

A Meeting of the

**BOARD OF DIRECTORS
OF THE
CENTRAL COAST WATER AUTHORITY**

will be held at 9:00 a.m., on Thursday, April 26, 2018
at 255 Industrial Way, Buellton, California



Jack Boysen
Chairman

Richard Shaikewitz
Vice Chairman

Ray A. Stokes
Executive Director

Brownstein Hyatt
Farber Schreck
General Counsel

Member Agencies

City of Buellton

Carpinteria Valley
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water
Conservation District,
Improvement District #1

Associate Member

La Cumbre Mutual
Water Company

I. Call to Order and Roll Call

II. Public Comment – (Any member of the public may address the Board relating to any matter within the Board’s jurisdiction. Individual Speakers may be limited to five minutes; all speakers to a total of fifteen minutes.)

III. Consent Calendar

- * A. Approve Minutes of the March 22, 2018 Regular Meeting
- * B. Approve Bills
- * C. Controller’s Report
- * D. Operations Report

IV. Executive Director’s Report

- A. CCWA Water Supply Situation Report
- B. 2018 Supplemental Water Purchase Program Update
- C. State Water Project Contract Assignment Update
- * D. State Water Project Contract Financial Amendment and Extension
- * E. State Water Project Contract California WaterFix Amendment Update
- F. California WaterFix Update
- * G. Polonio Pass Water Treatment Plant GAC Filter Media Replacement Project
- ◆ H. Finance Committee
 - 1. FY 2017/18 Third Quarter Investment Report
 - 2. Annual Review of the CCWA Investment Policy
- * I. Final FY 2018/19 Budget
- * J. Legislative Update

V. Reports from Board Members for Information Only

VI. Items for Next Regular Meeting Agenda

VII. Date of Next Regular Meeting: May 24, 2018

VIII. Adjournment

255 Industrial Way
Buellton, CA 93427-9565
(805) 688-2292
FAX: (805) 686-4700

* Indicates attachment of document to original agenda packet.
◆ Indicates enclosure of document with agenda packet.

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**MINUTES OF THE
CENTRAL COAST WATER AUTHORITY
BOARD OF DIRECTORS**

March 22, 2018

I. Call to Order and Roll Call

Chairman Boysen called the March 22, 2018, Central Coast Water Authority (CCWA) Board of Directors meeting held at 255 Industrial Way, Buellton, California, to order at 9:01 a.m. Attachment No. 1 is a list of those in attendance.

CCWA member agencies with voting privileges were represented by:

<u>Representative</u>	<u>Agency/City</u>	<u>Voting %</u>
Ed Andrisek	City of Buellton	2.21%
Jack Boysen	City of Santa Maria	43.19%
Harlan Burchardi	Santa Ynez River Water Conservation District, ID #1	7.64%
Richard Merrifield	Goleta Water District	17.20%
Richard Shaikewitz	Montecito Water District	9.50%

II. Public Comment

There was no public comment.

III. Consent Calendar

- A. Approve Minutes of the February 22, 2018 Regular Meeting
- B. Approve Bills
- C. Controller's Report
- D. Operations Report

Following discussion, a motion to approve the Consent Calendar was made by Director Andrisek, seconded by Director Merrifield, and carried with all in favor and none opposed.

IV. Executive Director's Report

- A. Water Supply Situation Report

Ray Stokes, CCWA Executive Director, addressed the Board to provide information related to water available to CCWA, including weather related supply. According to the eight station index, Northern Sierra precipitation is expected to surpass the 2014-15 with the current storm but is still not at historical average levels. The same is true for the San Joaquin and Tulare indices. Snow pack was trending below the driest year on record, and is now increased to about 40 - 50% of average for all indices.

Oroville Lake is being maintained at an artificially low level, and the plan for the spillway repair will be announced April 15, 2018. In response to a question from the Board, Mr. Stokes stated that DWR is hoping for a 70% funding match from FEMA, but FEMA has not yet provided a position on their payment. DWR is not yet billing

any SWC for the repairs, and Mr. Stokes reviewed the rationale for suspension of the repair cost billing by DWR.

San Luis Reservoir is at 1.6 million AF storage including carryover water. CCWA is taking delivery of carryover water first before any Table A allocation. Based on the water supply situation, currently it appears that the 20% allocation may be retained. CCWA has reclassified 1,606 AF as 14B water, so it will not be subject to spill. Through February 4,400 AF has been delivered to CCWA participants. A request for the return of the 2011 Palmdale exchange water has been made on behalf of CCWA's participants, and John Brady, CCWA Deputy Director, explained the allocation of the returned water to those participants in the exchange.

CCWA's bypass pipeline to Cachuma Lake was removed on March 19, 2018 due to the potential for the lake level to increase in the current storms. Distribution staff were able to remove the pipeline so that the lake's spillway could be shut prior to the storm arrival. Removal of the bypass piping means that CCWA is not able to pump water into the lake, as the dam penstock is not available due to a biological opinion requirement necessitating delivery of water into Hilton Creek. Therefore, as soon as the lake level stabilizes CCWA will request approval from the USBR to replace the bypass piping.

B. 2018 Supplemental Water Purchase Program

Mr. Stokes reviewed the status of the Supplemental Water Purchase Program (SWPP), which currently has four participants. CCWA's water broker, Sierra Water Development, has identified available water north of the Delta for purchase. DWR has provided a notice in late December which stipulated return amounts based on allocation percentages. Based on this guidance, Mojave WD has offered a 4:1 exchange under the current 20% allocation, but if the allocation goes up the exchange ratio may be changed. DWR has not yet determined how the guidance will be interpreted in the event of changes in allocation.

Other contractors have also expressed an interest in water exchange transactions with CCWA, and Mr. Stokes stated that he is confident that he will be able to meet the needs of the participants in the 2018 SWPP.

C. State Water Contract Assignment Update

DWR has stated verbally that they have no objection to assignment but have not yet provided this in writing. Santa Barbara County has indicated it will not meet to discuss contract assignment until DWR provides a letter indicating it is willing to accept full assignment of the contract from the County to CCWA.

D. State Water Contract Amendments Update

DWR and the State Water Project Contractors have entered into negotiations to amend the State Water Project Contract and have been meeting weekly. One of the primary issues is to enhance water management tools to allow for greater flexibility in the management of water supplies among the State Water Project Contractors.

Other issues being negotiated would allow for multi-year transfers, allow for contractors to be buyers and sellers within the same year, allow for transfers without

a return requirement, and allow the buyers and sellers to negotiate terms without constraint.

The storage of water and transferring of water within the same year and storing water outside of the contractor's service area is also being negotiated. Allowing contractor's to supply water for use within another contractor's service area is being discussed, as is the potential of eliminating the Turnback Pool.

Multiple other less pressing issues are also contemplated, but the State Water Contractors are requesting that those items be considered in a later negotiation period after the primary matters have been resolved and amendments finalized, to keep the process timely relative to the current contract's expiration.

E. California WaterFix Status Update

DWR is currently indicating that the project will be staged due to the lack of participation. A 6,000 cfs one tunnel facility was proposed, but additional concerns were raised, so now a 9,000 cfs facility is again being discussed.

Several issues are currently pending, primarily; gap funding of \$133 million needed by DWR to continue the project prior to bond proceeds being available, and establishing a financing JPA to issue bonds to keep the project moving forward in advance of DWR's ability to issue bonds for the project.

Until the specifics of the project are known, CCWA will not recommend voluntary participation in either of the financial matters by Santa Barbara County.

F. 2018 Ammonium Hydroxide Chemical Contract

The operation of CCWA requires the use of six chemicals in bulk quantities for water treatment. CCWA purchases these chemicals through competitively bid contracts which have a one year term and also allow for up to two one-year extensions. In May 2018, the existing bulk chemical contract for Ammonium Hydroxide will expire. Consequently, CCWA staff moved forward with soliciting competitive bids for supplying and delivering Ammonium Hydroxide to the Polonio Pass Water Treatment Plant.

CCWA staff prepared a Request For Bids (RFB) for supplying and delivering bulk Ammonium Hydroxide to the Polonio Pass Water Treatment Plant. This RFB was emailed to the established CCWA chemical bidder's list on February 22, 2018, was posted on the CCWA website, and advertised through posting notification in the legal section of the San Luis Obispo Tribune on February 26 and March 4, 2018.

Sealed bids were received and opened on March 8, 2018. Staff subsequently conducted a review of the apparent low bid to determine if the bid was responsive to the requirements outlined in the RFB. Upon review, it was determined that the low responsive bidder was Hill Brother Chemical Company.

The lowest responsive bid will result in a reduction from the existing contract price of \$1,895 per dry ton to \$1,495 per dry ton, which is a 21.1% reduction.

Upon a motion by Director Shaikewitz, seconded by Director Andrisek, and carried with all in favor and none opposed the Board authorized the Executive Director to

award the chemical contract to Hill Brother Chemical Company for Ammonium Hydroxide at a cost of \$1,495 per dry ton.

G. CCWA FY 2018/19 Preliminary Budget

Mr. Stokes provided an overview of the FY 2018/19 Preliminary budget, noting that 81% of the total budget is comprised of DWR fixed and variable costs and CCWA Bond payments, and therefore is outside the control of CCWA. The Preliminary FY 2018/19 Budget totals \$62.2 million (excluding CCWA credits), as compared to the final FY 2017/18 Budget of \$61.8 million (excluding CCWA credits), or a gross budget increase of \$.4 million. The FY 2018/19 requested water deliveries are 34,359 AF, compared to FY 2017/18 requested water deliveries of 37,821 AF, a decrease of 3,462 AF.

The various components of the operating expense budget were reviewed. 47% of CCWA operating expenses are due to personnel costs which includes a net salary and wages increase of about \$83,000. Health, dental and cafeteria plan benefits are decreasing by \$18,000 due to realignment of employee benefits which has increased the contributions towards benefits by employees for dependents. CalPERS retirement expenses are decreasing by \$5,000 due to increased contributions by employees, as well as certain positions being filled with PEPRA employees. Other O&M expenses include an increase in supplies and equipment of about \$190,000 due to the increased cost of chemicals needed for water treatment due to the lesser quality of water during the drought.

Mr. Stokes explained that beginning in FY 2018/19, budgeting and reporting of Capital Improvements expenditures will be changed, so that all projects over \$75,000 being proposed in the budget are reported as projects, and both capital and non-capital extraordinary projects will be detailed, providing a more realistic picture of the fixed O&M costs as CCWA's infrastructure ages and becomes more expensive to maintain.

CCWA Revenue Bond debt service for the fiscal year totals \$10.0 million, which is approximately \$1.5 million less than prior year due to the lower interest rate received from the refinancing of the 2006 Revenue Bond Debt.

Currently there are 1,110 AF exchange deliveries included in the budget under the Santa Ynez Exchange Agreement.

Rate Management Credits are decreasing by about \$500,000, and Mr. Stokes explained the rate management credits are reviewed every five years and adjusted, so this level rate management credit is expected to continue for another 4 years.

Coastal Branch debt service is decreasing by about \$1 million, but will be increasing during the next several FYs due to volatility in DWR financing.

DWR has under collected on the Transportation Minimum OMP&R charges so CCWA costs will increase in 2018 by approximately \$2 million. CCWA has requested Ernest & Young to look into the increase, which appear to be due to direct labor costs and associated indirect costs for Reach 33A.

CCWA preliminary budget reflects recent DWR variable charges at \$128/AF, however a recent DWR invoice increased variable charges to \$181/AF, a significant

increase. The final budget will reflect the increased cost of approximately \$2.6 million.

Goals for the year and major projects were discussed, including State Water Contract assignment, reacquisition of the 12,214 suspended Table A water, State Water Contract amendment, and investigating groundwater banking opportunities.

Chairman Boysen suggested that future budget presentations be made at the Board level, with the Operating Committee members invited to participate, to avoid presenting the information twice.

The final budget will be submitted to the Board at its April meeting for adoption.

H. FY 2016/17 Continuing Disclosure Annual Report for Ratification

The FY 2016/17 Continuing Disclosure Annual Report was submitted to the CCWA Revenue Bond Trustee prior to the due date of March 15, 2018, and is available online at ccwa.com.

Mr. Stokes presented an overview of the report, noting that all reporting participants met their required 1.25% coverage calculations.

Upon a motion by Director Shaikewitz, seconded by Director Merrifield, with all in favor and none opposed, the CCWA Board of Directors approved ratification of the CCWA FY 2016/17 Continuing Disclosure Annual Report.

I. Personnel Committee

1. Personnel Policy Manual Changes

Two memos with suggested changes to the CCWA personnel policy manual were provided in the meeting materials, one created by an ad hoc committee of CCWA staff and one created by CCWA's labor attorney to make the manual consistent with current labor law.

Mr. Brady reported that the changes recommended by the Ad Hoc Committee were intended to clarify parts of the manual and prevent misinterpretation. The changes which may have an impact on costs related to standby and shift differential pay, however those effects will be minor. All the recommended changes had been reviewed by the Personnel Committee, and by Jeff Dinkin, CCWA's Personnel Counsel with Stradling, Yocca, Carlson & Rauth.

Mr. Dinkin explained the changes related to the New Parent Leave Act which came into effect in 2018 and effectively replaces the California Family Rights Act.

Upon a motion by Director Burchardi, seconded by Director Andrisek and carried with all in favor and none opposed the Board accepted the recommended changes to the CCWA Personnel Policy Manual.

The Board adjourned to closed session at 10:22 AM.

V. Closed Session

- A. Public Employee Performance Evaluation - Government Code Section 54957
Title: Executive Director
- B. Conference with Labor Negotiator - Government Code Section 54957
Unrepresented Employees: Executive Director, Deputy Director

The Board reconvened to open session at 10:47 AM

VI. Open Session - Executive Director and Deputy Director Salary Adjustments

Mr. Dinkin reported that during the closed session the Board evaluated the performance of the Executive Director and completed bargaining with the Executive Director and Deputy Director. As a result of negotiations the Board and Staff have agreed upon a 4% salary increase for those positions.

Upon a motion by Director Merrifield, seconded by Director Burchardi and carried with all in favor and none opposed, the Board approved a 4% increase to the Executive Director and Deputy Director's compensation.

CCWA Personnel Counsel Jeffery Dinkin reported that the personnel evaluation of the Executive Director has been completed, and Chairman Boysen stated he would be discussing the evaluation with Mr. Stokes at a later date.

VII. Reports from Board Members for Information Only

There were no reports from Board members.

VIII. Items for Next Regular Meeting Agenda

- A. CCWA FY 18/19 Budget

IX. Date of Next Regular Meeting: April 26, 2018

X. Adjournment

The meeting was adjourned at 10:48 a.m.

Respectfully submitted,

Elizabeth Watkins
Secretary to the Board

CENTRAL COAST WATER AUTHORITY

Meeting: CCWA Board of Directors

Date: March 22, 2018

NAME	ORGANIZATION	TELEPHONE
SHAD SPRINGER	CITY OF SANTA MARIA	805 925-0951
Harlan Burchardi	SYRWCD IDI	688 6015
JACK BOYSEN	city of SUM	925-0951
Orly Sh. Kewitz	MWD	561-2300
ED ANDERSEN	CITY OF BURLINGTON	688-1450
FRAY CLEAVE	WATER AGENCY	568-3542
Stephanie Hastings	BHFS	882-1415

Placing your name on this list is voluntary and is not required to attend this meeting.



CENTRAL COAST WATER AUTHORITY

Normal and Recurring Costs

Bills for Ratification - March 2018

VENDOR	INVOICE AMOUNT	DESCRIPTION
GENERAL & ADMINISTRATIVE EXPENSES		
ACCO Brands USA LLC	1,120.60	Printing paper
Adam, Lacey	510.98	Reimbursable expenses - Travel Expense
AWWA	767.00	Publication
Bank of America Business Card	36.84	Advertising - Distribution Tech
Bank of America Business Card	101.78	Staff meetings
Bank of America Business Card	143.24	SWC/DWR - Travel and meetings
Bank of America Business Card	160.00	JPIA Training - Registration Fees
Bank of America Business Card	484.80	CLA-VAL Training Travel Expense (2 employees)
Bank of America Business Card	699.00	ACWA Conference Registration
Bank of America Business Card	804.70	Publications, subscriptions, postage
Cardmember Service	3,521.92	State Water Contractors - Travel and meetings
Dargatz, Darin	55.00	Reimbursable expenses - Certification renewals
Federal Express	95.18	Express shipping
Ladd, Brandon	55.00	Reimbursable expenses - Travel expenses
Renelle, David	54.70	Reimbursable expenses - travel and meeting expenses
SLO County Newspapers	101.64	Advertising - Chemical Bid Notice
Toshiba Business Solutions	98.94	Board Packets
Total Funds	600.00	Postage - postage machine
United Parcel Service	208.64	Shipping expenses
Valley Oaks Printing	307.09	CAFR Printing costs
	\$ 9,927.05	Total General & Administrative
MONITORING EXPENSES		
AmeriPride Services, Inc.	418.59	Lab supplies
BIOVIR Laboratories	820.00	Water Analysis Tests
Culligan Industries Water Systems	170.00	Carbon Tank Rentals, Tri-Bed Tank Rentals
Eurofins Eaton Analytical	190.00	Lab testing
Hach Company	1,296.11	Lab supplies
IDEXX Distribution Corp.	2,484.61	Lab supplies
VWR International	1,723.07	Lab supplies
	\$ 7,102.38	Total Monitoring Expenses
OFFICE EXPENSES		
Bank of America Business Card	112.78	Office and Kitchen Supplies
Jay Cee Trophy, Inc.	30.16	Board Members Name Plate
Office Depot	828.28	Office, janitorial & kitchen supplies
Solvang Bakery	77.85	Board and Committee meeting pastries
Staples Inc.	100.91	Office, janitorial & kitchen supplies
Toshiba Business Solutions	326.46	Printer toner
	\$ 1,476.44	Total Office Expenses
OTHER EXPENSES		
Accurate Measurement Systems	6,307.39	Lagoon Repair Project to install French Drain
ACWA/JPIA	3,175.00	Insurance - Excess Crime Insurance 2018-19
ACWA/JPIA	55,098.00	Insurance - Property Insurance 2018-19
American Marborg	144.18	Equipment Rental - trailer
Bank of America Business Card	149.90	Computer miscellaneous expenses
Brownstein Hyatt Farber	246.00	Legal Services: Reacquisition of Relinquished Entitlement
Brownstein Hyatt Farber	18,435.50	Legal Services: Semitropic Water Storage Program
Comcast	191.01	Internet Service
CompuVision	1,084.11	Citrix license renewal



