

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

**October 9, 2019 – 1:30 p.m.  
BAWSCA Offices – 155 Bovet Rd., San Mateo – 1<sup>st</sup> Floor Conference Room**

<b>MINUTES</b>
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1. **Call to Order:** Committee Chair, Tom Zigterman, called the meeting to order at 1:30 pm. A list of Committee members who were present (8), absent (1) and other attendees is attached.

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

2. **Comments by Committee Chair:** Committee Chair Zigterman cited the correspondence packet and the high number of articles associated with water policy. He encouraged members of the Committee to reach out to Nicole for any questions.

The order of the agenda items will be moved in the interest of allowing a committee member to participate in Closed Session. Agenda Item 5B will be the first item under Action Calendar, immediately followed by the Closed Session.

3. **Public Comments:** Public comments were made by Peter Drekmeier regarding the Bay-Delta Plan.
4. **Consent Calendar:** Approval of Minutes from the June 12, 2019 meeting.

**Director Larsson made a motion, seconded by Director Chambers, that the minutes of the June 12, 2019 Board Policy Committee meeting be approved.**

**The motion carried. Director Zigterman abstained.**

5. **Action Calendar:**

- B. **Implementation of BAWSCA's Pilot Water Transfer:** Tom Francis, Water Resources Manager, presented an update on BAWSCA's pilot water transfer.

BAWSCA will purchase the transfer water for the pilot from Amador Water Agency (AWA), which gets water from the Mokelumne River. East Bay Municipal Utility District (EBMUD) will wheel the water through its distribution system, and the City of Hayward will receive the water through the Hayward Intertie. The Hayward Intertie was built as part of the seismic upgrade of the San Francisco Regional Water System (SF RWS) through the Water System Improvement Program (WSIP). It connects EBMUD with the SFRWS and runs through Hayward.

A total of 1,000 acre feet (AF) of water will be purchased. Approximately 800 AF will be delivered through the intertie with an anticipated 20% system loss. The delivery rate is estimated at 15 million gallons per day (mgd) within a 21-day period. Some flow will continue past Hayward into the SFRWS, depending on Hayward's demand. Implementation of the transfer is expected to occur in January 2020.

Mr. Francis noted that during the pilot transfer, water will flow through the Hayward water distribution system from north to south, which is opposite of Hayward's normal flow of south to north when it receives water from the SFRWS. Furthermore, Mr. Francis explained that the use of the Hayward Intertie will require operation of two pumping facilities to meet the pressure needs of the Intertie's 30 mgd capacity. Typically, San Francisco's system pressure is enough to push water through Hayward's distribution system.

In addition to AWA, EBMUD, Hayward, and SFPUC, other entities that will have some level of involvement in BAWSCA's pilot water transfer include PG&E and the State Water Resources Control Board (SWRCB). Because PG&E operates dams along the Mokelumne River, AWA will need to coordinate with PG&E in setting release rates needed to move water for the transfer. SWRCB – Division of Drinking Water will also be involved in coordinating with the City of Hayward regarding water Hayward will receive from Mokelumne River for the transfer. Mr. Francis explained that Mokelumne River is a water source Hayward is not regularly permitted to receive water from.

BAWSCA will be entering into four agreements which will be brought to the BAWSCA Board for its consideration and approval at its meeting in November. They include an agreement between AWA and BAWSCA for the purchase of the water, a wheeling agreement between BAWSCA and EMBUD to move and treat the transfer water, an agreement between BAWSCA and SFPUC to allow BAWSCA's use of the SF RWS for the transfer, and a pilot transfer agreement between BAWSCA and Hayward for the City of Hayward to take delivery of the transfer water.

Mr. Francis went over additional agreements that, while outside of BAWSCA's purview, BAWSCA is tracking and supporting as needed. He explained that the Hayward Intertie is a facility owned by the SFPUC and EBMUD, and operated by the City of Hayward. It was built and permitted for emergency use only. Because the pilot water transfer is not within the realm of the intertie's intended use, there will need to be a side-agreement to allow the use of the facility for the one-time transfer.

