

upcoming Quarterly Reports. She explained that the six water supply projects in the WSIP, including the Calaveras Dam Replacement Project and the Alameda Creek Recovery Project, are struggling and are directly related to water certainty from the San Francisco Regional Water System. For this reason, BAWSCA continues to press the issue of water supply reliability and certainty related to its oversight on the WSIP and the Water Supply Level of Service goal.

Director Weed suggested that BAWSCA review the two reports expected by the SFPUC at the beginning of the year related to the Calaveras Dam Replacement Project: GEI Consultants' independent review of the work done by the URS on Calaveras Dam's geological conditions, and the 4-person peer review of the Calaveras Dam Project progress and issues experienced to date. Ms. Sandkulla confirmed that those reports are included in BAWSCA's list of follow ups.

In response to Director Pierce's question about the monitoring of SFPUC's system maintenance, Ms. Sandkulla explained that BAWSCA is working closely with the SFPUC, specifically its Local and Regional System Manager Dave Briggs, on SFPUC's transition from a WSIP to a CIP, and in developing a system that best works for the SFPUC and the wholesale customers. Ms. Sandkulla explained that Christina will be reviewing what shows up on SFPUC's Annual Operating Budget, as done in previous years.

- C. System Tours: BAWSCA and the SFPUC will work together in arranging a 2-day overnight system tour to Hetch Hetchy for BAWSCA Board members. The 2-day system tour will have limited space and as such, will hopefully be offered twice, in the Spring and Summer of 2014, depending on the interests. The Board will be notified of the details as soon as dates are selected.
 - D. Board Policy Calendar: Ms. Sandkulla expects the SFPUC to release in January the draft report being prepared for the FERC process that identifies the economic impacts of water supply shortages in the service area. With that information, the Board can prepare itself to look at a decision on a regional drought level of service goal as part of the Strategy
7. **Comments by Committee Members**: Director Vella stated that local newspapers have published the Governor's declaration for drought and for a Federal emergency on the water supply conditions. He also asked if BAWSCA has experienced a LAFCO review, and whether it should be informed about these reviews?

Ms. Sandkulla stated that BAWSCA has been contacted by LAFCO for factual information in the past but only to that extent.

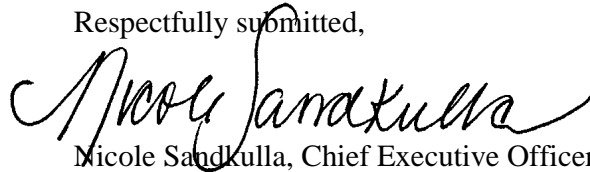
Director Weed announced that ACWD finalized its Integrated Regional Water Management Plan and that it is available online.

He also noted that in ACWD's meeting with the CEO/General Manager, it was suggested that BAWSCA look into expanding its role and mission to include contingency planning and funding. Given its focus on water supply and coordination with Santa Clara, San Mateo and Alameda counties, BAWSCA may be able to play an important role in contingency planning

with the potential to access FEMA monies more effectively for the region. On the financing side, BAWSCA, through the RFA, may have the ability to acquire and work with the Association of California Water Agencies (ACWA) Joint Powers Insurance Authority (JPIA), and become a financial institution that can acquire a source of funding, along the lines of a line of credit, at a nominal cost, and that does not have California exposure. This could allow the agencies to leverage its existing reserves significantly

8. **Adjournment:** The meeting was adjourned at 3:04pm. The next meeting is February 12, 2014.

Respectfully submitted,



Nicole Sandkulla, Chief Executive Officer

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Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – December 11, 2013

Roster of Attendees:

Committee Members Present

Rob Guzzetta, California Water Service Company (Chair)
Al Mendall, City of Hayward (Vice Chair)
Randy Breault, City of Brisbane/GVMID (BAWSCA Vice Chair)
Charlie Bronitsky, City of Foster City – *Teleconference participation*
Irene O’Connell, City of San Bruno (BAWSCA Chair)
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

BAWSCA Staff:

Nicole Sandkulla	CEO/General Manager
Michael Hurley	Water Resources Manager
Adrienne Carr	Sr. Water Resources Specialist
Lourdes Enriquez	Assistant to the Chief Executive Officer
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP
Bud Wendell	Strategic Counsel, Management Communications

Public Attendees:

Marilyn Mosher	City of Hayward
Michelle Novotny	San Francisco Public Utilities Commission