CENTRAL COAST WATER AUTHORITY

Normal and Recurring Costs

Bills for Ratification - March 2018

VENDOR	INVOICE AMOUNT	DESCRIPTION
CompuVision	2,057.40	Sophos Antivirus Renewal
CompuVision	2,791.00	VMWare Renewal and RSA Authentication
CompuVision	2,895.02	HP Microserver/HPE Foundation Care
CompuVision	4,195.00	Managed Service Agreement
HDR Engineering, Inc.	2,650.75	Develop Capital Improvement Program DIST
HDR Engineering, Inc.	22,131.75	Permanent Bypass Piping at Bradbury Outlet Works Eval
Impulse Internet Services	2,097.38	T-1 System and Internet Service (Buellton and Shandon)
Mail Finance	525.14	Postage Machine Lease
Marborg Industries	144.37	Tank 5/Tank 7 Rental
SEMS Technologies LLC	4,500.00	12 month renewal SEMS PRO
Sympro, Inc.	7,636.78	Sympro Maintenance Agreement
Toshiba Financial Services	249.98	Copier lease - BAO
United Rentals North America, Inc.	4,345.06	Equipment Rental - Bradbury Bypass Pipeline
Xerox Financial Services	377.24	Copier Lease - WTP
	\$ 141,427.96	Total Other Expenses
OTHER MISCELLANEOUS EXPENSES		
Department of Water Resources	2,260,838.00	Variable OMP&R, Delta Water & Transport Charge
	\$ 2,260,838.00	Total Other Miscellaneous Expenses
PERSONNEL EXPENSES		
CalPERS Health	41,092.09	Health Insurance
CalPERS Retirement	35,788.40	Pension Contributions
CCWA Payroll Wages/Taxes	230,281.70	Gross Payroll Wages/Taxes
Dental/Vision Payments	4,690.85	Dental/Vision Benefits
MetLife SBC Insurance	1,011.15	Life Insurance
Other Misc Employee Benefits	2,835.56	Vehicle, Uniform and Cafeteria Plan Benefits
Standard Insurance Company	1,264.76	Disability Insurance
	\$ 316,964.51	Total Personnel Expenses
PROFESSIONAL SERVICES		
Bank of America Business Card	10.00	Clerk Recorder Fee
Bartel Associates, LLC	360.00	OPEB Actuarial Consulting Services
Brownstein Hyatt Farber	170.00	Legal Services-State Water Contractors Extension/BDCP
Brownstein Hyatt Farber	212.50	Legal Services - Operations/Maintenance
Brownstein Hyatt Farber	255.00	Legal Services-Relations State Water Contractors
Brownstein Hyatt Farber	255.00	Legal Services-Monterey II Litigation
Brownstein Hyatt Farber	3,927.50	Legal Services-Water Transfer General
Brownstein Hyatt Farber	5,202.19	Legal Services-General Meetings
Brownstein Hyatt Farber	6,267.50	Legal Services-DWR/SBCFCWCD Contract
Cardno, Inc.	2,801.09	Environmental Consulting
Mid-Coast Fire Protection Inc.	309.33	Safety, Annual fire extinguisher service
Quinn Company	375.00	Fuel sampling kits
Safety Kleen Systems, Inc	330.09	Washer Parts/Service
Samba Holdings, Inc.	126.00	DMV driver reports
Santa Barbara County	1,260.00	Annual Business Plan Renewal
Sentry Alarm Systems	450.00	Security System - WTP
Stanley Convergent Security	1,041.48	Security Service BAO/SYPF
State Water Resources Control	3,592.00	Environmental Lab Accreditation Fees
Underground Service Alert	26.50	New tickets
	\$ 26,971.18	Total Professional Services



CENTRAL COAST WATER AUTHORITY

Normal and Recurring Costs

Bills for Ratification - March 2018

VENDOR	INVOICE AMOUNT	DESCRIPTION
CIP PROJECTS - MATERIALS & OVERHEAD		
Applied Industrial Technologies	1,347.06	Distribution Instruments and Tools
Applied Spectrometry Associate	25,844.50	Free Ammonia Online Analyzer Replacement for Tank 5 and 7
Bank of America Business Card	749.40	Replace SCADA Servers
BMC Industrial Sales, Inc.	1,543.18	Portable Electrical Generator
Hach Company	3,491.63	Free Ammonia Online Analyzer Replacement for Tank 5 and 7
Mueller Water Products, Inc.	10,437.57	Filter Inlet Valve Replacement
Socal Pacific Construction Corp	3,947.65	Clarifier Coating
United Rentals North America, Inc.	394.16	Rebuild Motor and Pump #1 at Santa Ynez Pumping Plant
	\$ 47,755.15	Total CIP Project - Materials and Overhead
REPAIRS & MAINTENANCE		
Airgas USA, LLC	182.42	Equipment repairs and maintenance
AmeriPride Services, Inc.	1,008.74	Building maintenance supplies
Anthony's Tire Store	530.00	Vehicle maintenance
AT Battery Company, Inc.	524.83	Parts, repair and maintenance
Bank of America Business Card	65.18	Vehicles repairs and maintenance
Battery Systems Inc	255.48	Batteries replaced
California Electric Supply	294.52	Electrical parts
Carquest Auto Parts	57.72	Auto parts and supplies
City of Buellton	89.66	Landscape maintenance - water
Coverall North America, Inc	979.00	Janitorial service - BAO/SYPS
D&H Water Systems Inc.	969.74	Equipment repairs and maintenance
Deep Blue Integration	4,453.00	Building maintenance
Ferguson Enterprise, Inc.	62.53	Parts, repair and maintenance
Galco Industrial Electric, Inc.	203.37	Parts, repair and maintenance
Grainger Inc.	857.43	Parts, repair and maintenance
Graphic Products, Inc.	9,915.86	Parts, repair and maintenance
Harrington Industrial Plastics	2,024.12	Parts, repair and maintenance
Jan's Gardening Service	500.00	Landscape maintenance - BAO/SYPS
Knechts Plumbing and Heating	1,777.50	HVAC service and repairs
Lowe's	146.52	Parts, repair and maintenance
Noble Saw, Inc.	54.00	Equipment repairs and maintenance
Office Depot	92.51	Janitorial supplies
Paso Robles Chevrolet	242.64	Vehicles repairs and maintenance
Procure Janitorial Supply	271.61	Janitorial supplies - WTP
Progressive Greenery	990.00	Landscape maintenance - WTP
Relevant Solutions LLC	430.10	Equipment repairs and maintenance
Rio Vista Chevrolet	2,005.89	Vehicle maintenance
San Luis Personnel Service	1,833.60	Janitorial Service - WTP
Steve's Wheel & Tire	25.16	Equipment repairs and maintenance
Toshiba Business Solutions	780.84	Copier maintenance
Towers, Chris	37.68	Vehicles repairs and maintenance
United Rentals North America, Inc.	162.00	Equipment repairs and maintenance
Western Exterminator Co	400.00	Pest control spraying - BAO and SYPS
Zoom Imaging Solutions, Inc	34.59	Copier Maintenance
	\$ 32,258.24	Total Repairs & Maintenance



CENTRAL COAST WATER AUTHORITY

Normal and Recurring Costs

Bills for Ratification - March 2018

VENDOR	INVOICE AMOUNT	DESCRIPTION
SUPPLIES & EQUIPMENT		
AmeriPride Services, Inc.	2,961.84	Uniform expenses
Anixter Inc.	568.10	Maintenance supplies and hardware
Applied Industrial Technologies	267.28	Minor Tools
Bank of America Business Card	77.72	Minor tools
Bank of America Business Card	179.81	Safety supplies
Bank of America Business Card	1,030.58	Equipment & maintenance supplies
Burt Industrial Supply, Inc	1,876.30	Maintenance supplies and hardware
Cal Coast Irrigation, Inc.	69.00	Maintenance supplies and hardware
Chemtrade Chemicals US, LLC	23,569.29	Chemicals - WTP
Consolidated Electrical Dist.	365.36	Maintenance supplies and hardware
Farm Supply	86.19	Repairs & maintenance
Fastenal Company	230.50	Maintenance supplies and hardware, safety supplies
Grainger Inc.	825.10	Minor tools, equipment & maintenance supplies, safety supplies
Harrison Hardware	77.52	Maintenance supplies and hardware
Hill Brothers Chemical Company	5,582.11	Chemicals - WTP
Home Depot	80.65	Minor tools, equipment & maintenance supplies
Integrated Industrial Supply Inc	316.79	Safety supplies
JCI Jones Chemical	33,248.13	Chemicals - WTP
Lowe's	43.99	Maintenance supplies and hardware
Santa Ynez Valley Hardware	10.75	Maintenance supplies and hardware
Univar USA, Inc.	8,008.59	Chemicals - WTP
USA Blue Book	513.04	Maintenance supplies and hardware
WEX Bank - Wright Express	4,594.72	Fuel - Autos
Winema Industrial & Safety Supply	3,150.41	Safety supplies
	\$ 87,733.77	Total Supplies & Equipment
UTILITIES		
Bank of America Business Card	41.83	Telephone conference charge
City of Buellton	167.79	Water - BAO
Delta Liquid Energy	2,338.29	Propane gas
First Choice Technology	13.94	Phone - Long distance carrier, 800#
Frontier	264.07	Telephone charges
Health Sanitation Services	387.94	Waste Disposal - SYPS
Marborg Industries	443.42	Waste Disposal - BAO
Pacific Gas & Electric	76,238.44	Utilities - BAO/SYPS/WTP
San Miguel Garbage Company	210.25	Waste Disposal - WTP
Santa Ynez River Water Conservation	323.68	Water - SYPS
Stokes, Ray	64.64	Reimbursable Expenses - Cell Phone charges
Surfnet Communications, Inc.	75.00	Wireless Internet - Chorro
The Gas Company	166.48	Natural Gas - BAO
Verizon Wireless	409.87	Cell phone charges
	\$ 81,145.64	Total Utilities
Subtotal - Bills for Ratification	\$3,013,600.32	



CENTRAL COAST WATER AUTHORITY

Bills for Approval

VENDOR		INVOICE AMOUNT	DESCRIPTION
State of California DWR	\$	1,400,683.00	Capital Cost and Minimum OMP&R Charges - Apr'18
Subtotal - Bills for Approval	\$	1,400,683.00	

Total Ratification and Approval Bills **\$** **4,414,283.32**

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Statements of Net Position

ASSETS

	<u>March 31, 2018</u>	<u>February 28, 2018</u>
<u>Current Assets</u>		
Cash and investments	\$ 5,869,431	\$ 6,136,376
Accounts Receivable (Note 1)	281	
Accrued interest receivable	111,724	71,372
Other assets	1,613,957	1,568,678
Total Current Assets	<u>7,595,393</u>	<u>7,776,427</u>
<u>Restricted Assets</u>		
Cash and investments with fiscal agents	939,747	903
<u>Investment Accounts</u>		
Operations and Maintenance Reserve Fund (Note 2)	2,115,435	2,115,252
Rate Coverage Reserve Fund (Note 3)	9,270,201	9,269,397
Debt Service Payments (Note 4)	57,603	997,269
Department of Water Resources (Note 5a)	8,563,359	9,013,647
Credits Payable (Note 6)	1,145,368	1,145,269
Escrow Deposits (Note 7)	409,333	409,298
Total Restricted Assets	<u>22,501,048</u>	<u>22,951,035</u>
<u>Property, Plant and Equipment</u>		
Construction in progress (Note 8)	1,194,245	1,141,341
Fixed assets (net of accumulated depreciation)	93,607,972	93,798,978
Total Property, Plant and Equipment	<u>94,802,216</u>	<u>94,940,319</u>
<u>Other Assets</u>		
Unamortized bond issuance costs (Note 9)	1,144,875	1,192,990
Long term receivable (Note 10)	4,729,923	4,729,923
Total Other Assets	<u>5,874,798</u>	<u>5,922,912</u>
Total Assets	<u>\$ 130,773,455</u>	<u>\$ 131,590,694</u>

Central Coast Water Authority

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Statements of Net Position

LIABILITIES AND FUND EQUITY

	<u>March 31, 2018</u>	<u>February 28, 2018</u>
<u>Current Liabilities</u>		
Accounts payable	\$ 165,278	\$ 192,701
DWR and Warren Act Charge Deposits (Note 5a)	8,563,359	9,013,647
CCWA Variable Charge Deposits (Note 5b)	7,059	7,059
Accrued interest payable	939,751	783,126
Other liabilities	1,392,189	1,413,876
Rate Coverage Reserve Fund	9,188,614	9,188,614
Unearned Revenue	767,337	13,114
Credits Payable to Project Participants	1,437,184	1,435,482
Total Current Liabilities	<u>22,460,773</u>	<u>22,047,619</u>
<u>Long-Term Liabilities</u>		
Bonds payable (Note 11)	37,590,000	37,590,000
Bond Original Issue Premium, net	3,071,946	3,201,844
Net Pension Liability	3,318,324	3,318,324
Total Long-Term Liabilities	<u>43,980,270</u>	<u>44,110,168</u>
<u>Commitments and Uncertainties</u>		
<u>Net Assets</u>		
Contributed capital, net (Note 12)	22,562,433	22,562,433
Retained earnings	41,769,979	42,870,473
Total Net Assets	<u>64,332,412</u>	<u>65,432,906</u>
Total Liabilities and Net Assets	<u>\$ 130,773,455</u>	<u>\$ 131,590,694</u>



Statements of Revenues, Expenses and Changes in Net Position

	<u>March 31, 2018</u>	<u>February 28, 2018</u>
<u>Operating Revenues</u>		
Operating reimbursements from project participants	\$ 20,526,983	\$ 20,760,304
Other revenues	3,856	3,400
Total Operating Revenues	<u>20,530,839</u>	<u>20,763,705</u>
<u>Operating Expenses</u>		
Personnel expenses	3,428,119	3,105,080
Office expenses	12,854	11,377
General and administrative	174,334	156,244
Professional services	261,139	234,044
Supplies and equipment	862,640	774,906
Monitoring expenses	59,994	52,892
Repairs and maintenance	214,827	182,569
Utilities	843,726	762,580
Depreciation and amortization	793,386	707,958
Other expenses	424,588	336,602
Total Operating Expenses	<u>7,075,608</u>	<u>6,324,252</u>
Operating Income	<u>13,455,231</u>	<u>14,439,452</u>
<u>Non-Operating Revenues</u>		
Investment income	422,262	379,118
Total Non-Operating Revenues	<u>422,262</u>	<u>379,118</u>
<u>Non-Operating Expenses</u>		
Interest	1,508,125	1,351,500
Current year credits payable	310,538	307,745
Total Non-Operating Expenses	<u>1,818,663</u>	<u>1,659,245</u>
Net Income	<u>12,058,831</u>	<u>13,159,325</u>
<u>Retained Earnings</u>		
Retained earnings at beginning of period	29,711,148	29,711,148
Retained earnings at end of period	\$ <u>41,769,979</u>	\$ <u>42,870,473</u>

Central Coast Water Authority
Notes to Financial Statements
 March 31, 2018

Note 1: Accounts Receivable

Accounts receivable consists of amounts payable by the State Water Project contractors and other miscellaneous receivables.

Note 2: O&M Reserve Fund

The O&M reserve fund represents cash reserves for emergency uses. The funding requirement is \$2,000,000 allocated on an entitlement basis for the Santa Barbara County project participants. Investment earnings on O&M reserve fund balances are credited against CCWA O&M assessments.

Project Participant	Amount
City of Guadalupe	\$ 28,429
City of Santa Maria	837,349
Golden State Water Company	25,844
Vandenberg AFB	379,854
City of Buellton	29,876
Santa Ynez ID #1 (Solvang)	77,532
Santa Ynez ID #1	25,844
Goleta Water District	232,597
Morehart Land Co.	10,338
La Cumbre Mutual Water Company	51,682
Raytheon Systems Company	2,584
City of Santa Barbara	155,065
Montecito Water District	155,065
Carpinteria Valley Water District	103,376
TOTAL:	\$ 2,115,435

Note 3: Rate Coverage Reserve Fund Cash Deposits

The rate coverage reserve fund was established to provide CCWA project participants a mechanism to satisfy a portion of their obligation under Section 20(a) of the Water Supply Agreement to impose rates and charges sufficient to collect 125% of their contract payments. The following schedule shows the current balances plus accrued interest receivable in the rate coverage reserve fund.

Project Participant	Amount
City of Guadalupe	\$ 189,478
City of Santa Maria	5,050,973
City of Buellton	277,592
Santa Ynez ID #1 (Solvang)	615,483
Santa Ynez ID #1	463,663
La Cumbre Mutual Water Company	397,136
Montecito Water District	1,431,611
Carpinteria Valley Water District	828,620
Shandon	15,647
TOTAL:	\$ 9,270,201

Central Coast Water Authority
Notes to Financial Statements
March 31, 2018

Note 4: Debt Service Payments

The following table shows the financing participant cash balances available to pay CCWA Series 2016-A revenue bond principal and interest payments.

Participant	Amount
Avila Beach	\$ 76
California Men's Colony	663
County of SLO	706
Cuesta College	331
Morro Bay	4,275
Oceano	554
Pismo Beach	915
Shandon	75
Guadalupe	923
Buellton	1,792
Santa Ynez (Solvang)	4,390
Santa Ynez	1,649
Goleta	13,658
Morehart Land	713
La Cumbre	2,992
Raytheon	165
Santa Barbara	8,321
Montecito	9,790
Carpinteria	5,617
TOTAL:	\$ 57,603

Central Coast Water Authority
Notes to Financial Statements
 March 31, 2018

Note 5a: Cash and Investments Payment to DWR and Warren Act and Trust Fund Charges

Cash deposits for payments to DWR and Warren Act and Trust Fund payments.

Project Participant	Amount
City of Guadalupe	\$ 113,565
City of Santa Maria	2,588,266
Golden State Water Company	83,394
Vandenberg AFB	2,126,618
City of Buellton	115,068
Santa Ynez ID #1 (Solvang)	213,609
Santa Ynez ID #1	101,948
Goleta Water District	1,169,433
Morehart Land Co.	28,999
La Cumbre Mutual Water Company	207,555
Raytheon Systems Co.	11,114
City of Santa Barbara	702,805
Montecito Water District	736,696
Carpinteria Valley Water District	364,289
TOTAL:	<u>\$ 8,563,359</u>

Note 5b: Cash Payments for CCWA Variable Charges

Cash deposits for payments to CCWA for Variable Assessment Deposits.

Project Participant	Amount
City of Guadalupe	\$ -
City of Santa Maria	-
Golden State Water Company	-
Vandenberg AFB	-
City of Buellton	-
Santa Ynez ID #1 (Solvang)	-
Santa Ynez ID #1	-
Goleta Water District	-
Morehart Land Co.	-
La Cumbre Mutual Water Company	-
Raytheon Systems Co.	7,059
City of Santa Barbara	-
Montecito Water District	-
Carpinteria Valley Water District	-
Shandon	-
Lopez Turnout	-
Chorro Turnout	-
TOTAL:	<u>\$ 7,059</u>

Central Coast Water Authority
Notes to Financial Statements
 March 31, 2018

Note 6: Credits Payable

Credits payable to CCWA project participants for investment earnings and O&M assessment credits.

Project Participant	Amount
City of Guadalupe	\$ 2,049
City of Santa Maria	259,972
Golden State Water Company	9,417
Vandenberg AFB	201,892
City of Buellton	8,820
Santa Ynez ID #1 (Solvang)	28,722
Santa Ynez ID #1	446,047
Goleta Water District	(252)
Morehart Land Co.	204
La Cumbre Mutual Water Company	1,588
Raytheon Systems Co.	111
City of Santa Barbara	(141)
Montecito Water District	137,443
Carpinteria Valley Water District	(105)
Shandon	(83)
Lopez Turnout	24,509
Chorro Turnout	25,178
TOTAL:	<u>\$ 1,145,368</u>

Note 7: Escrow Deposits

Cash deposits from certain project participants as required under the Water Supply Agreements.

Project Participant	Amount
Morehart Land Company	\$ 333,531
Raytheon Systems Company	75,802
TOTAL:	<u>\$ 409,333</u>

Note 8: Construction in Progress

Amounts in construction in progress represent expenditures incurred during FY 2017/18 and amounts retained in construction in progress at June 30, 2017. The following schedule shows the CIP expenditures for CCWA projects.

Financial Reach	Amount
Labor	\$ 82,917
Materials	787,801
Overhead	323,527
Project CIP Total:	<u>\$ 1,194,245</u>

Central Coast Water Authority
Notes to Financial Statements
March 31, 2018

Note 9: Unamortized Bond Issuance Costs

Unamortized bond issuance costs for the 2016 revenue bonds include bond insurance and the 1992, 1996 and 2006 revenue bond deferred costs.

Note 10: Long-Term Receivable

The long-term receivable represents CCWA revenue bond expenditures for project participant local facilities which are owned by the individual project participants. The costs associated with the construction of these local facilities are financed with proceeds from the CCWA revenue bonds. Project participant revenue bond principal payments are proportionally divided between the long-term receivable and the CCWA owned facilities over the term of the bond issue.