Additionally, Hayward's current agreement with the SFPUC does not allow it to receive water from sources other than Hetch Hetchy. The SFPUC will be preparing a letter of agreement that would allow Hayward to receive water from Mokelumne River for the purpose of the one-time pilot water transfer.

Finally, both EBMUD and AWA have water rights to the Mokelumne River. They are both very protective of their water rights, including how those rights should be used in the future. Some form of an agreement, perhaps a one-time agreement for the purpose of the transfer, needs to be in place to address the agencies' sensitivities. The agencies, however, have identified that the water rights concern is a potential issue that goes beyond the pilot water transfer, and one that may take some time to sort through. Because water rights matters can be contentious, Mr. Francis noted that reaching agreement on said matters can be tricky and work remains in resolving this issue for the pilot water transfer.

Several supplemental documents are needed in addition to the agreements.

Hayward, EBMUD and the SFPUC are developing an operations plan, in terms of staffing, that would detail how they would operate the intertie and move water from EBMUD to Hayward during the pilot.

Hayward is also coordinating with EBMUD on water quality data that Hayward must receive in advance of the transfer process to allow for the time required to issue proper notification of water quality changes to both residential and commercial customers. Mr. Francis noted that in BAWSCA's agreement with EBMUD and commitment to Hayward, BAWSCA is working with EBMUD to ensure that the water quality data is provided to Hayward in advance of the transfer.

Specific correspondence with the SWRCB includes the SFPUC and Hayward informing the Division of Drinking Water about a change in Hayward's water source for the purpose of the pilot water transfer. Another document that must be filed with the SWRCB is an annual "Statement of Diversion and Use" of water. PG&E prepares that report each year for their Mokelumne facilities, and the report references AWA's water diversions as well as PG&E's. The report prepared for 2020 would need to indicate that a portion of AWA's diversions was delivered to BAWSCA for the pilot water transfer.

AWA will provide a release schedule to document that water will be delivered on a daily basis at the required rate during the pilot water transfer.

Finally, during the transfer, primary points of contacts for each agency involved will be listed and documented as reference.

BAWSCA will be the lead agency for CEQA. At its November meeting, the Board will be asked to approve BAWSCA's Notice of Exemptions (NOE). Mr. Francis explained that because the pilot water transfer will use existing facilities, no construction will be involved nor will there be environmental impacts anticipated, and the concept called "Existing Facilities" common sense exemption will apply.

BAWSCA will file the NOE following the Board's action in November. There will be a 35-day comment period. BAWSCA has met with a key environmental group active in AWA's service area and does not anticipate major comments, but will be prepared to respond to and address any concerns that arise.

BAWSCA will file in the eight counties that are in the path of the transfer water. They include Amador, Calaveras, San Joaquin, Contra Costa, Alameda, Santa Clara, San Mateo, and San Francisco.

Because BAWSCA is the lead agency for the transfer, there is no need for the other agencies involved to file, unless they choose to. BAWSCA is in discussions with the SFPUC on their intentions to file. AWA, EBMUD, and Hayward have indicated their intention to file as responsible parties.

No new permits are needed to conduct the pilot. All permits required are in place.

Total estimated cost for the pilot water transfer is \$1.2M. The cost includes the purchase of the water; wheeling the water which requires treatment, staffing, and

power costs; and delivery of the water, which will require Hayward to modify its water system operations and incur costs to the resources needed for the modifications.

The use of the Balancing Account is the recommended funding source for the pilot water transfer.

Most of the cost are on a per acre-ft basis, which means that BAWSCA will only pay for the water delivered. Mr. Francis explained that while the total water to be purchased is 1,000 AF, if for some reason the transfer process is shut down after a few days, BAWSCA will only pay for the amount of water that was moved. There will be upfront costs that will need to be paid, but the primary costs will be based on a per acre-ft basis. A few outstanding cost items are still being negotiated but are not anticipated to change the estimated cost of \$1.2M

BAWSCA and the participating agencies are scheduled to bring the agreements to their governing bodies in November for approvals. The pilot water transfer is expected to start in January of 2020. The process will begin with the flushing of the Hayward Intertie, and the pilot water transfer is anticipated to run from January 13<sup>th</sup> through February 3<sup>rd</sup>.

