

**May 16, 2024 – SUPPLEMENTAL CORRESPONDENCE**

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

**May 16, 2024**

Correspondence and media coverage of interest between May 10, 2024 and May 15, 2024

**Correspondence**

From: Dave Warner  
To: BAWSCA Board of Directors  
Date: May 15, 2024  
Subject: Astonishing Water Rates, A Bad Symptom of a Disconnect

From: Nancy Berman  
To: BAWSCA Board Members  
Date: May 14, 2024  
Subject: Restore Remote Participation at BAWSCA

**Water Management:**

Date: May 13, 2024  
Source: ACWA Newsroom  
Article: GOVERNOR ADDRESSES ACWA SPRING CONFERENCE ATTENDEES

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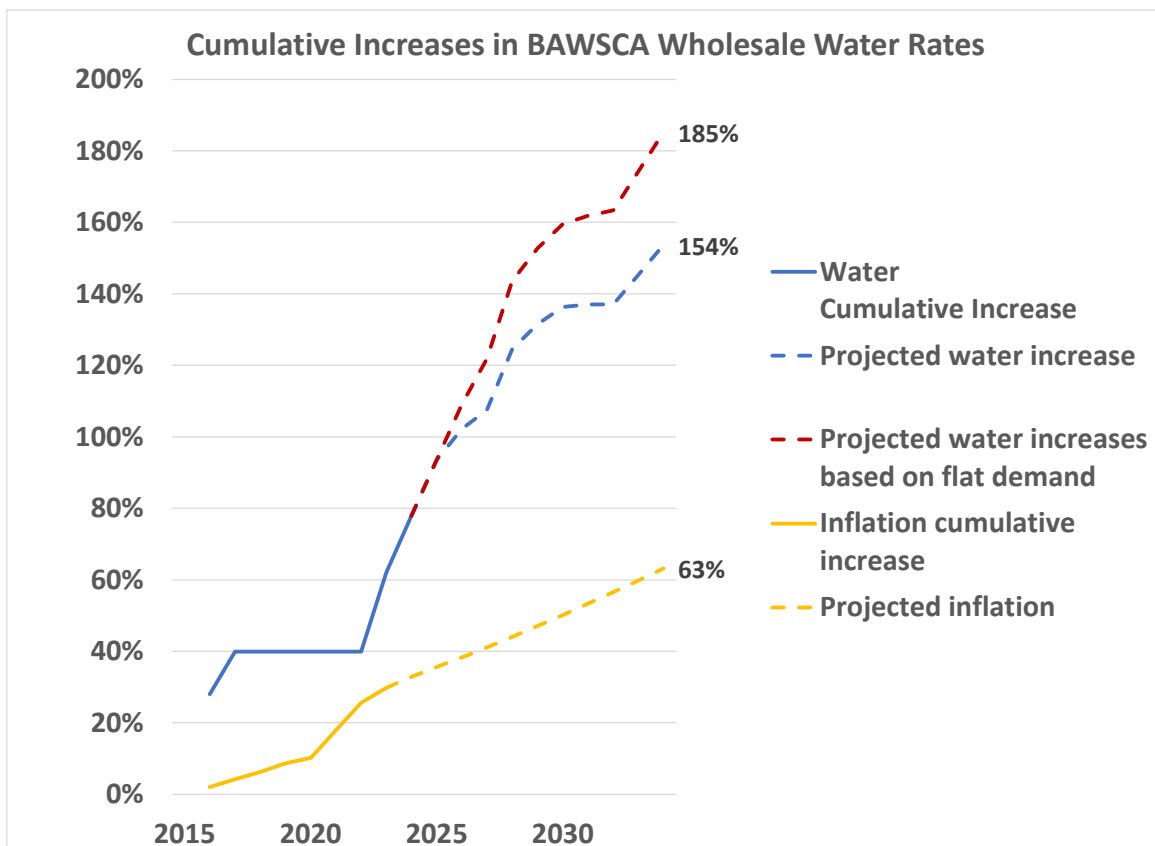
May 15, 2024

**Re: Astonishing Water Rates, A Bad Symptom of a Disconnect**

Dear BAWSCA Board members,

The SFPUC’s Water Enterprise division continues to drive astonishing increases in the price of water through its massive capital investments. This is an SFPUC that is not adapting to our needs in the 21<sup>st</sup> Century. In the 20<sup>th</sup> Century after the 1987-92 drought, water prices were low, demand was increasing, we had more limited historical flow data and there was uncertainty around climate change. The mantra was reliability any cost.

And how our water prices have increased! The chart below shows cumulative compound annual water rate increases since 2015 and projected through 2034 as compared to historical and projected inflation rates.<sup>1</sup>



<sup>1</sup> Historical water rates determined from CCSF public records request 24-2552. Projected water rates per item 11 on February 13, 2024 Public Hearing to discuss and possible action to adopt the SFPUC 10-Year Financial Plan for FY 2024-25 through FY 2033-34. Projected water rates based on flat demand modeled BAWSCA demand on the Regional Water System holding at 127.5 mgd starting in 2025.were calculated also from public records request 24-1528. Historical inflation data taken from Investopedia article, “U.S. Inflation Rate by Year: 1929 to 2024 by Haranmayi Srinivasan updated May 2, 2024. Projected inflation rates taken from Statista Research Department, “Projected annual inflation rate 2010-2028” dated November 30, 2023.