Financing Participant	Long-Term Receivable
Avila Beach	\$ 10,815
California Men's Colony	241,566
County of SLO	257,617
Cuesta College	120,795
Morro Bay	1,847,882
Oceano	73,680
Pismo Beach	121,648
Shandon	8,753
Guadalupe	314,170
Buellton	51,136
Santa Ynez (Solvang)	169,344
Santa Ynez	27,507
Goleta	776,591
Morehart Land	3,575
La Cumbre	17,876
Raytheon	4,721
Santa Barbara	169,537
Montecito	269,710
Carpinteria	242,999
TOTAL:	\$ 4,729,923

Note 11: Bonds Payable

Bonds payable represents outstanding Series 2016-A revenue bonds outstanding. The next Series 2016-A principal payment is due on October 1, 2018 in the amount of \$8,720,000.

Central Coast Water Authority
Notes to Financial Statements
March 31, 2018

Note 12: Contributed Capital

Certain project participants elected to pay their share of CCWA project construction costs in cash. The amounts listed below show the capital contributions by project participant less the cost of local facilities and refunds to the project participants.

Project Participant	Amount
Avila Valley Water Company	\$ 15,979
City of Guadalupe	81,119
San Luis Schools	5,608
San Miguelito Water Company	233,605
Golden State Water Company	866,277
City of Santa Maria	13,498,802
Vandenberg AFB	7,861,043
TOTAL:	<u>\$ 22,562,433</u>



Budget and Actual All Reaches

	March 31, 2018		
	<u>Budget</u>	<u>Actual</u>	<u>Percent Expended ⁽¹⁾</u>
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 9,155,482	9,155,482	100.00%
Variable operating assessments	2,831,388	2,417,639	85.39%
Other revenues	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Total Operating Revenues	<u>11,986,870</u>	<u>11,573,121</u>	<u>96.55%</u>
<u>Operating Expenses ⁽²⁾</u>			
Personnel expenses	4,858,221	3,428,117	70.56%
Office expenses	20,500	12,854	62.70%
General and administrative	267,836	174,334	65.09%
Professional services	392,580	261,139	66.52%
Supplies and equipment	1,926,747	862,640	44.77%
Monitoring expenses	107,144	59,994	55.99%
Repairs and maintenance	266,380	214,827	80.65%
Utilities	1,259,193	843,726	67.01%
Depreciation and amortization	-	-	N/A
Other expenses	1,733,417	424,588	24.49%
Total Operating Expenses	<u>10,832,017</u>	<u>6,282,221</u>	<u>58.00%</u>
Operating Income	<u>1,154,853</u>	<u>5,290,900</u>	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	<u>-</u>	<u>-</u>	
<u>Non-Operating Expenses</u>			
Total Non-Operating Expenses	<u>-</u>	<u>-</u>	
Net Income (Loss)	<u>\$ 1,154,853</u>	<u>5,290,900</u>	

(1) Percent of year expended: 75%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Administration

	March 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
Operating Revenues			
Fixed operating assessments ⁽²⁾	\$ 1,690,698	\$ 1,690,698	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Total Operating Revenues	1,690,698	1,690,698	100.00%
Operating Expenses ⁽²⁾			
Personnel expenses	895,394	684,824	76.48%
Office expenses	10,500	8,082	76.97%
General and administrative	185,636	126,616	68.21%
Professional services	236,448	208,601	88.22%
Supplies and equipment	-	-	N/A
Monitoring expenses	-	-	N/A
Repairs and maintenance	31,695	19,813	62.51%
Utilities	16,243	9,684	59.62%
Depreciation and amortization	-	-	N/A
Other expenses	190,735	119,229	62.51%
Total Operating Expenses	1,566,651	1,176,849	75.12%
Operating Income	124,047	513,849	
Non-Operating Revenues			
Investment Income	-	-	
Total Non-Operating Revenues	-	-	
Non-Operating Expenses			
Current Year credits payable	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 124,047	513,849	

(1) Percent of year expended: 75%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Water Treatment Plant

	March 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
Operating Revenues			
Fixed operating assessments ⁽²⁾	\$ 4,404,404	4,404,404	100.00%
Variable operating assessments	1,831,856	1,484,689	81.05%
Other revenues	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Total Operating Revenues	6,236,260	5,889,093	94.43%
Operating Expenses ⁽²⁾			
Personnel expenses	2,321,959	1,609,415	69.31%
Office expenses	6,000	2,965	49.42%
General and administrative	50,900	30,725	60.36%
Professional services	55,099	37,118	67.37%
Supplies and equipment	1,818,446	812,268	44.67%
Monitoring expenses	107,144	59,994	55.99%
Repairs and maintenance	156,485	128,885	82.36%
Utilities	188,171	121,073	64.34%
Depreciation and amortization	-	-	N/A
Other expenses	842,879	176,557	20.95%
Total Operating Expenses	5,547,082	2,979,000	53.70%
Operating Income	689,178	2,910,093	
Non-Operating Revenues			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
Non-Operating Expenses			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 689,178	2,910,093	

(1) Percent of year expended: 75%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.

Central Coast Water Authority
Polonio Pass Water Treatment Plant
Fixed and Variable Cost per Acre-Foot
 March 31, 2018

WTP Fixed O&M Costs	July 2017	Aug. 2017	Sept. 2017	Oct. 2017	Nov. 2017	Dec. 2017	Jan. 2018	Feb. 2018	Mar. 2018	Total for Year
Fixed O&M Expenses	\$ 366,942	\$ 208,961	\$ 232,982	\$ 223,522	\$ 226,030	\$ 309,057	\$ 192,607	\$ 187,126	\$ 221,083	\$ 2,168,309
Annual Table A Amount ⁽¹⁾	43,908	43,908	43,908	43,908	43,908	43,908	43,908	43,908	43,908	43,908
Fixed WTP Cost per AF	\$ 8.36	\$ 4.76	\$ 5.31	\$ 5.09	\$ 5.15	\$ 7.04	\$ 4.39	\$ 4.26	\$ 5.04	\$ 49.38
WTP Variable O&M Costs										
Variable O&M Expenses	\$ 113,489	\$ 96,450	\$ 122,342	\$ 92,340	\$ 19,971	\$ 105,387	\$ 105,300	\$ 80,897	\$ 74,515	\$ 810,690
Actual Water Treated	3,367	3,569	3,237	2,774	694	2,618	2,372	2,291	1,856	22,778
Variable WTP Cost per AF	\$ 33.71	\$ 27.02	\$ 37.79	\$ 33.29	\$ 28.78	\$ 40.25	\$ 44.39	\$ 35.31	\$ 40.15	\$ 35.59

(1) Includes Santa Barbara County and San Luis Obispo County Table A amounts and excludes Goleta 2,500 AF drought buffer and Santa Barbara County 3,908 AF drought buffer.



Budget and Actual Mission Hills II

	March 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 329,186	329,186	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	329,186	329,186	100.00%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	205,415	138,258	67.31%
Office expenses	501	226	45.13%
General and administrative	3,918	2,082	53.13%
Professional services	12,648	1,464	11.57%
Supplies and equipment	13,558	6,155	45.40%
Monitoring expenses	-	-	N/A
Repairs and maintenance	9,790	8,697	88.84%
Utilities	6,916	1,877	27.14%
Depreciation and amortization	-	-	N/A
Other expenses	23,495	17,330	73.76%
Total Operating Expenses	276,242	176,089	63.74%
Operating Income	52,945	153,097	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 52,945	153,097	

(1) Percent of year expended: 75%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Santa Ynez I

	March 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
Operating Revenues			
Fixed operating assessments ⁽²⁾	\$ 573,420	573,420	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	573,420	573,420	100.00%
Operating Expenses ⁽²⁾			
Personnel expenses	286,084	203,236	71.04%
Office expenses	697	315	45.17%
General and administrative	5,457	2,898	53.10%
Professional services	17,615	2,342	13.30%
Supplies and equipment	18,882	8,904	47.16%
Monitoring expenses	-	-	N/A
Repairs and maintenance	13,634	6,840	50.17%
Utilities	9,632	3,970	41.22%
Depreciation and amortization	-	-	N/A
Other expenses	116,202	15,575	13.40%
Total Operating Expenses	468,205	244,080	52.13%
Operating Income	105,215	329,340	
Non-Operating Revenues			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
Non-Operating Expenses			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 105,215	329,340	

(1) Percent of year expended: 75%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Santa Ynez II

	March 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 827,968	827,968	100.00%
Variable operating assessments	999,532	932,950	93.34%
Other revenues	-		N/A
Total Operating Revenues	1,827,500	1,760,919	96.36%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	396,700	286,465	72.21%
Office expenses	967	437	45.23%
General and administrative	7,567	4,387	57.98%
Professional services	24,426	5,102	20.89%
Supplies and equipment	26,183	12,370	47.24%
Monitoring expenses	-	-	N/A
Repairs and maintenance	18,906	21,761	115.10%
Utilities	1,012,888	691,342	68.25%
Depreciation and amortization	-	-	N/A
Other expenses	199,621	56,887	28.50%
Total Operating Expenses	1,687,259	1,078,753	63.94%
Operating Income	140,241	682,166	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 140,241	682,166	

(1) Percent of year expended: 75%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Reach 33B

	March 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 619,066	619,067	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	619,066	619,067	100.00%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	349,679	222,295	63.57%
Office expenses	852	385	45.17%
General and administrative	6,670	3,543	53.12%
Professional services	21,531	2,492	11.57%
Supplies and equipment	23,080	10,551	45.72%
Monitoring expenses	-	-	N/A
Repairs and maintenance	16,665	13,201	79.21%
Utilities	11,773	6,710	56.99%
Depreciation and amortization	-	-	N/A
Other expenses	49,996	18,160	36.32%
Total Operating Expenses	480,246	277,338	57.75%
Operating Income	138,820	341,728	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 138,820	341,728	

(1) Percent of year expended: 75%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Reach 34

	March 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
Operating Revenues			
Fixed operating assessments ⁽²⁾	\$ 271,013	271,013	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	271,013	271,013	100.00%
Operating Expenses ⁽²⁾			
Personnel expenses	166,057	106,329	64.03%
Office expenses	405	183	45.21%
General and administrative	3,168	1,683	53.13%
Professional services	10,225	1,184	11.58%
Supplies and equipment	10,960	5,281	48.18%
Monitoring expenses	-	-	N/A
Repairs and maintenance	7,914	2,930	37.02%
Utilities	5,591	3,755	67.16%
Depreciation and amortization	-	-	N/A
Other expenses	35,552	8,900	25.03%
Total Operating Expenses	239,871	130,245	54.30%
Operating Income	31,142	140,768	
Non-Operating Revenues			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
Non-Operating Expenses			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 31,142	140,768	

(1) Percent of year expended: 75%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Reach 35

	March 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 176,224	176,224	100.00%
Variable operating assessments	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	176,224	176,224	100.00%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	120,033	72,043	60.02%
Office expenses	293	132	45.11%
General and administrative	2,290	1,217	53.15%
Professional services	7,391	856	11.58%
Supplies and equipment	7,922	3,557	44.90%
Monitoring expenses	-	-	N/A
Repairs and maintenance	5,720	1,598	27.93%
Utilities	4,041	1,399	34.62%
Depreciation and amortization	-	-	N/A
Other expenses	13,729	5,966	43.45%
Total Operating Expenses	161,419	86,770	53.75%
Operating Income	14,805	89,454	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 14,805	89,454	

(1) Percent of year expended: 75%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Reach 37

	March 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 69,267	69,267	100.00%
Variable operating assessments	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	69,267	69,267	100.00%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	45,683	29,233	63.99%
Office expenses	111	50	44.90%
General and administrative	871	462	53.02%
Professional services	2,813	1,168	41.52%
Supplies and equipment	3,015	1,351	44.81%
Monitoring expenses	-	-	N/A
Repairs and maintenance	2,177	4,634	212.85%
Utilities	1,538	383	24.90%
Depreciation and amortization	-	-	N/A
Other expenses	5,225	2,371	45.38%
Total Operating Expenses	61,434	39,653	64.55%
Operating Income	7,833	29,614	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 7,833	29,614	

(1) Percent of year expended: 75%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



Budget and Actual Reach 38

	March 31, 2018		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 108,227	108,227	100.00%
Variable operating assessments	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	108,227	108,227	100.00%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	71,216	52,408	73.59%
Office expenses	174	78	44.93%
General and administrative	1,358	722	53.15%
Professional services	4,385	811	18.49%
Supplies and equipment	4,700	2,109	44.87%
Monitoring expenses	-	-	N/A
Repairs and maintenance	3,394	4,347	128.08%
Utilities	2,398	598	24.94%
Depreciation and amortization	-	-	N/A
Other expenses	8,146	3,537	43.42%
Total Operating Expenses	95,772	64,610	67.46%
Operating Income	12,455	43,617	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 12,455	43,617	

(1) Percent of year expended: 75%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2017/18.



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

April 17, 2018

TO: CCWA Board of Directors

FROM: John Brady
Deputy Director, Operations and Engineering

SUBJECT: Operations Report, March 2018

The Polonio Pass Water Treatment Plant's production and chemical costs, as well as the Santa Ynez Pumping Plant production for March 2018 are presented below:

Month	Plant Production (AF)	Chemical Costs (\$/AF)	SYPP Pumping (AF)
March, 2018	1,938.86	\$28.69	976.07

WATER TREATMENT PLANT (WTP)

- WTP staff prepared a Request For Bids (RFB) for replacing the Granular Activated Carbon (GAC) Filter Media. The RFB template was updated by CCWA legal counsel to include the new conflict resolution language and new prevailing wage requirements. The RFB was issued, advertised and an optional pre-bid jobsite meeting was conducted. A public Bid opening was scheduled for April 16, 2018.
- WTP staff prepared a Request For Qualification (RFQ) for design services for the WTP Heating, Ventilation and Air Conditioning (HVAC) System. The RFQ required submittals of Statement of Qualification by April 12, 2018.
- WTP Staff followed-up with DWR in their analysis of the use of non-NSF 61 herbicides upstream of drinking water plants. This analysis was initiated at CCWA's request, which was triggered by DWR introducing Endothal into the aqueduct at concentrations 40 times higher than the State Drinking Water Standard for Endothal. DWR will issue a report on the matter in April, 2018.
- WTP worked with PG&E representatives in conducting an energy efficiency study at the WTP. Design and construction details were shared with PG&E representatives as part of the study and a tour of the WTP was also provided.
- The Chlorine Contact Basin Instrumentation Room was equipped with a new instrumentation sample station sink. This new system accepts flow from all of the instrumentation sample lines and allows for the opportunity to collect samples manually. This provides a convenient means for cross checking the instrumentation.
- The Chemical Contracts for the negotiated contract extensions and the newly awarded Aqua-Ammonia contract were processed, following CCWA standard protocol.
- The Maintenance staff completed the following items: (1) repaired the WTP inlet valve, which was experiencing high torque issues, (2) repaired a leak in the polymer blend tank, (3) utilized the laser alignment tool to align the motor/pump shaft connections for the utility water pumps and backwash pumps, (4) drained rain water accumulation from the WTP containment sumps, following established protocol, (5) completed the annual equalization basin cleaning, (6) completed quarterly service of utility water pumps, fire pumps and backwash pumps, (7) serviced the sedimentation basin telescoping valve, (8) serviced the caustic blending pump, (9) repaired a coolant leak in the WTP air compressor unit, (10)

completed required environmental training and (11) thoroughly cleaned the WTP electrical room.

DISTRIBUTION

- Distribution staff proceeded with work associated with the permanent repair of the Fiber Optic Cable (FOC) that was severed near Tank 7 on February 27, 2018. Distribution staff completed the following: (1) prepared the temporary FOC repair location for a series of rain storms, (2) re-graded the repair location to allow the FOC repair trailer to be set in place to effect the fusion repair, (3) excavated the FOC splice boxes upstream and downstream of the repair location for inspection and subsequently backfilled, (4) once the final fusion splice was completed, excavated the trench to place the FOC deeper below ground, coordinated a slurry backfill with red dye and returned the site to original grade.
- Cost recover measures for the FOC repair expenses were implemented. The contractor that severed the FOC accepted full responsibility to pay for repair at the time the FOC was severed, however, no action was taken to contact CCWA regarding payment for two weeks. CCWA staff issued a letter to the property owner and requested a deposit for repair work on March 12, 2018. Having received no response to this letter, CCWA issued a second letter on March 27, 2018 to demand a response. The property owner subsequently called CCWA on March 29, 2018 and indicated that his contractor's insurance company would pay all repair costs. CCWA was contacted by the contractor's insurance carrier on April 3, 2018 to respond to a claim made by the contractor on April 2, 2018.
- The Bradbury Bypass Pipeline was demobilized and remobilized in March, with lake delivery operations being suspended from March 20 to 27, 2018. The following actions took place: (1) in advance of a significant storm, CCWA contacted the County to request that they run their River Model to estimate the storm's impact on lake level on March 19, (2) with the results of the River Model suggesting a potential sharp rise in lake level, CCWA staff removed the section of bypass pass located between the spillway gate and the discharge location on March 20, (3) CCWA staff communicated with the Bureau, via email, phone and formal letter, about the bypass removal actions that were taken in compliance with the bypass installation and removal plan that was approved by the Bureau in 2017, (4) once the storm passed and lake levels stabilized, CCWA requested and received approval from the Bureau to reinstall the bypass pipeline.
- Pump and Motor #1 was removed from service and shipped to vendors to be rebuilt. Reinstallation will occur in April 2018.
- Distribution Staff worked with PG&E representatives in conducting an energy efficiency study at the Santa Ynez Pumping Plant (SYPP). Design and construction details were shared with PG&E representatives as part of the study and a tour of the SYPP was also provided.
- Several property/encroachment actions were taken including (1) staff provided formal comments and a recommendation about two unauthorized encroachments involving wind fences and shade structures along two agricultural fields near the intersection of Black Road and Stowell and another location near the City of Santa Maria Wastewater Plant, (2) staff prepared a letter to provide guidance to the property owners of the Alisal Ranch for an encroachment permit application to request authorization to install an irrigation pipeline within the CCWA easement. This response was also coordinated with the City of Solvang due the presence of a City water main in the CCWA easement, (3) staff monitored the installation of a new water meter box for the Golden State Water Company service line to the new North Santa Barbara County Jail, which was located in the DWR/CCWA easement and (4) responded to the Gas Company drilling a directional bore under the CCWA pipeline, near Newsome Springs Road in Arroyo Grande. All work was stopped until engineering information could be reviewed and the encroachment permit be properly issued.

- Work continues on the development of the CCWA Geographical Information System (GIS). Additional staff resources has been assigned to this project to bring the GIS to a more developed stage and will match DWR's current effort to fully develop their GIS System.
- Distribution staff continued work on valve exercising, vault cleaning, vegetation control around vaults, seismic joint inspection, re-chloramination treatment at Tank 5 and 7, monitoring of the cathodic protection systems and other duties.
- Recruitment continued for the Distribution Technician position. Two applicants were interviewed. Staff will refocus the recruitment for a trainee position.

LABORATORY

- Laboratory staff continued water quality instrumentation calibration work throughout the plant. Staff also continued routine analysis of compliance and process samples to support operations and completed the quarterly quality assurance/quality control (QA/QC) testing of staff's chemical analytical skills.
- Laboratory staff completed and issued the water quality tables for the annual Consumer Confidence Reports prior to the deadline of March 31.