This schedule aligns with the SFPUC's Hetch Hetchy system shutdown to accommodate work on Mountain Tunnel, as per BAWSCA's agreement with Hayward.

The purpose of the pilot water transfer is to validate BAWSCA member agencies' ability to act collectively and independently of the SFPUC to secure a reliable supply of water. It is an effort under BAWSCA's Long-Term Reliable Water Supply Strategy (LTRWSS) that the BAWSCA Board guided and approved staff to pursue.

The pilot water transfer will provide lessons learned about the processes (finding water sellers, negotiating agreements, identifying CEQA needs, recognizing pitfalls, etc.) required to conduct water transfers in the region. Specifically, the use of the Hayward Intertie is unique for the one-time pilot water transfer. Since it was intended for emergency use only, its use is disruptive to Hayward's normal system operations, and is not practical under normal circumstances. The pilot water transfer will demonstrate if and how changes to normal operation impact Hayward's distribution system. Those results are expected to prove useful for evaluating how other water systems may or may not experience similar disruptions when and if future transfers were conducted.

The pilot has provided information on the processes of acquiring institutional approvals and performing environmental review. It has also provided information on how much water transfer costs might be. However, Mr. Francis noted that the costs for the pilot water transfer cannot serve as a hard and fast number that can be applied in future transfers simply because the pilot water transfer partner agencies have reduced, absorbed, and/or omitted some of the typical charges associated with water transfers.

Mr. Francis noted that environmental groups as well as the State have indicated strong support for water transfers as a way to meet water supply needs during dry

years. BAWSCA's pilot water transfer will demonstrate how water transfers compare against other water supply alternatives such as potable use and desalination.

BAWSCA is addressing and mitigating potential risks through the agreements between the agencies. Specifically, BAWSCA is committing to purchase limited insurance coverage of Hayward's water system for the period of the pilot water transfer since there could be potential damage to Hayward's distribution system as a result of change in water flow during the period of the pilot water transfer.

Additionally, in case of a natural disaster, such as an earthquake, or poor water quality event takes place that will require the pilot water transfer to be halted, as stated previously, it has been negotiated that the majority of the costs are on a unit basis, and only the water that is moved will be paid for.

Following implementation of the pilot water transfer, BAWSCA will put together a document that will detail the efforts from start to finish and outline lessons learned to inform future decision-making.

In response to Director Cormack's questions of how will BAWSCA measure the success of the pilot water transfer, Mr. Francis stated that the ability to move water from an alternative source through the system into the BAWSCA region is a demonstration of BAWSCA member agencies' ability to address it's own water needs during a drought. That is success. But success is having knowledge. If the pilot water transfer process does not work, knowing why the pilot couldn't be executed will prove useful. Also, gaining the knowledge of what risks would be encountered if a pilot water transfer were to occur and how could those risks be mitigated will prove useful and hence gaining that knowledge is a success.

The 20% water loss estimate was based on EBMUD's 2017 water loss data of 14% in their service area. Water loss reports are required by the State under the new law associated with "Making Conservation a California Way of Life". Because of the distance the transfer water has to travel between AWA to EBMUD's service area, an additional 6% was added by EBMUD to represent the overall water loss along the wheeling route.

The payment to Hayward of up to \$ 190,000 is for staffing and electricity costs associated with their water system operation modifications, as well as for addressing water quality issues that may come up during the transfer.

In terms of water quality being a measure of success, Mr. Francis noted that EBMUD's Mokelumne River is a high-quality supply and certainly the water quality from the pilot water transfer will meet state standards. Hetch Hetchy water delivered by the SF RWS is of high quality. Whether the transfer water will be of equal quality remains to be seen, and will depend on various factors for future transfers.

In response to Director Hindi, Mr. Francis stated that if there are CEQA challenges, the consensus among the partnering agencies is to walk away from the project since CEQA challenges can be very expensive.

Director Kuta appreciated the ongoing efforts and acknowledged the risks to Hayward's facilities. He asked if there are limitations on what claims could be put forward in the insurance.