The chart shows that not only have water rates been rapidly climbing well above the inflation rate for the last 9 years, but they are projected to accelerate for the next 10 years. Rates are likely to go even higher. The red dotted line shows that if BAWSCA water demand increases less than projected, rates will skyrocket even more.

### **The Regional Water System is Becoming a 20<sup>th</sup> Century Behemoth**

After the 1987-92 drought the mantra was “reliability at any cost:”

- Implement the \$4.8 billion Water System Improvement Program (WSIP) to protect reliability and reduce earthquake risk. But it was imagined when demand was growing and looked likely to reach 300 mgd or more. Last year’s demand in 178 mgd.
- Implement the 8.5 year design drought, without much historical data available nor understanding of climate change risk. Today, with 1100 years of tree ring data and 25,000 years of stochastic modeling, we know that the design drought is a 1 in 25,000 year event. We also know from the SFPUC’s Long Term Vulnerability Assessment (LTVA) that climate change over the next 50 years has a neutral to small positive impact to the RWS water supply.

And “reliability at any cost” continued:

- In 2016 the SFPUC launched its opposition to the Bay Delta Plan. Led by then Commissioner Anson Moran who was General Manager of the SFPUC through the 1987-92 drought when the SFPUC came close to running out of water, the decision was to fight the Bay Delta Plan despite demand continuing to decline and environmental concerns growing. Salmon counts dropped to de minimis levels, no longer able to survive in a hostile Tuolumne.
- Water Enterprise’s latest massive 10 year capital plan continues to update the extensive RWS infrastructure despite causing further jumps in the price of water. The 10 year plan has no significant investment in Alternative Water Supplies (AWS), despite being considered more reliable than imports from the Sierra.

### **Water Enterprise is the Biggest Contributor to the Jump in the SFPUC’s 10 Year Capital Plan**

While much attention has been given to the \$3 billion jump from last year’s 10 year capital plan (now projected to be \$11.8 billion) and how sewer enterprise projects are critically needed (including denitrification), much less has been discussed regarding the big one year jump in the water enterprise capital plan.

10 Yer Capital Plan (\$ millions)				
	2024	2025	Yr/yr Increase	Percent increase
Water	\$ 3,241	\$ 4,489	\$ 1,248	38%
Wastewater	\$ 4,879	\$ 6,040	\$ 1,161	24%
Power	\$ 669	\$ 1,283		
<b>Total</b>	<b>\$ 8,788</b>	<b>\$ 11,812</b>		

The table to the left shows that Water Enterprise’s year over year jump in the 10 year plan was bigger dollar-wise than Wastewater’s increase and on a percentage basis much bigger than Wastewater’s increase (38% versus 24%). Why a 38% increase from last year?

With Wastewater we know that denitrification driven by regulatory requirements is a primary driver of the jump, perhaps accounting for more than 80% of the increase. The reasons for Water Enterprise’s plan needing to jump so much this year are less clear. Should some of the Water Enterprise projects be deferred or reduced in size? That would take some pressure off the sustained large rate increases.

**Debt Exacerbates the Problem**

Increasing levels of debt is driven by the capital plan. By 2044 SFPUC debt service costs alone will exceed the entire SFPUC-wide 2023 operating budget. In less than 10 years debt service costs will make up more than half of Water Enterprise’s annual operating budget. Of course the \$4.8 billion Water System Improvement Program (WSIP), which started the growth in debt, was and is needed, but imagine if the debt service costs didn’t exist. Water rates would be less than half of what’s projected today.

It appears that an unintended consequence to the WSIP was the SFPUC becoming addicted to debt. An analogy might be personal credit card debt. A good personal financial planner would say to build finances to a place where one day credit card debt won’t be needed. Perhaps the SFPUC should take such advice for its debt. The first step is to slow the increase in debt.

**What would an ideal RWS look like?**

A vision might start with a regional water system with reasonable water prices, continued declines in per capita water use, increasing reliance on reliable AWS, decreasing reliance on imports from the Sierra and increased adaptability to long term changes in demand. This would mean scaling back on investing in existing infrastructure and shifting investment to AWS.

**We Need to Up Our Game with the SFPUC**

BAWSCA is engaged with the SFPUC in many ways, but like it does with its own Commissioners, the SFPUC doesn’t give BAWSCA real choices. Prior to the last 10 year capital plan being finalized, the SFPUC should have given BAWSCA choices for the level of capital investment in the context of providing the associated impacts on rates. That way BAWSCA could have better oversight on the price of water and how capital investments are made. It’s embarrassing that the SFPUC hasn’t already done this.