INSTRUMENTATION/NETWORK

- Instrumentation Staff repaired the severed FOC, near Tank 7. All repair work was completed by in-house staff with CCWA equipment. Two separate fusions were required due to the nature of the damage to the FOC. In addition, additional length of FOC needed to be spliced in due to the length of FOC torn from the ground by the contractor responsible for damaging the FOC.
- Instrumentation staff assisted the Distribution Department in removing Pump and Motor #1 from service and shipping the units to vender for refurbishment.
- The existing servers that support the CCWA Supervisory Control and Data Acquisition (SCADA) System were replaced with new servers, following CCWA's replacement policy for computer systems.
- The new CCWA network switches were delivered to the CCWA's network design consultant for configuration, programing and testing. An implementation plan is also under development to replace all network switches with minimum downtime for the CCWA network. CCWA staff will be receiving training for the installation procedures in April.
- As part of the effort to research the proper direction to select for the Process Logic Controller (PLC) Upgrade Project, Instrumentation Staff toured several locations to review recent PLC installations and also attended a vender presentation to demonstrate the capabilities of their product. This information will be included in a Technical Memorandum that will be completed by the end of this Fiscal Year.
- A project to upgrade communication between the DWR raw water tank level instrumentation and the CCWA SCADA System was completed. Previously, the DWR instrumentation was communicated to the CCWA SCADA System via radio transmission. This communication system was inconsistent. The new system provides a fiber optic cable connection and a new PLC to facilitate the communication linkage to the CCWA SCADA System.
- Work continues on the electromagnetic flow meter project. Meters are stored at the WTP and are installed as time allows.

GENERAL

- Work continues on a major Property Record Audit Project in conjunction with DWR. The main goal of the project is to ensure that CCWA's official property records, the County Recorder's property records and DWR property records are the same. CCWA staff completed review of all historic working files of the CCWA's land consultant and all the records contained in the CCWA fire file room. The next steps are to compare our records with DWR's and the County Recorder's Offices.

- CCWA staff contacted Palmdale Water District to request a return of its water debt to CCWA Participants. Palmdale agreed to return up to 850 AF. CCWA Participant demand was for only 794 AF, which leaves Goleta as the only Participant with a remaining balance for the Palmdale Water Debt.
- The 2017 CCWA water delivery records were reconciled with DWR's water delivery records. It was found that DWR made some errors in water classifications. A letter was prepared and will be submitted to DWR in April.
- A review of the DWR Statement of Charges revealed that there were errors in the transportation charges associated with the return of water debt from CCWA Participants to AVEK. These errors were brought to the attention of DWR and AVEK.
- CCWA Staff contacted DWR about the potential of the Westlands Water District resuming their groundwater pump-in program, immediately upstream of CCWA. DWR advised CCWA that Westlands was planning to resume the operation. CCWA requested a formal review of the operation by the Facilitation Group, which is a group of SWP Contractors and DWR Staff. The Facilitation Group was convened and the pump-in operation was discussed. CCWA made the case for securing mitigation water for CCWA Participants. A decision has not yet been made.
- David Bazzell, CCWA Distribution Technician, participated on an interview panel for the City of Santa Maria in their efforts to recruit a water operator trainee position.

JLB
Attachments

**MONTHLY SUMMARY OF MINERAL AND PHYSICAL ANALYSIS
RAW WATER (RW) AND SETTLED WATER (SW)**

System Name: Central Coast Water Authority
Treatment Plant Name: Polonio Pass Water Treatment Plant

System Number: 4210030
March 2018

Date:	RW pH (SU)	RW Turbidity (NTU)	SW Turbidity (NTU)	RW Odor (TON)	RW Total Coliform (MPN)	RW E. Coli (MPN)	RW Cl- (mg/L)	RW Alkalinity (mg/L)		RW Hardness (mg/L)		RW E.C. (uS/cm)	RW TOC (mg/L)
								Total	Phenol	Total	Ca		
1	8.62	1.58	0.85	1.0			81	68	4	102	45		
2	8.77	1.23	0.81	1.5			73	71	4	99	46		
3	8.68	1.18	0.70	1.5			76	71	5	99	45		
4	8.70	1.37	0.64	1.0			74	68	4	98	48		
5	8.75	1.42	0.69	1.5	29	10	78	70	8	103	49	434	3.3
6	8.87	1.08	0.55	2.0			72	65	7	100	46		
7	8.93	0.77	0.53	1.0			74	64	8	95	45		
8	9.03	0.75	0.50	1.0			75	65	10	97	47		
9	9.14	1.05	0.50	1.0			75	65	13	94	44		
10	9.20	1.05	0.51	1.0			75	64	11	96	46		
11	9.15	0.80	0.49	1.0			75	64	12	95	44		
12	9.10	1.04	0.46	1.5	34	9	74	64	11	97	47	439	
13	8.93	1.14	0.45	1.0			75	66	9	113	47		
14	8.90	1.23	0.52	1.0			76	65	7	105	48		
15	8.91	1.28	0.45	1.0			78	65	7	105	47		
16	8.83	0.95	0.47	1.0			77	67	7	105	49		
17	8.83	1.05	0.54	1.0			75	67	7	98	47		
18	8.92	0.86	0.54	1.0			78	63	7	95	45		
19	8.88	1.11	0.58	1.0	24	12	77	66	6	93	47	483	
20	8.75	0.77	0.49	1.0			74	67	6	95	46		
21	8.68	0.64	0.34	1.0			75	64	4	96	44		
22	8.60	0.87	0.42	1.0			69	64	4	95	45		
23	8.42	0.98	0.41	1.0			74	62	1	93	45		
24	8.26	1.17	0.42	1.0			71	62	0	94	46		
25	8.07	1.18	0.42	1.0			71	64	0	95	46		
26	7.95	1.23	0.42	1.0	20	9	70	64	0	99	45	426	
27	8.08	1.22	0.45	1.0			72	63	0	94	47		
28	8.39	2.25	0.55	1.0			73	66	1	96	46		
29	8.53	1.42	0.66	1.0			69	70	2	102	50		
30	8.53	2.00	0.72	1.0			70	76	2	108	54		
31	8.53	1.72	0.82	1.0			72	76	2	118	56		
Avg	8.71	1.17	0.55	1.1	27	10	74	66	5	99	47	446	3.3

**MONTHLY SUMMARY OF MINERAL AND PHYSICAL ANALYSIS
TREATED WATER (TW) & CLEARWELL (CW)**

System Name:

Central Coast Water Authority

System Number:

4210030

Treatment Plant Name:

Polonio Pass Water Treatment Plant

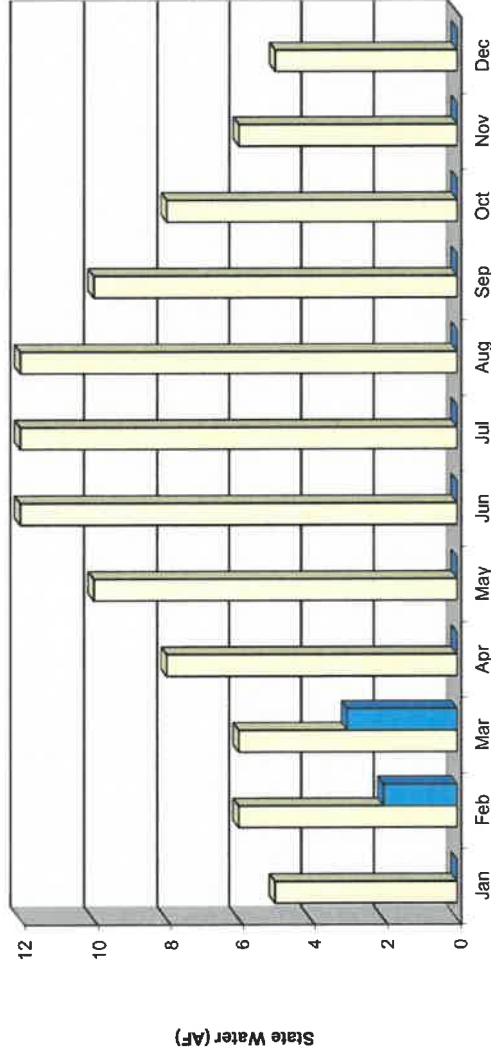
March

2018

Date:	TW pH (SU)	TW Turbidity (NTU)	Filter Rate (gpm/ft ²)	CW Odor (TON)	TW Total Coliform	CW Cl- (mg/L)	CW Total Alk (mg/L)	CW Hardness (mg/L)		TW Chlorine (mg/L)		CCB3 Chlorine Free (mg/L)	TW NH3-N (mg/L)		(CCB3 Cl2 Free) / (TW NH3-N Total)	CW E.C. (uS/cm)	TW TOC (mg/L)
								Total	Ca	Total	Free		Total	Free			
1	8.32	0.04	4.61	0.0	ABSENT	86	63	103	47	2.83	0.00	2.82	0.54	0.00	5.2		
2	8.27	0.04	4.48	0.0	ABSENT	79	63	101	47	2.90	0.00	2.80	0.57	0.00	4.9		
3	8.23	0.04	3.97	0.0	ABSENT	80	62	100	46	2.83	0.00	2.72	0.55	0.00	4.9		
4	8.26	0.04	4.42	0.0	ABSENT	79	62	103	49	2.78	0.00	2.67	0.56	0.00	4.8		
5	8.23	0.04	4.21	0.0	ABSENT	81	62	96	47	2.92	0.00	2.73	0.56	0.00	4.9	477	2.1
6	8.22	0.04	4.44	0.0	ABSENT	78	57	101	45	2.93	0.00	2.80	0.57	0.00	4.9		
7	8.30	0.05	4.66	0.0	ABSENT	78	57	100	46	2.90	0.00	2.87	0.56	0.00	5.1		
8	8.30	0.05	4.66	0.0	ABSENT	78	55	95	44	2.95	0.00	2.86	0.58	0.00	4.9		
9	8.33	0.05	4.66	0.0	ABSENT	78	55	97	43	2.89	0.00	2.81	0.56	0.00	5.0		
10	8.32	0.05	4.46	0.0	ABSENT	78	54	94	46	2.90	0.00	2.73	0.56	0.00	4.9		
11	8.28	0.05	4.46	0.0	ABSENT	78	54	101	45	2.87	0.00	2.75	0.56	0.00	4.9		
12	8.27	0.05	4.46	0.0	ABSENT	78	55	99	45	2.88	0.00	2.79	0.56	0.00	5.0	475	
13	8.28	0.04	4.47	0.0	ABSENT	80	57	109	48	2.90	0.00	2.81	0.56	0.00	5.0		
14	8.35	0.04	4.27	0.0	ABSENT	80	57	109	49	2.90	0.00	2.71	0.55	0.00	4.9		
15	8.40	0.04	4.27	0.0	ABSENT	80	56	100	44	2.85	0.00	2.69	0.55	0.00	4.9		
16	8.32	0.04	4.37	0.0	ABSENT	80	59	102	46	2.85	0.00	2.67	0.54	0.00	4.9		
17	8.35	0.04	4.37	0.0	ABSENT	81	58	96	45	2.89	0.00	2.69	0.55	0.00	4.9		
18	8.42	0.04	4.47	0.0	ABSENT	81	58	93	46	2.88	0.00	2.70	0.57	0.00	4.7		
19	8.37	0.04	4.56	0.0	ABSENT	82	59	96	44	2.89	0.00	2.72	0.57	0.00	4.8	478	
20	8.22	0.04	4.35	0.0	ABSENT	78	61	95	44	2.90	0.00	2.73	0.58	0.01	4.7		
21	8.27	0.05	4.12	0.0	ABSENT	77	57	98	46	3.09	0.00	3.13	0.60	0.00	5.2		
22	8.33	0.05	4.37	0.0	ABSENT	72	56	97	45	3.24	0.00	3.20	0.62	0.00	5.2		
23	8.28	0.05	3.45	0.0	ABSENT	78	57	94	44	3.06	0.00	2.93	0.60	0.00	4.9		
24	8.26	0.05	3.78	0.0	ABSENT	77	58	94	46	3.04	0.00	2.83	0.60	0.00	4.7		
25	8.23	0.05	4.07	0.0	ABSENT	76	61	94	44	3.08	0.00	3.12	0.61	0.00	5.1		
26	8.28	0.05	4.46	0.0	ABSENT	76	60	101	46	3.12	0.00	3.13	0.61	0.00	5.1	471	
27	8.37	0.05	4.85	0.0	ABSENT	76	60	98	48	3.22	0.00	3.11	0.61	0.00	5.1		
28	8.37	0.06	4.90	0.0	ABSENT	77	60	94	43	2.98	0.01	2.82	0.57	0.00	4.9		
29	8.30	0.06	4.47	0.0	ABSENT	75	63	96	48	2.90	0.00	2.76	0.56	0.00	4.9		
30	8.22	0.07	4.47	0.0	ABSENT	71	67	105	53	2.96	0.00	2.75	0.57	0.00	4.8		
31	8.23	0.07	4.47	0.0	ABSENT	73	69	110	56	2.92	0.00	2.69	0.55	0.00	4.9		
Avg	8.30	0.05	4.39	0.00		78	59	99	46	2.94	0.00	2.82	0.57	0.00	4.9	475	2.10

Shandon T.O - SWP Deliveries in Year 2018

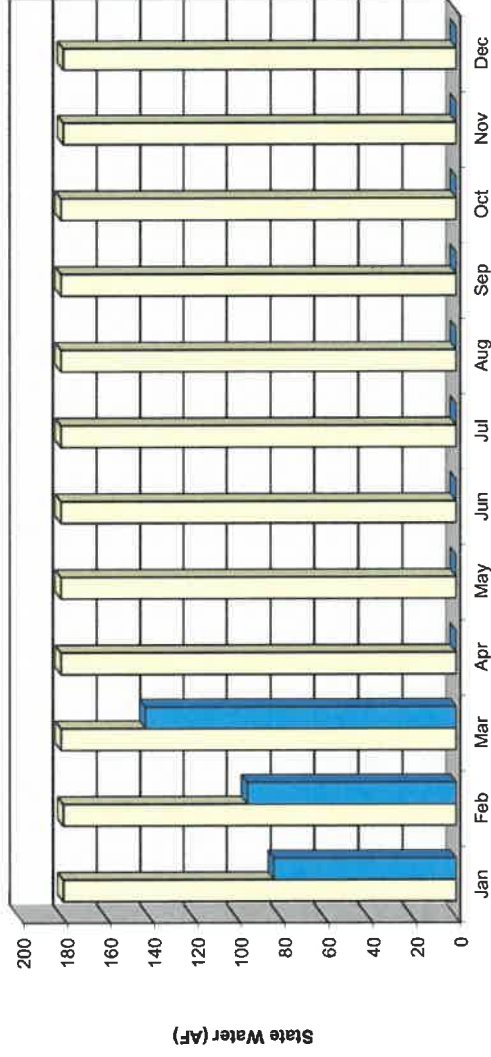
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	5	0	
Feb	6	2	
Mar	6	3	
Apr	8	0	
May	10	0	
Jun	12	0	
Jul	12	0	
Aug	12	0	
Sep	10	0	
Oct	8	0	
Nov	6	0	
Dec	5	0	
Total	100	5	



Requested Delivery
Actual Delivery

Chorro Valley T.O. - SWP Deliveries in Year 2018

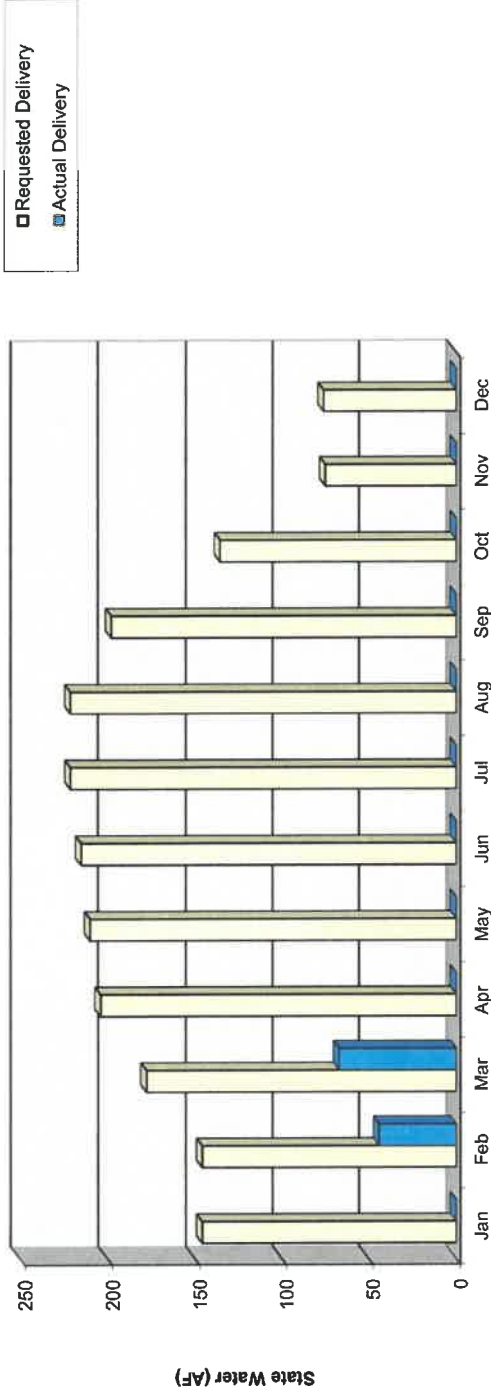
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	180	83	
Feb	180	95	
Mar	181	142	
Apr	181	0	
May	181	0	
Jun	181	0	
Jul	181	0	
Aug	181	0	
Sep	181	0	
Oct	181	0	
Nov	180	0	
Dec	180	0	
Total	2165	320	



Requested Delivery
Actual Delivery

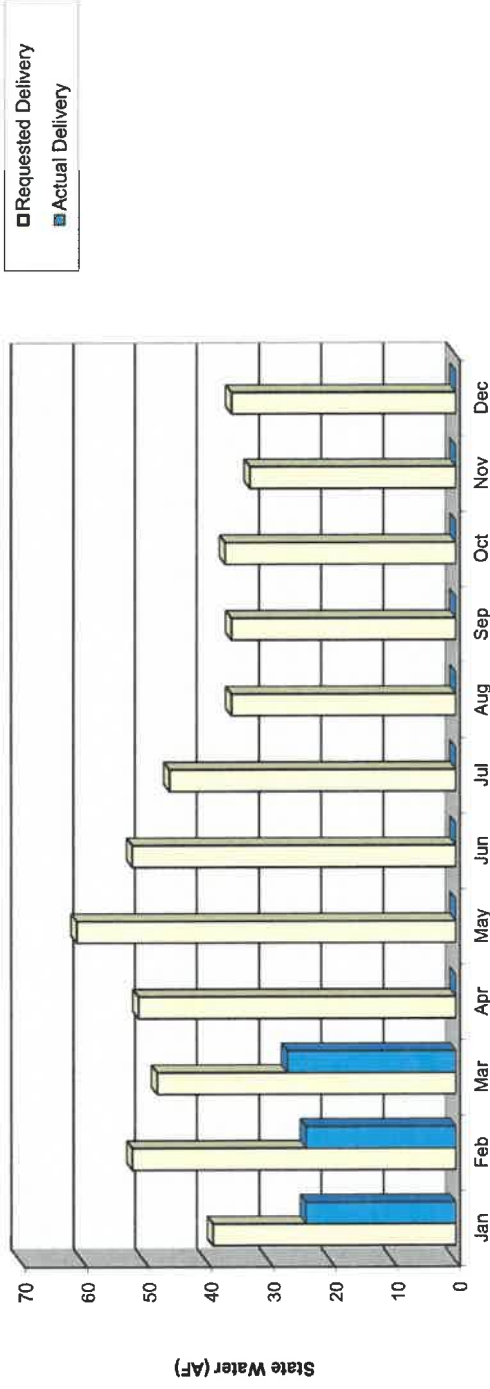
Lopez T.O. - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	146	0	
Feb	146	44	
Mar	178	67	
Apr	204		
May	210		
Jun	215		
Jul	221		
Aug	221		
Sep	198		
Oct	136		
Nov	75		
Dec	76		
Total	2027	111	