Dr. Carr stated that the insurance coverage is facility related and is focused on pipes, pumps and tanks. Expenses incurred from outreach costs due to water quality issues are included in the costs BAWSCA is paying Hayward, and are outside the insurance coverage. She added that if there are significant water quality issues that arise from the pilot water transfer, Hayward, according to the agreement with BAWSCA, has the capacity to suspend the pilot.

Mr. Francis reported that Hayward provided BAWSCA the cost maximum to set the insurance coverage. The insurance mitigates any risks to BAWSCA should there be significant damage to Hayward's facilities as a result of the transfer.

Mr. Francis reported that the pilot water transfer will be metered at the Hayward Intertie which will read 15 mgd. It will also meter at the end of Hayward's system where it connects into the regional water system so that Hayward is only billed for water they use.

Director Mendall expressed his appreciation for everyone's efforts on the pilot water transfer over the past seven years. It has been a lot more complicated than originally perceived and getting this far is a success. BAWSCA has gained institutional knowledge and now has a better sense of the complexities involved in such an endeavor.

He stated that Hayward does not view this agreement as a template or model for future long-term transfers. It was mentioned that there is a price one has to pay to meet the demand during a drought, and that is accurate. Given the way that this pilot water transfer is set up, all of the price, in terms of water quality and risks, are paid for by Hayward, and no one else.

He cautioned against assuming that the pilot water transfer, and everything it has in place, can be duplicated the next time there is a drought.

Hayward's biggest concern is with the risk to the physical infrastructure brought on by the switch from having the highest pressure in the South and lowest in the North, to having the highest pressure in the North and lowest in the South. There is a non-trivial risk to potential damage in the infrastructure which is what the insurance is for.

Peter Drekmeier, Tuolumne River Trust, provided public comments. Offering the concept of purchasing water from TID and MID, following land and paying farmers a comparable pay they would have earned from their crops. The State could pass legislation to have this happen. Perhaps BAWSCA could mobilize its legislators to pass legislation to make this happen and remove the risks of design drought.

**Director Pierce made a motion, seconded by Director Cormack, that the Committee recommend the Board:**

- 1. Approve the Pilot Water Transfer Project, determine that the pilot water transfer is exempt from the California Environmental Quality Act**

**(CEQA) under Guidelines sections 15301(b) and 15061, and authorize the CEO/General Manager to file a notice of exemption under CEQA;**

- 2. Authorize the CEO/General Manager to negotiate and execute the four agreements necessary to implement the Pilot Water Transfer Project; and**
- 3. Authorize the CEO/General Manager to direct SFPUC to transfer up to \$1,200,000 from the 2009 Water Supply Agreement Balancing Account, in accordance with Section 6.05.B.2.a of the 2009 Water Supply Agreement, for water supply projects administered by BAWSCA.**

**The motion carried unanimously.**

- 6. Closed Session:** The meeting adjourned to Closed Session at 2:25pm
- 7. Open Session:** The meeting re-convened to Open Session at 3:30pm. Legal Counsel, Allison Schutte, reported that no action was taken for Items A and B of the Closed Session. For Item C, directions were given to the Labor Negotiator. No action was taken.

Committee Vice-Chair convened the remainder of the meeting.

**5. Action Calendar:**

- A. Tier 2 Drought Implementation Plan Extension:** BAWSCA's discussions with agency appointed Water Management Representatives are reflected in the staff memo. The Committee was presented with the recommendations for the Tier 2 Plan.

Director Mendall noted that the action is a formality, and moved the item.

**Director Mendall made a motion, seconded by Director Cormack, that the Committee recommend the Board adopt Resolution 2019-02 adopting the Tier 2 Plan drought allocation methodology for the year January 1, 2020 through December 31, 2020.**

Director Pierce commented that she is pleased that BAWSCA responded to concerns expressed by the WMRs to reach their comfort level with the current plan.

**The motion carried unanimously.**

- C. Authorization to Enter into an Agreement with the Selected Contractor to Implement a Customer Water Meter Accuracy Testing Program:** Ms. Sandkulla presented the recommended action and opened the floor for Committee member questions.

In response to questions, Ms. Johnson stated that BAWSCA will select the service provider that best demonstrates efficiency and cost-effectiveness.