BAWSCA is a Board of 26 comparatively small agencies compared to San Francisco, although combined you represent two thirds of the demand placed on the RWS. It's difficult for a group of many small agencies like ours to effect change and not continue to rely on past practices. These high water rates are putting us in a place where we've never been, where we have to be concerned about not only reliability but also the price of water that our constituents pay. We need real choices from the SFPUC, choices that we've not been given before. We need to band together and require this.

### **The Ecological Disaster**

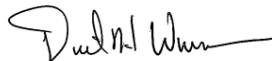
As you know our water imports from the Tuolumne have caused an ecological disaster, a visible example being the fall run chinook salmon on the verge of extirpation. That's contributed to the cancelation of the salmon fishing season for the second year in a row. There's a lot of misinformation and differing opinions about the Bay Delta Plan and the Tuolumne River Voluntary Agreement in the context of future of water demand. This is another area where BAWSCA has relied on the SFPUC without a lot of effort by the Board to fully understand the issues.

If you are considering appealing the recent Bay Delta Plan legal decision, please first invest more time in understanding the views on all sides, not just from the SFPUC. If nothing else, perhaps abstain from making a decision until you are better educated.

### **Please increase your influence on shaping the SFPUC of the future.**

Whether it is the ideal RWS imagined above or another vision, please increase your influence on what the future SFPUC will look like. This latest Water Enterprise 10 year capital plan is almost criminally negligent in the rate impact it is forcing upon us.

Kind regards,



Dave Warner

cc: Nicole Sandkulla, BAWSCA CEO

**From:** [Nancy Berman \(gaiawildewoode@gmail.com\)](mailto:gaiawildewoode@gmail.com) Sent You a Personal Message  
**To:** [bawscaboardofdirectors](mailto:bawscaboardofdirectors)  
**Subject:** Restore Remote Public Comment at BAWSCA  
**Date:** Tuesday, May 14, 2024 7:28:38 PM

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Dear BAWSCA Board of Directors,

Dear Board Members,

The removal of remote participation in BAWSCA Board meetings has reduced the transparency of the agency and has excluded the voices of the elderly, working-class, and caregiving community members from sharing their vital perspectives on the actions BAWSCA takes.

Remote participation became the new normal during the pandemic and remains in place in the majority of California cities. BAWSCA has made great progress by returning livestreams of Board meetings and the Agency must continue by implementing remote public comment services. As BAWSCA considers continuing its anti-environmental lawsuit against the State Water Board and chooses to support environmentally harmful voluntary agreements (VAs), the Board must remain transparent and ensure the voices of marginalized communities are heard at public meetings.

The Board must restore remote participation, including remote public comment. Thank you for recognizing the impact that remote participation has on increasing the accessibility and transparency of BAWSCA.

Sincerely,

Sincerely,

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## GOVERNOR ADDRESSES ACWA SPRING CONFERENCE ATTENDEES

ACWA Newsroom | May 13, 2024 | ACWA STAFF



During a surprise appearance at the 2024 ACWA Spring Conference & Expo in Sacramento, Gov. Gavin Newsom addressed climate change adaptation while expressing strong support for local control of water resources.

Newsom joins a long list of California governors who have spoken at ACWA

conferences throughout the association's history, including past Gov. Jerry Brown. Gov. Newsom's address highlighted several areas of interest to ACWA member agencies. Water has remained a leading issue during Newsom's second term in office, and he made that abundantly clear during his 15-minute address.

California Secretary for Natural Resources Wade Crowfoot introduced Newsom during Crowfoot's May 8 keynote speech, which also focused on the critical role of California water management in an era defined by climate extremes.

After receiving a standing ovation, Newsom opened his address by noting dramatic swings between record-breaking climatic shifts and how his administration has responded by giving local water agencies flexibility in taking action, one of several points applauded by conference attendees.

"You are the experts, you understand it intimately," Newsom said, stating his support for "a framework of bottom up, not top down — localism to be determinative as it relates to managing our water policy in the state of California."

He acknowledged ACWA member agencies' work on stormwater capture, water recycling and groundwater replenishment, all while facing challenges with conveyance, above- and below-ground storage and implementation of the Sustainable Groundwater Management Act.

Newsom emphasized his support for the Delta Conveyance Project as key to climate adaptation and also stressed his administration's continued work on permitting reform, touching on the process behind building Sites Reservoir as an example.

"If you can't build an off-stream storage facility, my gosh, how do we do things better, how do we move things in a more efficient and effective manner? How do we get out of our own way?" he said.

Newsom cited “tremendous progress” made on advancing the Agreements to Support Healthy Rivers and Landscapes, by praising work toward the agreements’ creation of greater habitat restoration and more flexibility in water management in the Sacramento-San Joaquin Bay-Delta.

Making a point he’s repeated throughout his term, Newsom called for moving beyond “binaries” and relentless litigation as a feature in California water policy.

“The courts can’t be the determining factor. Weeks become months, years, decades,” Newsom said.

Newsom closed his address by underscoring his support for local water management.

“Each and every one of you have unique challenges, a unique set of opportunities, and one size yes, and by definition, doesn’t fit all,” Newsom said, adding “You need that flexibility, and we need to partner with you, with an understanding of the regional characteristics and dynamics that you confront every single day.”

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