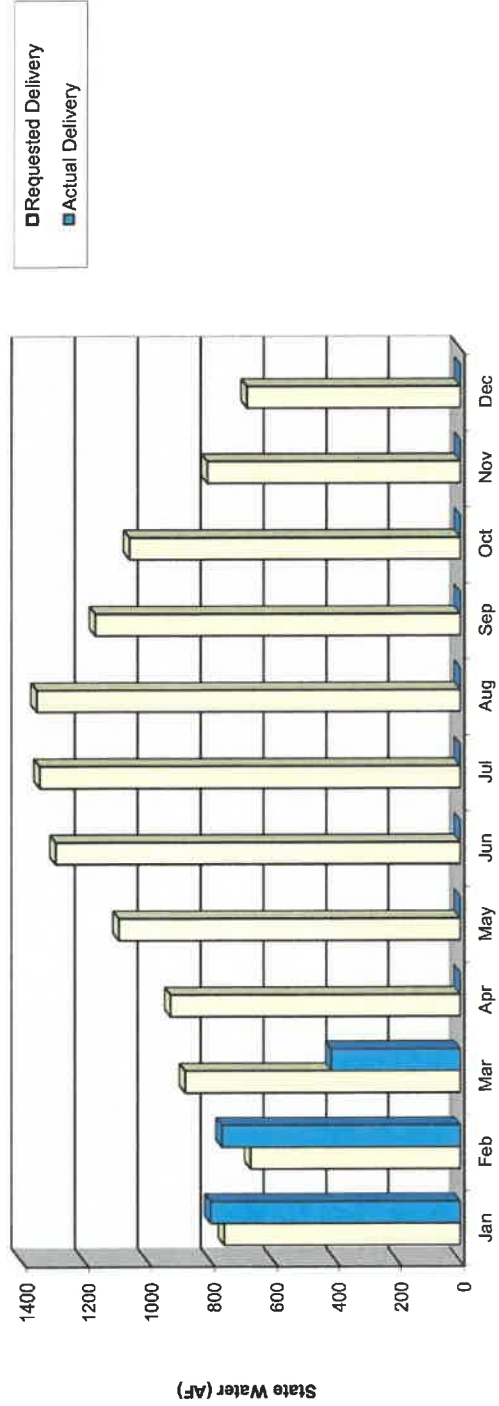
Guadalupe - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	39	24	
Feb	52	24	
Mar	48	27	
Apr	51		
May	61		
Jun	52		
Jul	46		
Aug	36		
Sep	36		
Oct	37		
Nov	33		
Dec	36		
Total	527	75	



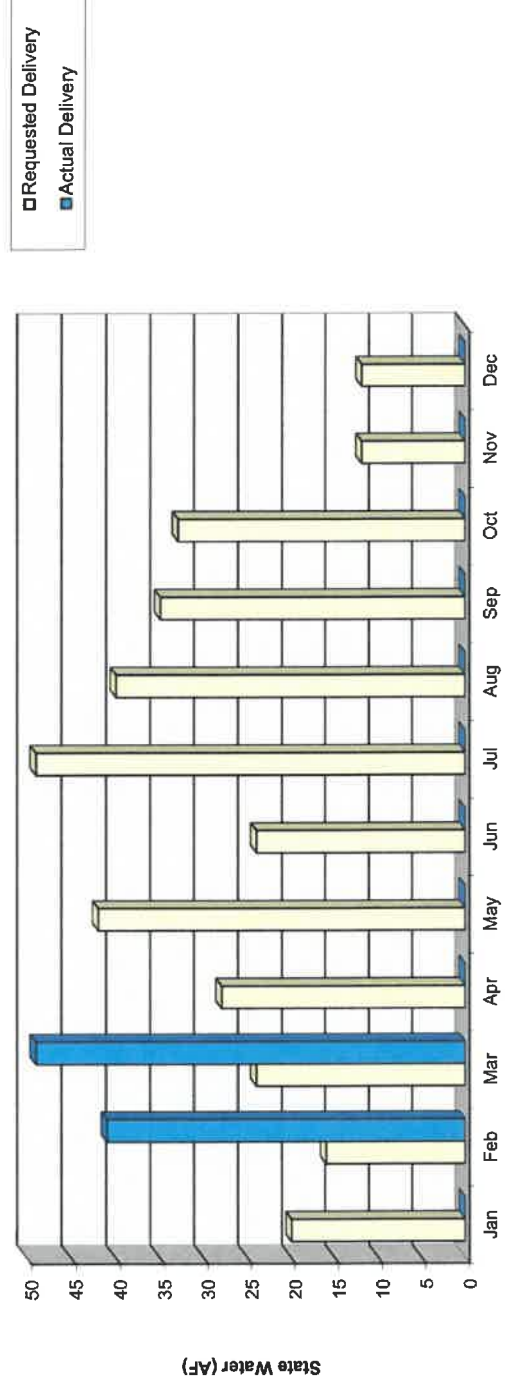
Santa Maria - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	758	800	
Feb	673	765	
Mar	881	415	
Apr	928		
May	1091		
Jun	1293		
Jul	1344		
Aug	1353		
Sep	1166		
Oct	1058		
Nov	811		
Dec	685		
Total	12041	1980	



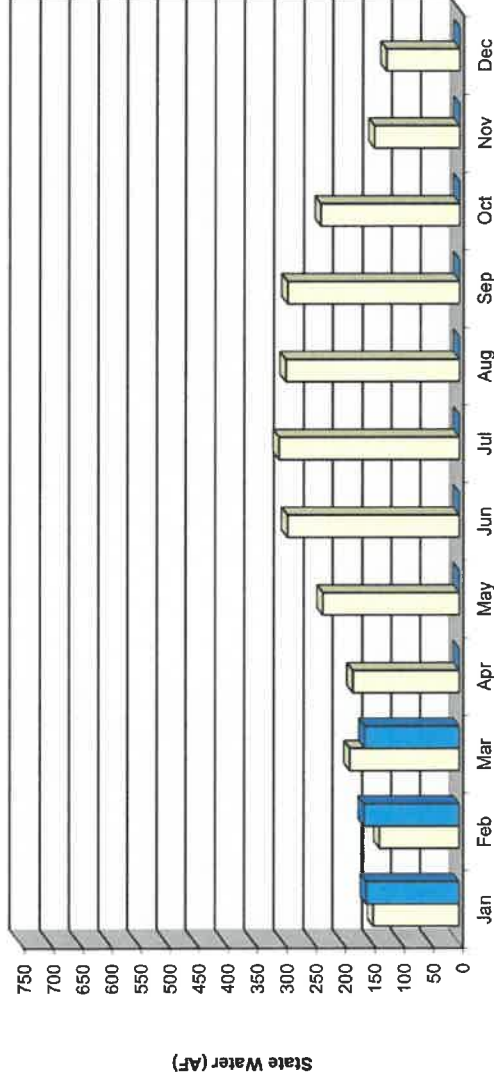
Golden State - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	20	0	
Feb	16	41	
Mar	24	49	
Apr	28		
May	42		
Jun	24		
Jul	49		
Aug	40		
Sep	35		
Oct	33		
Nov	12		
Dec	12		
Total	335	90	



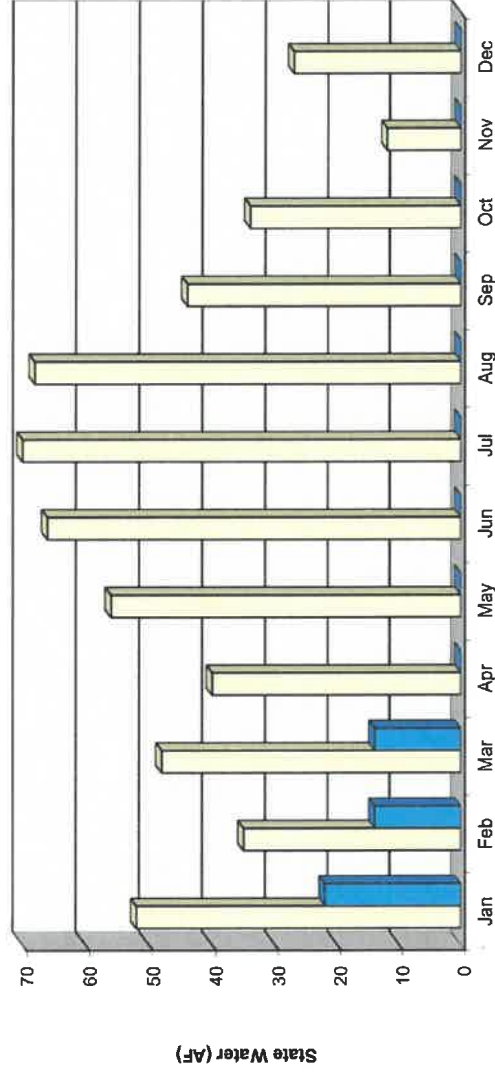
VAFB - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	148	160	
Feb	137	164	
Mar	188	163	
Apr	183		
May	234		
Jun	294		
Jul	308		
Aug	297		
Sep	294		
Oct	238		
Nov	147		
Dec	126		
Total	2594	487	



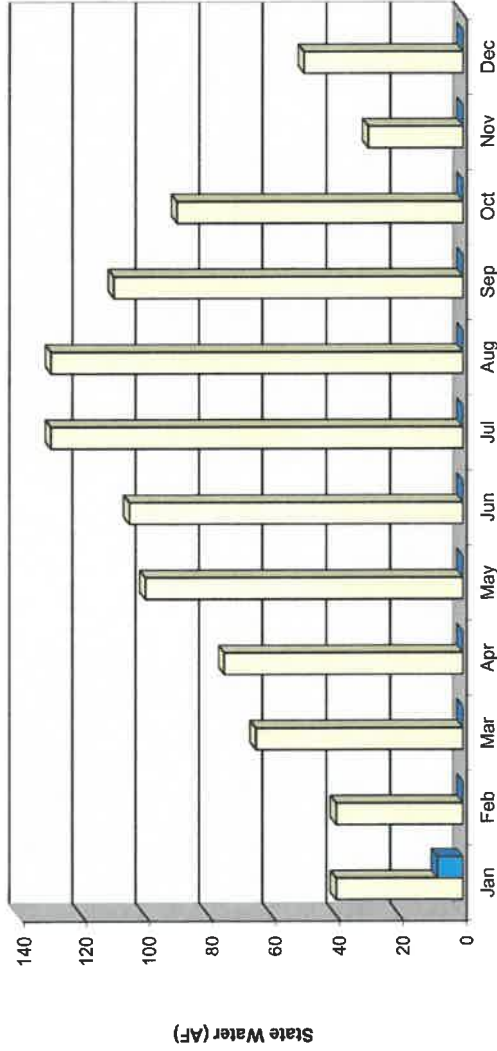
Buelton - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	52	22	
Feb	35	14	
Mar	48	14	
Apr	40		
May	56		
Jun	66		
Jul	70		
Aug	68		
Sep	44		
Oct	34		
Nov	12		
Dec	27		
Total	552	50	



Santa Ynez - Solvang Only - SWP Deliveries in Year 2018

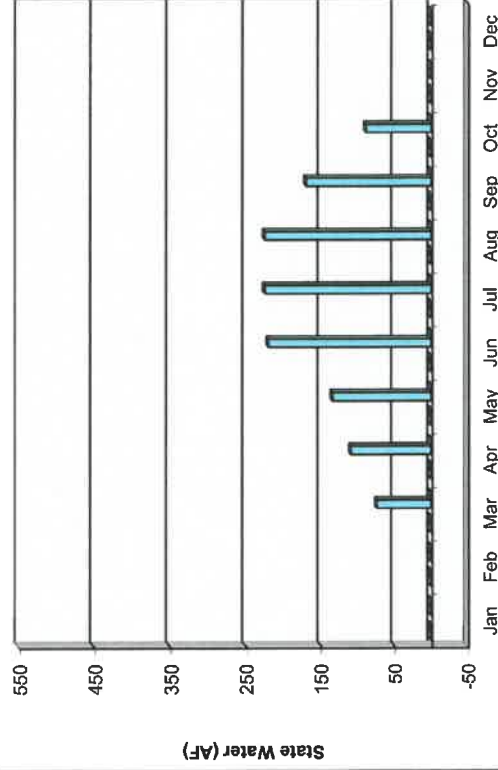
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	40	8	
Feb	40	0	
Mar	65	0	
Apr	75		
May	100		
Jun	105		
Jul	130		
Aug	130		
Sep	110		
Oct	90		
Nov	30		
Dec	50		
Total	965	8	



Requested Delivery
Actual Delivery

Santa Ynez (Without Solvang) - SWP Deliveries in Year 2018

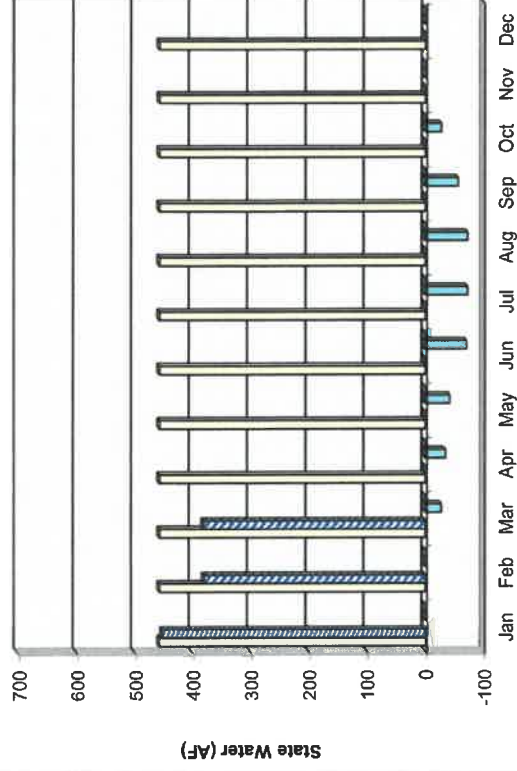
Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	0	0	0	0	0	0	
Feb	0	0	0	0	0	0	
Mar	0	75	75	0	0	0	
Apr	0	110	110	0	0	0	
May	0	135	135	0	0	0	
Jun	0	220	220	0	0	0	
Jul	0	225	225	0	0	0	
Aug	0	225	225	0	0	0	
Sep	0	170	170	0	0	0	
Oct	0	90	90	0	0	0	
Nov	0	0	0	0	0	0	
Dec	0	0	0	0	0	0	
Total	0	1250	1250	0	0	0	



Scheduled State Water Delivery
Actual State Water Delivery
Scheduled Exchange Water
Actual Exchange Water Delivery

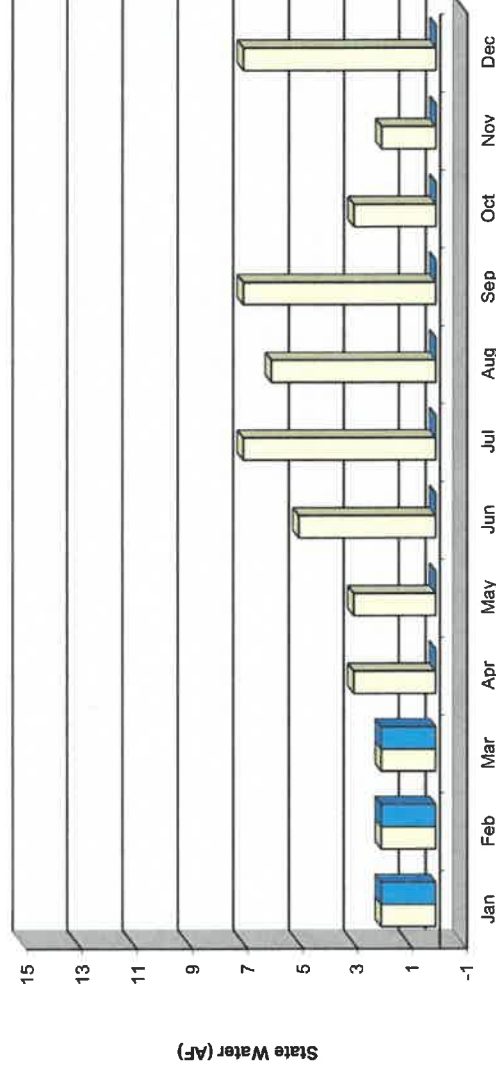
Goleta - SWP Deliveries in Year 2018

Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sch'd State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	457	0	457	452	0	452	
Feb	457	0	457	380	0	380	
Mar	457	-27	430	381	0	381	
Apr	457	-34	423				
May	457	-41	416				
Jun	457	-70	387				
Jul	457	-72	385				
Aug	457	-72	385				
Sep	457	-56	401				
Oct	457	-27	430				
Nov	457	0	457				
Dec	457	0	457				
Total	5484	-400	5084	1213	0	1213	



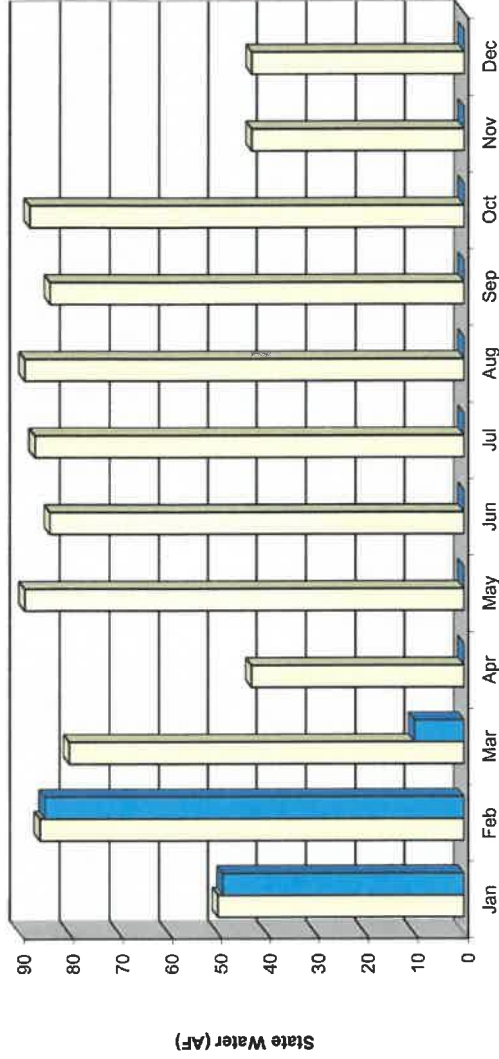
Morehart Land - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	2	2	
Feb	2	2	
Mar	2	2	
Apr	3		
May	3		
Jun	5		
Jul	7		
Aug	6		
Sep	7		
Oct	3		
Nov	2		
Dec	7		
Total	49	6	



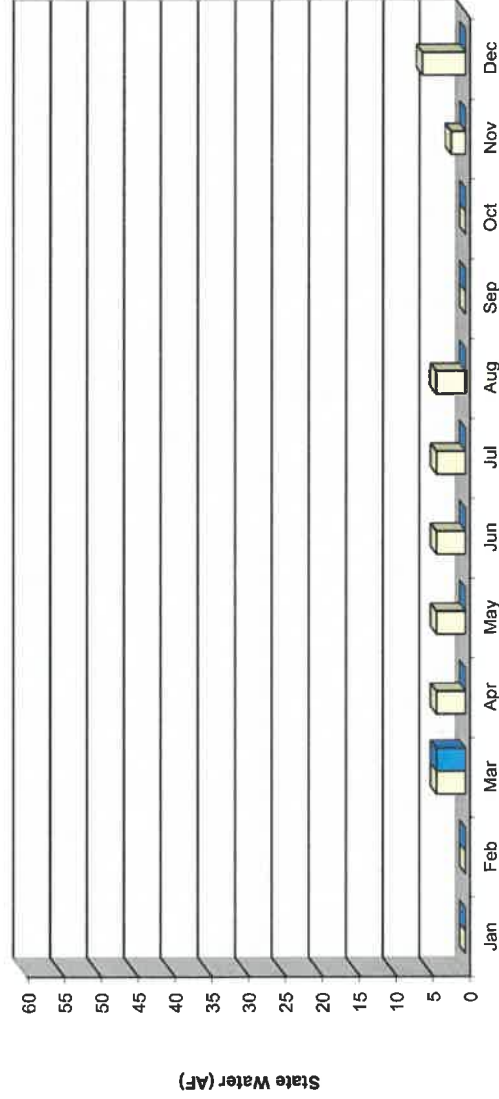
La Cumbre - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	50	49	
Feb	86	85	
Mar	80	10	
Apr	43		
May	89		
Jun	84		
Jul	87		
Aug	89		
Sep	84		
Oct	88		
Nov	43		
Dec	43		
Total	866	144	