BAWSCA has a contract with Water Systems Optimization (WSO) for the Water Loss Management Program. They have assisted in the RFP process, but they do not specifically perform the customer meter testing.

The goal of the program is to get better data to determine apparent losses and support BAWSCA agencies in preparing annual water audits required by the State (SB 555).

**Director Mendall made a motion, seconded by Director Cormack, that the Committee recommend the Board adopt authorize the CEO/General Manager to:**

- 1. Negotiate and execute a contract with the selected contractor(s), subject to legal counsel review, to implement the Customer Water Meter Accuracy Testing Program; and**
- 2. Offer participation in the program to interested BAWSCA agencies on a subscription basis.**

**The motion carried unanimously.**

**6. Reports:**

- A. Water Supply Update: Ms. Sandkulla reported that potable water use continues to track closely to 2018 water use. BAWSCA will continue to monitor water use trends.

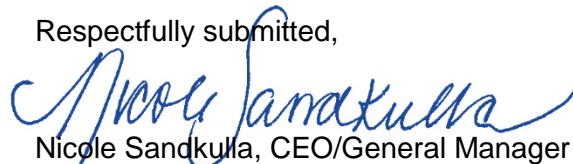
Ms. Sandkulla noted that the Regional Water System anticipates no issues with PG&E's power shutdowns. The system operates through gravity, and most importantly, the system has redundancy and emergency plans in place at all critical locations as a result of the WSIP and other efforts. BAWSCA, through the WSIP process, was very adamant about the system's ability to operate through unforeseen emergency circumstances, such as what PG&E is having to deal with.

In response to Director Kuta, Nicole stated that SFPUC power does not serve the BAWSCA service area, with the exception of the Tesla facility, because of its location.

The first draft of the Demand Study will be brought to the Board in April or May. Information on the pre-conservation results will be available in November.

- 7. Comments by Committee Members:** Appreciation for the email from Tom Francis to the member agencies regarding the potential impacts to the SFRWS from a PG&E shutdown was expressed. Such an email gives agencies comfort that BAWSCA pays attention to developments.
- 8. Adjournment:** The meeting was adjourned at 3:37 pm. The next meeting is December 11, 2019.

Respectfully submitted,



Nicole Sandkulla, CEO/General Manager

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Attachments: 1) Attendance Roster



# Bay Area Water Supply and Conservation Agency

## Board Policy Committee Meeting Attendance Roster

Agency	Director	Oct. 9, 2019	Aug. 14, 2019	Jun. 12, 2019	Apr. 10, 2019	Feb. 13, 2019	Dec. 12, 2018
Stanford	Zigterman, Tom (Chair)	✓	M T G  C A N C E L L E D		✓	✓	✓
Westborough	Chambers, Tom (VChair)	✓		✓	✓	✓	n/a
Palo Alto	Alison Cormack	✓		✓	✓	n/a	n/a
Foster City	Hindi, Sam	✓		✓			n/a
Cal Water	Kuta, Rob	✓		✓	✓☎	✓	
Sunnyvale	Larsson, Gustav	✓		✓	✓		✓
Hayward	Mendall, Al	✓		✓	✓	✓	✓
Redwood City	Pierce, Barbara	✓		✓	✓	✓	✓
Brisbane	Wood, Sepi			✓	✓	✓	n/a

✓: present

☎: Teleconference

### October 9, 2019 Meeting Attendance

#### BAWSCA Staff:

Nicole Sandkulla CEO/General Manager  
 Tom Francis Water Resources Manager  
 Adrienne Carr Sr. Water Resources Specialist  
 Andree Johnson Sr. Water Resources Specialist  
 Christina Tang Finance Manager  
 Lourdes Enriquez Assistant to the CEO/General Manager  
 Allison Schutte Legal Counsel, Hanson Bridgett, LLP  
 Nathan Metcalf Legal Counsel, Hanson Bridgett, LLP  
 Nicole Witt Legal Counsel, Hanson Bridgett, LLP

#### Public Attendees:

Michelle Novotny SFPUC  
 Jan Lee Hayward  
 Peter Drekmeier Tuolumne River Trust  
 Susan Rowinski Self  
 Drew Self