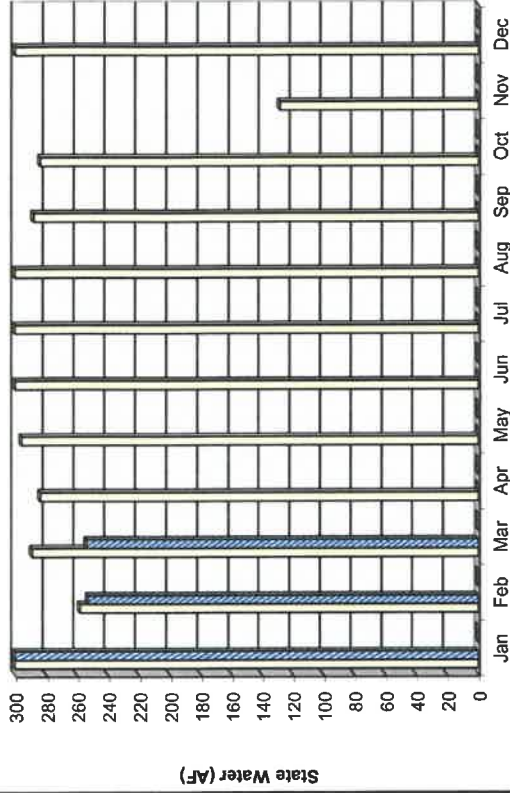
Raytheon (SBRC) - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	0	0	
Feb	0	0	
Mar	4	4	
Apr	4		
May	4		
Jun	4		
Jul	4		
Aug	4		
Sep	0		
Oct	0		
Nov	2		
Dec	6		
Total	32	4	



Santa Barbara - SWP Deliveries in Year 2018

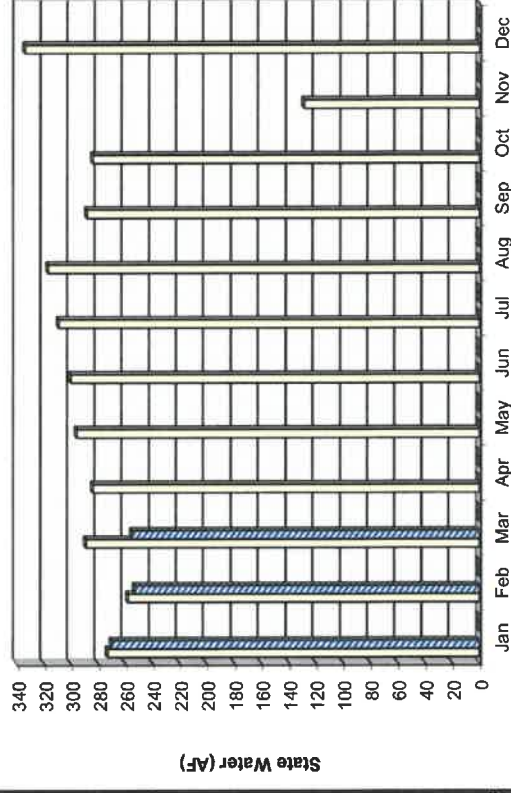
Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched. Water	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	304	0	304	301	0	301	
Feb	258	0	258	253	0	253	
Mar	289	-18	271	254	0	254	
Apr	284	-23	261				
May	296	-28	268				
Jun	300	-47	253				
Jul	309	-48	261				
Aug	317	-48	269				
Sep	288	-37	251				
Oct	284	-18	266				
Nov	129	0	129				
Dec	334	0	334				
Total	3391	-266	3125	808	0	808	



- Scheduled State Water Delivery
- Actual State Water Delivery
- ▨ Scheduled Exchange Water
- Actual Exchange Water Delivery

Montecito - SWP Deliveries in Year 2018

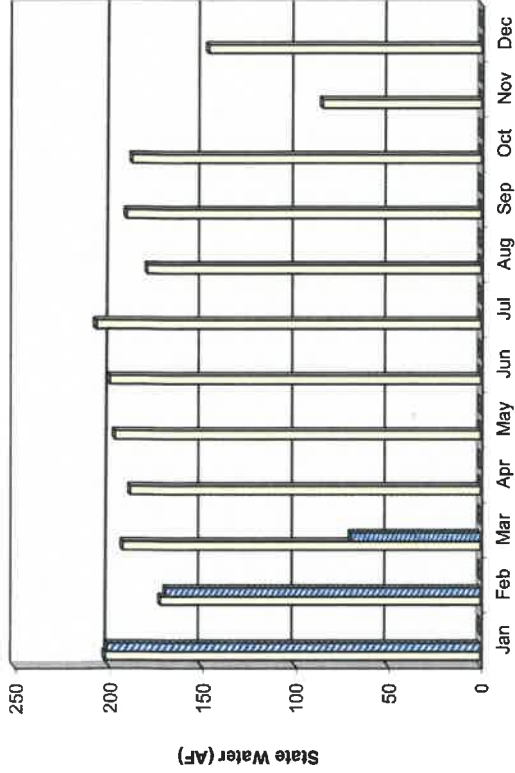
Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched. Water	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	273	0	273	270	0	270	
Feb	258	0	258	253	0	253	
Mar	289	-18	271	255	0	255	
Apr	284	-23	261				
May	296	-28	268				
Jun	300	-47	253				
Jul	309	-48	261				
Aug	317	-48	269				
Sep	288	-37	251				
Oct	284	-18	266				
Nov	129	0	129				
Dec	334	0	334				
Total	3360	-266	3094	778	0	778	



- Scheduled State Water Delivery
- Actual State Water Delivery
- ▨ Scheduled Exchange Water
- Actual Exchange Water Delivery

Carpinteria - SWP Deliveries in Year 2018

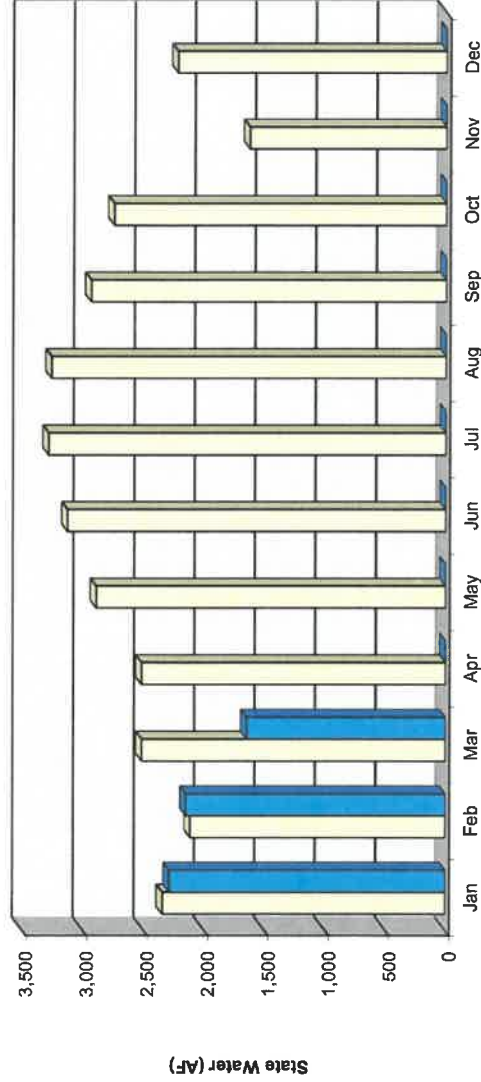
Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched'd State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	202	0	202	201	0	201	
Feb	172	0	172	169	0	169	
Mar	193	-12	181	70	0	70	
Apr	189	-15	174				
May	197	-18	179				
Jun	200	-31	169				
Jul	207	-32	175				
Aug	180	-32	148				
Sep	192	-25	167				
Oct	189	-12	177				
Nov	86	0	86				
Dec	147	0	147				
Total	2155	-178	1977	440	0	440	



- Scheduled State Water Delivery
- ▨ Actual State Water Delivery
- Scheduled Exchange Water
- ▨ Actual Exchange Water Delivery

Total SB County - SWP Deliveries in Year 2018

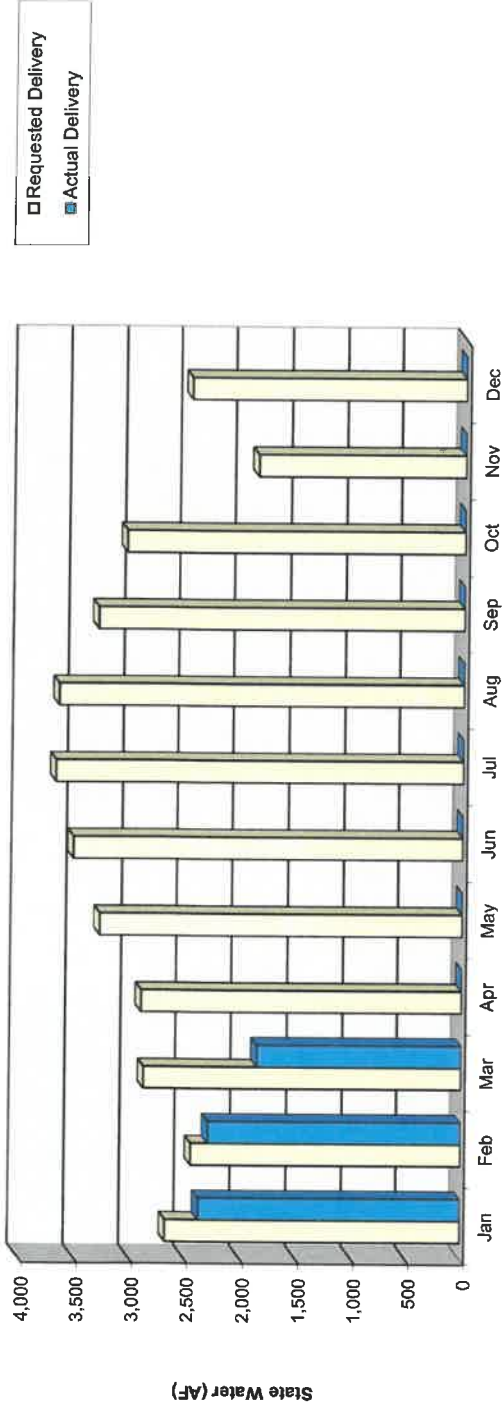
Month	Requested Delivery	Actual Delivery
Jan	2,345	2,289
Feb	2,116	2,152
Mar	2,517	1,647
Apr	2,518	
May	2,892	
Jun	3,131	
Jul	3,287	
Aug	3,264	
Sep	2,936	
Oct	2,751	
Nov	1,628	
Dec	2,225	
Total	31,609	6,088



- Requested Delivery
- ▨ Actual Delivery

Total SB and SLO County - SWP Deliveries in Year 2018

Month	Requested Delivery	Actual Delivery
Jan	2,671	2,372
Feb	2,442	2,291
Mar	2,876	1,856
Apr	2,903	
May	3,282	
Jun	3,527	
Jul	3,689	
Aug	3,666	
Sep	3,315	
Oct	3,068	
Nov	1,883	
Dec	2,481	
Total	35,801	6,519






CENTRAL COAST WATER AUTHORITY

MEMORANDUM

April 18, 2018

TO: CCWA Board of Directors
FROM: Ray A. Stokes
Executive Director 
SUBJECT: State Water Project Contract Financial Amendment and Extension

DISCUSSION

DWR and the State Water Project (SWP) Contractors completed negotiations on a series of financial amendments to the SWP contracts and extending the contract term from 2035 to 2085 in June 2014. Since that time, DWR and the SWP Contractors have been working on the actual contract amendment language to be executed by DWR and each of the 29 SWP Contractors.

Attached, is the proposed amendments to the SWP Contract implementing the financial amendments as well as the extension of the contract. Staff will reviewing the major components of the contract amendments at the CCWA Board meeting and discuss next steps in engaging Santa Barbara County with regard to executing the amendments.

RAS

Attachment

STATE WATER PROJECT WATER SUPPLY CONTRACT EXTENSION AMENDMENT
Using Metropolitan Water District of Southern California Water Supply Contract
California Department of Water Resources 2/13/18

STATE OF CALIFORNIA
CALIFORNIA NATURAL RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. _____ (THE CONTRACT EXTENSION AMENDMENT)
TO WATER SUPPLY CONTRACT BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND THE
_____ FOR CONTINUED SERVICE AND THE TERMS
AND CONDITIONS THEREOF

THIS AMENDMENT to the Water Supply Contract is made this _____ day
of _____, 201_, pursuant to the provisions of the California Water
Resources Development Bond Act, the Central Valley Project Act, and other applicable
laws of the State of California, between the State of California, acting by and through its
Department of Water Resources, herein referred to as the "State," and _____
_____, herein referred to as the "[District]".

STATE WATER PROJECT WATER SUPPLY CONTRACT EXTENSION AMENDMENT
Using Metropolitan Water District of Southern California Water Supply Contract
California Department of Water Resources 2/13/18

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RECITALS:

- A. The State and the [District] entered into and subsequently amended a water supply contract (the "contract"), dated November 4, 1960, providing that the State shall supply certain quantities of water to the [District] and providing that the [District] shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payments; and
- B. Article 2 of the contract provides that the contract shall remain in effect for the longest of the following: (1) the project repayment period, which, as defined in the contract, is to end on December 31, 2035; (2) 75 years from the original date of the contract; and (3) the period ending with the latest maturity date of any bond issue used to finance the construction costs of project facilities; and
- C. The longest of the above referenced periods in Article 2 would have ended in this contract on [December 31, 2035]; and
- D. Article 4 of the contract provides that the [District], by written notice to the State at least six (6) months prior to the expiration of the term of the contract (as specified in Article 2), may elect to receive continued service under the contract under certain conditions specified therein and under other terms and conditions that are reasonable and mutually agreed upon by the State and the [District]; and
- E. The State, the [District] and representatives of certain other State Water Project Contractors have negotiated and executed a document (Execution Version dated June 18, 2014), the subject of which is "Agreement in Principle Concerning Extension of the State Water Project Water Supply Contracts" (the "Agreement in Principle"); and
- F. The Agreement in Principle describes the terms and conditions of the continued service upon which the State and the [District] mutually proposed to develop contractual amendments consistent with the Agreement In Principle.
- G. The State, the [District] and those Contractors intending to be subject to the contract amendments contemplated by the Agreement in Principle subsequently prepared an amendment to their respective contracts to implement the provisions of the Agreement in Principle, and such amendment was named the "Amendment for Continued Service and the Terms and Conditions Thereof"; and

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Using Metropolitan Water District of Southern California Water Supply Contract
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- H. The State and the [District] desire to implement continued service under the contract under the terms and conditions of this Amendment for Continued Service and the Terms and Conditions Thereof to the water supply contract; and
- I. The [District]'s execution of this Amendment for Continued Service and the Terms and Conditions Thereof is the equivalent of the [District's] election under Article 4 to receive continued service under the contract under the conditions provided in Article 4, and the mutually agreed terms and conditions herein are the other reasonable and equitable terms and conditions of continued service referred to in Article 4;

NOW, THEREFORE, IT IS MUTUALLY AGREED that the following changes and additions are hereby made to the [District's] water supply contract with the State:

AMENDED CONTRACT TEXT

I. ARTICLES 1, 2, 5, 22 THROUGH 29, 50 AND 51 ARE DELETED IN THEIR ENTIRETY AND REPLACED WITH THE FOLLOWING TEXT:

1. DEFINITIONS.

When used in this contract, the following terms shall have the meanings hereinafter set forth:

(a) **“Additional Project Conservation Facilities”** shall mean the following facilities and programs, which will serve the purpose of preventing any reduction in the Minimum Project Yield as hereinafter defined:

(1) Those Project Facilities specified in Section 12938 of the Water Code;

(2) Those facilities and programs described in (A), (B), (C), (D), and (E) below which, in the State's determination, are engineeringly feasible and capable of producing Project Water which is economically competitive with alternative new water supply sources, *provided* that in the State's determination, the construction and operation of such facilities and programs will not interfere with the requested deliveries of Annual Table A Amount to any Contractor other than the sponsoring Contractor, and will not result in any greater annual charges to any Contractor other than the sponsoring Contractor than would have occurred with the construction at the same time of alternative new water supply sources which are either reservoirs located north of the Delta or off-Aqueduct storage reservoirs located south or west of the Delta designed to supply water to the California Aqueduct.

The following facilities and programs shall hereinafter be referred to as “Local Projects”:

(A) On-stream and off-stream surface storage reservoirs not provided for in Section 12938 of the Water Code, that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

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(B) Groundwater storage facilities that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

(C) Waste water reclamation facilities that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

(D) Water and facilities for delivering water purchased by the State for the System for a period of time agreed to by the sponsoring Contractor; *provided* that the economic test specified herein shall be applied to the cost of these facilities together with the cost of the purchased water; and

(E) Future water conservation programs and facilities that will reduce demands by the sponsoring Contractor for Project Water from the System for a period of time agreed to by the sponsoring Contractor and will thereby have the effect of increasing Project Water available in the Delta for distribution.

(3) Whether a Local Project described in (2) above shall be considered economically competitive shall be determined by the State by comparing, in an engineering and economic analysis, such Local Project with alternative new water supply sources which are either reservoirs located north of the Delta or off-Aqueduct storage reservoirs located south or west of the Delta designed to supply water to the California Aqueduct. The analysis for such alternative new water supply sources shall use the average cost per acre-foot of yield in the latest studies made for such sources by the State and shall compare those facilities with the proposed Local Project using commonly accepted engineering economics. In the case of a Local Project to be funded in part by the State as part of the System and in part from other sources, the economic analysis specified herein shall be applied only to the portion to be funded by the State as part of the System.

(4) The Local Projects in (2) above shall not be constructed or implemented unless or until:

(A) The sponsoring Contractor signs a written agreement with the State which:

(i) Contains the sponsoring Contractor's approval of such facility or program;

(ii) Specifies the yield and the period of time during which the water from the Local Project shall constitute Project Water; and

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(iii) Specifies the disposition of such Local Project or of the yield from such Local Project upon the expiration of such period of time.

(B) All Contractors within whose boundaries any portion of such Local Project is located, and who are not sponsoring Contractors for such Local Project give their written approval of such Local Project.

(5) "Sponsoring Contractor" as used in this Article 1(a) shall mean the Contractor or Contractors who either will receive the yield from facilities described in 2(A), (B), (C), or (D) above, or agree to reduce demands for Project Water from the System pursuant to 2(E) above.

(6) In the event of a shortage in water supply within the meaning of Article 18(a), the determination of whether to count, in whole or in part, the yield from facilities described in 2(A), (B), (C), or (D) above, or the reduced demand from future conservation programs described in 2(E) above in the allocation of deficiencies among Contractors will be based on a project-by-project evaluation taking into consideration such factors as any limitation on the use of the water from such facilities and whether the sponsoring Contractor has access to Project Water from the Delta as an alternate to such facilities.

(b) "**Agricultural Use**" shall mean any use of water primarily in the production of plant crops or livestock for market, including any use incidental thereto for domestic or stock-watering purposes.

(c) "**Annual Table A Amount**" shall mean the amount of Project Water set forth in Table A of this Contract that the State, pursuant to the obligations of this contract and applicable law, makes available for delivery to the District at the delivery structures provided for the District. The term Annual Table A Amount shall not be interpreted to mean that in each year the State will be able to make that quantity of Project Water available to the District. The Annual Table A Amounts and the terms of this contract reflect an expectation that under certain conditions only a lesser amount, allocated in accordance with this contract, may be made available to the District. This recognition that full Annual Table A Amounts will not be deliverable under all conditions does not change the obligations of the State under this contract, including but not limited to, the obligations to make all reasonable efforts to complete the Project Facilities, to perfect and protect water rights, and to allocate among Contractors the supply available in any year, as set forth in Articles 6(b), 6(c), 16(b) and 18, in the manner and subject to the terms and conditions of those articles and this contract. Where the term "annual entitlement" appears elsewhere in this contract, it shall mean "Annual Table A Amount." The State agrees that in future amendments to this and other Contractor's contracts, in lieu of the term "annual entitlement," the term "Annual Table A

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Amount” will be used and will have the same meaning as “annual entitlement” wherever that term is used.

(d) **“Area of Origin Statutes”** shall mean Sections 10505 and 11460 through 11463 of the Water Code as now existing or hereafter amended.

(e) **“Article 51(e) Amounts”** shall mean the annual amounts determined pursuant to Article 51(e)(1).

(f) **“Billing Transition Date”** shall mean January 1 of the first calendar year starting at least six (6) months after the Contract Extension Amendment Effective Date.

(g) **“Burns-Porter Bond Act”** shall mean the California Water Resources Development Bond Act, comprising Chapter 8, commencing at Section 12930, of Part 6 of Division 6 of the Water Code, as enacted in Chapter 1762 of the Statutes of 1959.

(h) **“Capital Costs”** shall mean all costs incurred subsequent to authorization of a facility for construction by the Legislature or by administrative action pursuant to Section 11290 of the Water Code and to the Burns-Porter Bond Act, including those so incurred prior to the beginning of the Project Repayment Period as herein defined and any accrued unpaid interest charges thereon at the rates specified herein, which are properly chargeable to the construction of and the furnishing of equipment for the facilities of the System, including the costs of surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights-of-way, and relocation work, all as shown upon the official records of the Department of Water Resources.

(i) **“Carry-over Table A Water”** shall mean water from a Contractor’s Annual Table A Amount for a respective year, which is made available for delivery by the State in the next year pursuant to Article 12(e).

(j) **“Central Valley Project Act”** shall mean the Central Valley Act comprising Part 3, commencing at Section 11100, of Division 6 of the Water Code.

(k) **“Contract Extension Amendment”** shall mean the substantially similar amendments to the contractors’ water supply contracts that include, among other things, an extension of the term of the contract to December 31, 2085.

(l) **“Contract Extension Amendment Effective Date”** shall mean the date on which the Contract Extension Amendment becomes effective with regard to this contract. The State shall provide a written notice to the [District] specifying the Contract Extension Amendment Effective Date once the applicable conditions set out in the Contract Extension Amendment have been met.

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(m) **“Contractor”** shall mean any entity that has executed, or is an assignee of, a contract of the type published in Department of Water Resources Bulletin No. 141, dated November 1965, with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d)(6) of the Water Code, as such contracts have been amended from time to time.

(n) **“Delta”** shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code on the date of approval of the Burns-Porter Bond Act by the voters of the State of California.

(o) **“East Branch Aqueduct”** shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Perris, Riverside County.

(p) **“Economic Useful Life”** shall mean the period during which the State expects to derive economic benefit from using an asset, as determined by the State.

(q) **“Financial Information System”** shall mean the system of record designated by the State as the authoritative source for the recording of all financial data values relating to the System.

(r) **“Financing Costs”** shall mean the following:

- (1) principal of and interest on Revenue Bonds,
- (2) debt service coverage required by the applicable bond resolution or indenture in relation to such principal and interest,
- (3) deposits to reserves required by the bond resolution or indenture in relation to such Revenue Bonds, and
- (4) premiums for insurance or other security obtained in relation to such Revenue Bonds.

(s) **“Incurred”** shall mean the following with respect to the timing of a cost:

- (1) Capital Costs and operation, maintenance, and power costs allocated irrespective of the amount of Project Water delivered to the Contractors are “Incurred” when the expenditure for the good, service or other consideration is recorded in the State’s financial information system, regardless of the date the good, service or other consideration is provided; and

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(2) operation, maintenance, and power costs allocated in an amount which is dependent upon and varies with the amount of Project Water delivered to the Contractors are "Incurred" when the good, service or other consideration is provided, regardless of when the expenditure for the good, service or other consideration is recorded in the financial information system.

(t) **"Initial Project Conservation Facilities"** shall mean the following Project Facilities specified in Section 12934(d) of the Water Code:

(1) All those facilities specified in subparagraph (1) thereof.

(2) Those facilities specified in subparagraph (3) thereof to the extent that they serve the purposes of water conservation in the Delta, water supply in the Delta, and transfer of water across the Delta.

(3) A reservoir near Los Banos in Merced County as specified in subparagraph (2) thereof.

(4) The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a reservoir near Los Banos in Merced County, to the extent required for water conservation through conveyance of water diverted from the Delta to offstream storage in such reservoir as determined by the State.

(5) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1), (2), (3), and (4) above.

(6) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1), (2), (3), (4), and (5) above.

(u) **"Interruptible Water"** shall mean Project Water available as determined by the State that is not needed for fulfilling Contractors' Annual Table A Amount deliveries as set forth in their water delivery schedules furnished pursuant to Article 12 or for meeting project operational requirements, including storage goals for the current or following years.

(v) **"Manufacturing Use"** shall mean any use of water primarily in the production of finished goods for market.

(w) **"Maximum Annual Table A Amount"** shall mean the maximum annual amount set forth in Table A of this contract, and where the term "maximum annual entitlement" appears elsewhere in this contract it shall mean "Maximum Annual Table A Amount."

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(x) **“Minimum Project Yield”** shall mean the dependable annual supply of project water to be made available assuming completion of the initial project conservation facilities and additional project conservation facilities. The project's capability of providing the Minimum Project Yield shall be determined by the State on the basis of coordinated operations studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon factors including but not limited to:

(1) the estimated relative proportion of deliveries for agricultural use to deliveries for municipal use assuming Maximum Annual Table A Amounts for all contractors and the characteristic distributions of demands for these two uses throughout the year;

(2) agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the division of utilization of waters of the Delta or streams tributary thereto;

(y) **“Monterey Amendment”** shall mean the substantially similar amendments to Contractors' Water Supply Contracts that included, among other provisions, the addition of Articles 51 through 56.

(z) **“Municipal Use”** shall mean all those uses of water common to the municipal water supply of a city, town, or other similar population group, including uses for domestic purposes, uses for the purposes of commerce, trade or industry, and any other use incidental thereto for any beneficial purpose.

(aa) **“Nonproject Water”** shall mean water made available for delivery to Contractors that is not Project Water as defined in Article 1(ah).

(ab) **“Project Facilities”** shall mean those facilities of the System which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta and from such additional facilities as are defined in Article 1(a)(2), and by conveying water to the District. Such Project Facilities shall consist specifically of “Project Conservation Facilities” and “Project Transportation Facilities”, as hereinafter defined.

(ac) **“Project Conservation Facilities”** shall mean such Project Facilities as are presently included, or as may be added in the future, under 1(a) and 1(t).

(ad) **“Project Interest Rate”** shall mean the following:

(1) Prior to the Billing Transition Date, the weighted average interest rate on bonds, advances, or loans listed in this section to the extent the proceeds of any such bonds, advances, or loans are for

construction of the State Water Facilities defined in Section 12934(d) of the Water Code, the additional project conservation facilities, and the supplemental conservation facilities (except advances for delivery structures, measuring devices and excess capacity). The Project Interest Rate shall be calculated as a decimal fraction to five places by dividing (i) the total interest cost required to be paid or credited by the State during the life of the indebtedness or advance by (ii) the total of the products of the various principal amounts and the respective terms in years of all such amounts. The bonds, advances, or loans used in calculating the project interest rate shall be:

(A) General obligation bonds issued by the State under the Bond Act, except that any premium received on the sale of these bonds shall not be included in the calculation of the project interest rate,

(B) Revenue Bonds issued after May 1, 1969,

(C) Bonds issued by the State under any other authority granted by the Legislature or the voters,

(D) Bonds issued by any agency, district, political subdivision, public corporation, or nonprofit corporation of this State,

(E) Funds advanced by any contractor without the actual incurring of bonded debt therefore, for which the net interest cost and terms shall be those which would have resulted if the contractor had sold bonds for the purpose of funding the advance, as determined by the State,

(F) Funds borrowed from the General Fund or other funds in the Treasury of the State of California, for which the total interest cost shall be computed at the interest rate earned over the period of such borrowing by moneys in the Surplus Money Investment Fund of such Treasury invested in securities, and

(G) Any other financing capability available in the Treasury of the State of California at whatever interest rate and other financing costs are provided in the law authorizing such borrowing. However, the use of other financing from the State Treasury is intended to involve only short term borrowing at interest rates and other financing costs no greater than those charged to other State agencies during the same period until such time as the Department can sell bonds and reimburse the source of the short term borrowing from the proceeds of the bond sale.

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(2) On and after the Billing Transition Date, the Project Interest Rate shall be four and six hundred and ten thousandths percent (4.610%) per annum.

(ae) **“Project Repayment Period”** shall mean that period of years commencing on January 1, 1961, and extending until December 31, 2035.

(af) **“Project Revenues”** shall mean revenues derived from the service of Project Water to Contractors and others, and from the sale or other disposal of electrical energy generated in connection with operation of Project Facilities.

(ag) **“Project Transportation Facilities”** shall mean the following Project Facilities:

(1) All those facilities specified in subparagraph (2) of Section 12934(d) of the Water Code except: The reservoir near Los Banos in Merced County; the reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to the reservoir near Los Banos in Merced County, to the extent required for water conservation as determined by the State; the North Bay Aqueduct extending to a terminal reservoir in Marin County; the South Bay Aqueduct extending to terminal reservoirs in the Counties of Alameda and Santa Clara; the Pacheco Pass Tunnel Aqueduct extending from a reservoir near Los Banos in Merced County to a terminus in Pacheco Creek in Santa Clara County; and the Coastal Aqueduct beginning on the San Joaquin Valley-Southern California Aqueduct in the vicinity of Avenal, Kings County, and extending to a terminus at the Santa Maria River.

(2) Facilities for the generation and transmission of electrical energy of the following types:

(A) Hydroelectric generating and transmission facilities, whose operation is dependent on the transportation of Project Water, or on releases to channels downstream of Project Facilities defined under (1) above. Such facilities shall be called “project aqueduct power recovery plants.”

(B) All other generating and associated transmission facilities, except those dependent on water from Project Conservation Facilities, for the generation of power. These facilities shall be called “off-aqueduct power facilities” and shall consist of the State’s interest in the Reid-Gardner and any other generating and associated transmission facilities, constructed or financed in whole or in part by the State, which are economically competitive with alternative power supply sources as determined by the State.

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(3) Those facilities specified in subparagraph (7) of Section 12934(d) of the Water Code which are necessary and appurtenant to the facilities included under (1) and (2) above.

(ah) **“Project Water”** shall mean water made available for delivery to the Contractors by the Project Conservation Facilities and the Project Transportation Facilities included in the System.

(ai) **“Revenue Bonds”** shall mean the following types of instruments payable from the sources provided in the Central Valley Project Act: revenue bonds, notes, refunding bonds, refunding notes, bond anticipation notes, certificates of indebtedness, and other evidences of indebtedness.

(aj) **“Subject to Approval by the State”** shall mean subject to the determination and judgment of the State as to acceptability.

(ak) **“Supplemental Conservation Facilities”** shall mean those facilities provided for in Section 12938 of the Water Code which will serve the purpose of supplying water in addition to the Minimum Project Yield and for meeting local needs.

(al) **“Supplemental Water”** shall mean water made available by Supplemental Conservation Facilities, in excess of the Minimum Project Yield.

(am) **“System”** shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

(an) **“System Revenue Account”** shall mean the special account created pursuant to Water Code Section 12937(b) into which are deposited all revenues derived from the sale, delivery or use of water or power and all other income or revenue, derived by the State, from the System, with the exception of revenue attributable to facilities financed with revenue bonds issued pursuant to the Central Valley Project Act (Water Code Section 11100 et seq.).

(ao) **“Water Supply Contract”** shall mean one of the contracts described in the definition of Contractor in Article 1(m).

(ap) **“Water System Facilities”** shall mean the following facilities to the extent that they are financed with Revenue Bonds or to the extent that other financing of such facilities is reimbursed with proceeds from Water System Facility Revenue Bonds:

- (1) The North Bay Aqueduct,
- (2) The Coastal Branch Aqueduct,

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(3) Delta Facilities, including Suisun Marsh facilities, to serve the purposes of water conservation in the Delta, water supply in the Delta, transfer of water across the Delta, and mitigation of the environmental effects of Project Facilities, and to the extent presently authorized as project purposes, recreation and fish and wildlife enhancement,

(4) Local projects as defined in Article 1(a)(2) designed to develop no more than 25,000 acre-feet of project yield from each project,

(5) Land acquisition prior to December 31, 1995, for the Kern Fan Element of the Kern Water Bank,

(6) Additional pumps at the Banks Delta Pumping Plant,

(7) The transmission line from Midway to Wheeler Ridge Pumping Plant,

(8) Repairs, additions, and betterments to Project Facilities,

(9) A Project Facilities corporation yard,

(10) A Project Facilities operation center, and

(11) Capital projects which are approved in writing by the State and eighty (80) percent of the affected Contractors as "Water System Facilities", *provided* that the approving Contractors' Table A amounts exceed eighty (80) percent of the Table A amounts representing all affected Contractors and *provided further* that "affected Contractors" for purposes of this subdivision (11) shall mean those Contractors which would be obligated to pay a share of the debt service on Revenue Bonds issued to finance such project.

(aq) **"Water System Facility Revenue Bonds"** shall mean Revenue Bonds issued after January 1, 1987 for Water System Facilities identified in Article 1(ap).

(ar) **"West Branch Aqueduct"** shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Newhall, Los Angeles County.

(as) **"Year"** shall mean the 12-month period from January 1 through December 31, both dates inclusive.

(at) **"Year of Initial Water Delivery"** shall mean the year when Project Water will first be available for delivery to a Contractor pursuant to its contract with the State.

2. TERM OF CONTRACT.

This contract shall become effective on the date first above written and shall remain in effect for the longer of the following:

1. December 31, 2085, or
2. The period ending with the latest maturity date of any bond issue used to finance the construction costs of project facilities.

5. PLEDGE OF REVENUES.

This contract is entered into for the direct benefit of the holders and owners of all general obligation bonds issued under the Burns-Porter Bond Act and the holders and owners of Revenue Bonds issued under the Central Valley Project Act, and the income and revenues derived from this contract are pledged to the respective purposes and in the respective priorities set forth in these acts, as provided by law.

22. DELTA WATER CHARGE

The payments to be made by each Contractor shall include an annual charge designated as the Delta Water Charge, which shall be separately calculated and stated for costs Incurred prior to the Billing Transition Date and costs Incurred on or after the Billing Transition Date.

(a) **Delta Water Charge for Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) shall apply only to costs Incurred prior to the Billing Transition Date.

(1) *Recovery of Costs of Project Conservation Facilities.* The Delta Water Charge for costs Incurred prior to the Billing Transition Date, together with the total revenues derived prior to the Billing Transition Date from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities, shall return to the State during the Project Repayment Period all costs of the Project Conservation Facilities Incurred prior to the Billing Transition Date, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivisions (c)(1) through (c)(3) of this article.

(2) *Components of Charge.* For each Contractor receiving Project Water in any year through December 31, 1969, the Delta Water Charge shall be the product of \$3.50 and the Contractor's Annual Table A Amount for the respective year. For each Contractor receiving Project Water in the year 1970, the Delta Water Charge shall be the product of \$6.65 and the Contractor's Annual Table A Amount for that year. The \$6.65 rate for the year 1970 shall consist of a capital component of \$5.04 and a minimum operation, maintenance, power and replacement component of \$1.61. For each Contractor receiving Project Water in the year 1971, the Delta Water Charge shall be the product of \$7.24 and the Contractor's Annual Table A Amount for that year. The \$7.24 rate for the year 1971 shall consist of a capital component of \$5.44 and a minimum operation, maintenance, power and replacement component of \$1.80.

After December 31, 1971, the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall consist and be the sum of the following components as these are computed in accordance with subdivisions (a)(3) and (a)(4) of this article: a capital component; a minimum operation, maintenance, power and replacement component; and a variable operation, maintenance, power and replacement component.

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(3) *Charge Components Expressed as Rates.* The Capital Cost, the minimum operation, maintenance, power, and replacement, and the variable operation, maintenance, power, and replacement components of the Delta Water Charge for costs Incurred prior to the Billing Transition Date, together with that portion of the revenues derived prior to the Billing Transition Date from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during the Project Repayment Period, respectively, the following categories of the costs allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivisions (c)(1) through (c)(3) of this article:

(A) Capital Costs;

(B) operation, maintenance, power, and replacement costs Incurred irrespective of the amount of Project Water delivered to the Contractors;
 and

(C) operation, maintenance, power, and replacement costs Incurred in an amount which is dependent upon and varies with the amount of Project Water delivered to the Contractors;

provided that each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities. Each component of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall be computed on the basis of a rate which, when charged during the Project Repayment Period for each acre-foot of the sum of the yearly totals of Annual Table A Amounts of all Contractors, will be sufficient, together with that portion of the revenues derived prior to the Billing Transition Date from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, to return to the State during the Project Repayment Period all costs included in the respective category of costs covered by that component. Each such rate shall be computed in accordance with the following formula:

$$\frac{(c_1 - r_1) (1 + i)^{-1} + (c_2 - r_2) (1 + i)^{-2} + \dots + (c_n - r_n) (1 + i)^{-n}}{e_1 (1 + i)^{-1} + e_2 (1 + i)^{-2} + \dots + e_n (1 + i)^{-n}}$$

Where:

i = The Project Interest Rate.

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- c = The total costs included in the respective category of costs and Incurred during the respective year of the Project Repayment Period (prior to the Billing Transition Date).
- r = That portion of the revenues derived from the sale or other disposal of electrical energy allocated by the State to repayment of the costs included in the respective category and Incurred during the respective year of the Project Repayment Period (prior to the Billing Transition Date).

1, 2, and n
appearing
below

c and r = The respective year of the Project Repayment Period during which the costs included in the respective category are Incurred, n being the last year of the Project Repayment Period.

e = With respect to the Capital Cost and minimum operation, maintenance, power, and replacement components, the total of Annual Table A Amounts of all Contractors for the respective year of the Project Repayment Period.

e = With respect to the variable operation, maintenance, power, and replacement component, the total of the amounts of Project Water delivered to all Contractors for the respective year of the expired portion of the Project Repayment Period, together with the total of Annual Table A Amounts of all Contractors for the respective year of the unexpired portion of the Project Repayment Period.

1, 2, and n
appearing

below e = The respective year of the Project Repayment Period in which the Annual Table A Amounts or Project Water deliveries occur, n being the last year of the Project Repayment Period.

n used
as an

exponent = The number of years in the Project

(4) *Determination of Charge Components.* The Capital Cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall be

the product of the appropriate rate computed under subdivision (a)(3) of this article and the Contractor's Annual Table A Amount for the respective year. The variable operation, maintenance, and power component of the charge shall be the product of the appropriate rate computed under subdivision (a)(3) of this article and the number of acre-feet of Project Water delivered to the Contractor during the respective year; *provided*, that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, such variable component during such period shall be the product of such rate per acre-foot and the sum of the number of acre-feet of Project Water delivered to the Contractor and the number of acre-feet wasted.

(5) *Redetermination of Rates.* The rates to be used in determining the components of the Delta Water Charge pursuant to subdivision (a)(4) of this article and to become effective on January 1, 1970, shall be computed by the State in accordance with subdivision (a)(3) of this article prior to that date. Such computation shall include an adjustment which shall account for the difference, if any, between revenues received by the State under the Delta Water Charge prior to January 1, 1970, and revenues which would have been received under the charge prior to that date had it been computed and charged in accordance with subdivisions (a)(3) and (4) of this article. Upon such computation, a document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article. The State shall recompute such rates each year thereafter, and each such recomputation shall take account of and reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred to construct the Project Conservation Facilities described in subdivisions (c)(1) through (c)(3) of this article, Annual Table A Amounts, deliveries of Project Water, Project Interest Rate, revenues from the sale or other disposal of electrical energy, and all other factors which are determinative of such rates. In addition, each such recomputation shall include an adjustment of the rates for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining such rates for all preceding years, and actual costs Incurred by the State during such years. Upon each such recomputation, an appropriately revised copy of the document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article.

(6) *Water System Facility Revenue Bond Charges.* Notwithstanding provisions of Article 22(a)(1) through (5), the capital and the minimum operation, maintenance, power and replacement component of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall include an annual charge to recover the District's share of the portion of the Water System Facility

Revenue Bond Financing Costs allocable to Project Conservation Facilities for Capital Costs Incurred prior to the Billing Transition Date. Charges to the District for these costs shall be calculated in accordance with Article 50(a).

(b) **Delta Water Charge for Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) of this article shall apply only to costs Incurred on or after the Billing Transition Date.

(1) *Components of the Delta Water Charge for Costs Incurred On or After the Billing Transition Date.* The Delta Water Charge for costs Incurred on or after the Billing Transition Date shall consist of the following components as these are computed in accordance with subdivisions (b)(2) through (b)(4) of this article:

(A) Capital component,

(B) Minimum operation, maintenance, power, and replacement component; and

(C) Variable operation, maintenance, and power component.

(2) *Determination of Charge Components.* These three components of the Delta Water Charge for each calendar year, together with that portion of the revenues derived during such calendar year from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during such calendar year the following categories, respectively, of the costs allocated pursuant to subdivisions (c)(1) through (c)(3) of this article to the purpose of water conservation in, above, and below the Delta.

(A) the capital component consisting of Capital Costs of Project Conservation Facilities to be recovered during such calendar year as and to the extent provided in subdivision (b)(3) of this article;

(B) the minimum operation, maintenance, power, and replacement component consisting of operation, maintenance, power, replacement costs of Project Conservation Facilities Incurred during such calendar year irrespective of the amount of Project Water delivered to the Contractors; and

(C) the variable operation, maintenance, and power component consisting of operation, maintenance, and power costs of Project Conservation Facilities Incurred during such calendar year in an amount

which is dependent upon and varies with the amount of Project Water delivered to the Contractors;

provided that each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities; and *provided further* that revenues generated in connection with the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities shall not reduce or be credited against charges pursuant to subdivision (b)(3)(D)(i) of this article (charges for Water System Facility Revenue Bond Financing Costs);

(3) *Categories of Capital Costs.*

(A) The amount of the capital component of the Delta Water Charge shall be determined in three steps as follows:

(i) first, an allocation to the District of Capital Costs of Project Conservation Facilities as provided in subdivisions (c)(1) through (c)(3) of this article,

(ii) second, a determination of the type and source of payment of each Capital Cost in accordance with subdivision (b)(3)(B) of this article, and

(iii) third, a computation of the annual payment to be made by the District as provided in subdivision (b)(3)(C) and (b)(3)(D) of this article.

(B) Annual Capital Costs of Project Conservation Facilities shall be divided into five categories of type and source of payment:

(i) Project Conservation Facility Capital Costs paid with the proceeds of Water System Facility Revenue Bonds,

(ii) Project Conservation Facility Capital Costs to be paid with the proceeds of Bonds issued under the Burns-Porter Bond Act. (iii) Project Conservation Facility Capital Costs to be paid with amounts in the SWRDS Reinvestment Account

(iv) Project Conservation Facility Capital Costs to be paid annually for assets that will have a short Economic Useful Life or the costs of which are not substantial, and

(v) Project Conservation Facility Capital Costs prepaid by the District.

(C) The projected amounts of Project Conservation Facility Capital Costs in each such category to be allocated annually to the District shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (c)(1) through (c)(3) and (b)(6) of this article, which principles and procedures shall be controlling as to allocations of Capital Costs to the District; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such projected amounts will be set forth in Table B by the State.

**TABLE B
 PROJECTED ALLOCATIONS TO [DISTRICT]
 OF PROJECT CONSERVATION FACILITY CAPITAL COSTS INCURRED ON OR
 AFTER THE BILLING TRANSITION DATE**

Year	Projected Allocations in Thousands of Dollars				
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act	Costs to be Paid with Amounts in the SWRDS Reinvestment Account	Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial	Costs Prepaid by the District
1*					
2					
3					

* Year commencing with the Billing Transition Date.

(D) The annual amount to be paid by the District under the capital component of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall consist of the following categories:

(i) Water System Facility Revenue Bonds: a charge determined in accordance with Article 50(b) to recover Water System Facility Revenue Bond Financing Costs Incurred during such calendar year that relate to the financing of Project Conservation Facilities,

(ii) Burns-Porter Act Bonds: a charge to recover the amount to be paid by the State of California during such calendar year in accordance with the Burns-Porter Bond Act for the principal of and interest on bonds issued under the Burns-Porter Bond Act on or after the Billing Transition Date for Project Conservation Facility Capital Costs,

(iii) SWRDS Reinvestment Account: a charge determined in accordance with subdivision (b)(5) of Article 61 to amortize Project Conservation Facility Capital Costs Incurred during prior calendar years (but not prior to the Billing Transition Date) that have been paid with amounts from the SWRDS Reinvestment Account,

(iv) Capital Assets with Short Economic Life or Costs of which are Not Substantial: a charge to recover the Capital Costs to be Incurred during such calendar year of Project Conservation Facility assets with a short Economic Useful Life or the costs of which are not substantial as determined by the State and any such Capital Costs Incurred but not charged in the prior two calendar years,

(E) The projected amounts of each category of charges to be paid annually by the District under this capital component shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision (b), which principles and procedures shall be controlling as to allocations of types of capital component charges to the District; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table C by the State.

**TABLE C
 PROJECTED CHARGES TO [DISTRICT]
 UNDER THE CAPITAL COMPONENT OF THE DELTA WATER CHARGE FOR
 COSTS INCURRED ON OR AFTER THE BILLING TRANSITION DATE**

Year	Projected Charges in Thousands of Dollars			
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act	Costs to be Paid with Amounts in the SWRDS Reinvestment Account	Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial
1				
2				
3				

* Year commencing with the Billing Transition Date.

(4) *Minimum Operation, Maintenance, Power and Replacement Charge – Determination; Repayment Table.*

The amount to be paid each year by the District under the minimum operation, maintenance, power, and replacement component of the Delta Water Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (b)(6)(A) of this article; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table D by the State.

TABLE D
DELTA WATER CHARGE -- ESTIMATED MINIMUM OPERATION, MAINTENANCE, POWER
AND REPLACEMENT COMPONENT FOR COSTS INCURRED ON OR AFTER THE BILLING
TRANSITION DATE
[DISTRICT]

Year	Total Annual Payment by District
1*	
2	
3	
4	

* Year commencing with the Billing Transition Date.

(5) *Variable Operation, Maintenance and Power Charge—
 Determination; Repayment Table.*

The amount to be paid each year by the District under the variable operation, maintenance and power component of the Delta Water Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (b)(6)(B) of this article; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table E by the State.

TABLE E
DELTA WATER CHARGE -- ESTIMATED VARIABLE OPERATION, MAINTENANCE AND
POWER COMPONENT FOR COSTS INCURRED ON OR AFTER THE BILLING TRANSITION
DATE
[DISTRICT]

Year	Total Annual Payment by District
1*	
2	
3	
4	

* Year commencing with the Billing Transition Date.

(6) *Allocation of Charges to the District.*

(A) The capital and minimum operation, maintenance, and power components of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall be allocated to the District in proportion to the ratio of the District's Annual Table A Amount for such calendar year to the total of the Annual Table A Amounts for all Contractors for such calendar year.

(B) The variable operation, maintenance, and power component of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall be allocated to the District in proportion to the ratio of the number of acre-feet of Project Water delivered to the District during such calendar year to the number of acre-feet of Project Water delivered to all Contractors during such calendar year; *provided* that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, such variable component during such period shall be calculated as if the number of acre-feet wasted had been delivered.

(7) *Delta Water Charge -- Repayment Schedule.*

The amounts to be paid by the District for each year on or after the Billing Transition Date under the Capital Cost component, minimum operation, maintenance, power and replacement component and the variable operation, maintenance, and power component of the Delta Water Charge shall be set forth by the State in Table F, which Table F shall constitute a summation of Tables C, D, and E; *provided* that each of the amounts set forth in Table F shall be subject

to redetermination by the State in accordance with Article 28; *provided further* that the principles and procedures set forth in this Article 22 shall be controlling as to such amounts. Such amounts shall be paid by the District in accordance with the provisions of Article 29.

TABLE F
REPAYMENT SCHEDULE—DELTA WATER CHARGE FOR COSTS INCURRED ON
OR AFTER THE BILLING TRANSITION DATE
[DISTRICT]

Year	Capital Cost Component	Minimum Component	Variable Component	Total
1*				
2				
3				
4				

* Year commencing with the Billing Transition Date.

(c) **Provisions Applicable to the Delta Water Charge for Costs Incurred Both Before and On or After the Billing Transition Date.** The provisions of this subdivision (c) shall be applicable to costs Incurred both prior to and on or after the Billing Transition Date.

(1) *Allocation of Costs to Project Purposes.*

(A) Prior to the time that Additional Project Conservation Facilities or Supplemental Conservation Facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project purposes, by the separable cost-remaining benefits method, of all actual and projected costs of all those Initial Project Conservation Facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all actual and projected costs of the following Project Facilities located below the Delta: The aqueduct intake facilities at the Delta, Pumping Plant I (Delta Pumping Plant) <Harvey O. Banks Delta Pumping Plant>, the aqueduct from the Delta to San Luis Forebay (O'Neill Forebay), San Luis Forebay (O'Neill Forebay), and San Luis Reservoir: *provided*, that all of the actual and projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities shall be allocated to the purpose of water conservation in, above, and below the

Delta; *provided further*, that allocations to purposes the cost of which are to be paid by the United States shall be as determined by the United States.

(B) Wherever reference is made, in connection with the computation, determination, or payment of the Delta Water Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities that are reimbursable by the Contractors as determined by the State.

(C) The State, in fixing and establishing prices, rates, and charges for water and power, shall include as a reimbursable cost of any state water project an amount sufficient to repay all costs incurred by the State, directly or by contract with other agencies, for the preservation of fish and wildlife and determined to be allocable to the costs of the project works constructed for the development of that water and power, or either. Costs incurred for the enhancement of fish and wildlife or for the development of public recreation shall not be included in the prices, rates, and charges for water and power, and shall be nonreimbursable costs. Such recreational purposes include, but are not limited to, those recreational pursuits generally associated with the out-of-doors, such as camping, picnicking, fishing, hunting, water contact sports, boating, and sightseeing, and the associated facilities of campgrounds, picnic areas, water and sanitary facilities, parking areas, viewpoints, boat launching ramps, and any others necessary to make project land and water areas available for use by the public. In administering this Contract "development of public recreation" shall include recreation capital and operation and maintenance.

(2) *Additional Conservation Facilities.* Commencing in the year in which the State first awards a major construction contract for construction of a major feature of Additional Project Conservation Facilities, or first commences payments under a contract with a federal agency in the event a major feature of Additional Project Conservation Facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to the foregoing provisos, of all projected costs of such feature of the Additional Project Conservation Facilities; *provided*, that if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs or interest thereon is commenced by the State; *provided, further*, that all costs of Additional Project

Conservation Facilities Incurred prior to the award of a major construction contract, shall be included in the Delta Water Charge computations in the year in which they are Incurred.

(3) *Supplemental Conservation Facilities.* Upon the construction of the Supplemental Conservation Facilities, the Delta Water Charge shall be paid by all contractors for Supplemental Water, as well as by contractors for Project Water, and, together with revenues derived from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities and Supplemental Conservation Facilities, shall return to the State, in addition to those costs of the Project Conservation Facilities allocated to the purpose of water conservation, in, above, and below the Delta pursuant to subdivision (c)(1) of this article, all costs of such Supplemental Conservation Facilities, including capital, operation, maintenance, power, and replacement costs which are allocated to the purpose of water conservation, in, above, and below the Delta pursuant hereto. Commencing in the year in which the State first awards a major construction contract for construction of a major feature of any Supplemental Conservation Facilities, or first commences payments under a contract with a federal agency in the event a major feature of Supplemental Conservation Facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision (c)(1) of this article, and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to provisos corresponding to those contained in such subdivision (c)(1), of all projected costs of such feature of the Supplemental Conservation Facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water Charge shall include the Annual Table A Amounts under all contracts for Supplemental Water. If the repayment period of any bonds sold to construct Supplemental Conservation Facilities or the repayment period under any agreement with a federal agency for repayment of the costs of Supplemental Conservation Facilities constructed by such federal agency extends beyond the repayment period of the contract, the Delta Water Charge shall be determined and redetermined on the basis of such extended repayment period as the State determines to be appropriate; *provided*, that if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs or interest thereon is commenced by the State.

(4) *Local Projects.* The determination of the Delta Water Charge shall be made by including the appropriate costs and quantities of water, calculated in accordance with subdivisions (a) and (b) above, for all Additional Project Conservation Facilities as defined in Article 1(a). In the event a Local Project as

defined in Article 1(a)(2) will, pursuant to written agreement between the State and the sponsoring Contractor, be considered and treated as an Additional Project Conservation Facility for less than the estimated life of the facility, the Delta Water Charge will be determined on the basis of that portion of the appropriate cost and water supply associated with such facility as the period of time during which such facility shall be considered as an Additional Project Conservation Facility bears to the estimated life of such facility. No costs for the construction or implementation of any Local Project are to be included in the Delta Water Charge unless and until the written agreement required by Article 1(a) has been entered into.

(5) *Water Purchased By the State.* In calculating the Delta Water Charge under subdivisions (a) and (b) of this article, the component for operation, maintenance, power and replacement costs shall include, but not be limited to, all costs to the State Incurred in purchasing water, which is competitive with alternative sources as determined by the State, for delivery as Project Water.

(6) *Replacement Cost Treatment.* Replacement costs of Project Conservation Facilities shall be treated as either Capital Costs or as minimum operation, maintenance, power, and replacement costs, as determined by the State considering the Economic Useful Life of the asset being replaced and other relevant factors.

23. TRANSPORTATION CHARGE.

The payments to be made by each Contractor shall include an annual charge designated as the Transportation Charge, which shall be separately stated and calculated for costs Incurred prior to the Billing Transition Date and costs Incurred on or after the Billing Transition Date.

(a) **Transportation Charge for Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) and Articles 24(a) and (c), 25 and 26 shall apply to costs Incurred prior to the Billing Transition Date.

(1) *Recovery of Costs of Project Transportation Facilities.* The Transportation Charge for costs Incurred prior to the Billing Transition Date shall return to the State during the Project Repayment Period such costs of all Project Transportation Facilities necessary to deliver Project Water to the Contractor and which are allocated to the Contractor in accordance with the cost allocation principles and procedures hereinafter set forth.

(2) *Components of Transportation Charge for Costs Incurred Prior to the Billing Transition Date.* The Transportation Charge for costs Incurred Prior to the Billing Transition Date shall consist of a capital component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance and power component, as these components are defined in and determined under Articles 24(a) and (c), 25, and 26, respectively.

(b) **Transportation Charge for Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) and Articles 24(b) and (c), 25 and 26 shall apply to costs Incurred on or after the Billing Transition Date.

(1) *Recovery of Costs of Project Transportation Facilities.* The Transportation Charge for costs Incurred on or after the Billing Transition Date shall return to the State during each such calendar year all costs which are Incurred on or after the Billing Transition Date of all Project Transportation Facilities necessary to deliver Project Water to the Contractor and which are allocated to the Contractor in accordance with the cost allocation principles and procedures hereinafter set forth.

(2) *Components of Transportation Charge.* The Transportation Charge for costs Incurred on or after the Billing Transition Date shall consist of a capital component; a minimum operation, maintenance, and power component; and a variable operation, maintenance, and power component, as these components are defined in and determined under Articles 24(b) and (c), 25, and 26, respectively.

(c) **Segregation of Aqueduct Reaches for All Transportation Charge Purposes.** For the purpose of allocations of costs among Contractors pursuant to subdivisions (a) and (b) of this article, and Articles 24, 25 and 26, the Project Transportation Facilities shall be segregated into such aqueduct reaches as are determined by the State to be necessary for such allocations of costs. Subject to such modifications as are determined by the State to be required by reason of any request furnished by the District to the State pursuant to Article 17(a) of this contract, or by reason of contracts entered into by the State with other Contractors, the aqueduct reaches of the Project Transportation Facilities, a portion of the costs of which may be allocated to the District, are established as provided in Table G; *provided* that those costs of the aqueduct reaches from the Delta through the outlet of San Luis Reservoir which are allocated to the purpose of water conservation in, above, and below the Delta for the purpose of determining the Delta Water Charge, as hereinbefore set forth, shall not be included in the Transportation Charge.

**TABLE G
 PROJECT TRANSPORTATION FACILITIES NECESSARY TO DELIVER WATER TO
 [DISTRICT]**

Aqueduct Reach	Major Features of Reach
Delta to Discharge Pumping Plant I	Intake Canal Fish Protective Facilities Pumping Plant I <Harvey O. Banks>
Discharge Pumping Plant I to San Luis Forebay	Aqueduct
San Luis Forebay to Outlet San Luis Reservoir	San Luis <O'Neill> Forebay and Dam Pumping Plant II <Dos Amigos> San Luis Reservoir and Dam
Outlet San Luis Reservoir to Avenal Gap	Aqueduct
Avenal Gap to Pumping III	Aqueduct
Pumping Plant III to Pumping Plants IV-V	Pumping Plant III <Buena Vista> Aqueduct
Pumping Plant IV-V to Pumping Plant VI	Pumping Plant IV <Wheeler Ridge (IRA J. Chrisman)> Pumping Plant V <Windgap (John R. Teerink)> Aqueduct
Pumping Plant VI to South Portal Tehachapi Tunnels	Pumping Plant VI <A.D. Edmonston> Tehachapi Tunnels

(This table was labeled Table I in original contract provisions)

East Branch Aqueduct

South Portal Tehachapi Tunnels to Cottonwood Power Plant	Aqueduct Cottonwood Power Plants 1 and 2 <now one plant named Alamo Power Plant>
Cottonwood Power Plant to a point near Fairmont Reservoir	Aqueduct
Near Fairmont Reservoir to Little Rock Creek	Aqueduct
Little Rock Creek to West Fork Mojave River	Pumping Plant VIII <Pearblossom Pumping Plant> Aqueduct
West Fork Mojave River to Perris Reservoir	Cedar Springs Reservoir <Lake Silverwood> and Dam Devil Canyon Power Plants 1 and 2 <now one plant> Aqueduct <Santa Ana Pipeline> Perris Reservoir and Dam <Lake Perris>

West Branch Aqueduct

South Portal Tehachapi Tunnels to West Branch Terminal Reservoir	Aqueduct <Canal Oso Pumping Plant, Quail Lake, Peace Valley Pipeline, Warne Power Plant, Pyramid Lake, Angeles Tunnel, Castaic Power Plant, and Elderberry Forebay>
West Branch Terminal Reservoir	Dam, reservoir, and outlet facilities <Castaic Lake>

(d) Provisions Applicable to the Transportation Charge for Costs Incurred Both Before and On or After the Billing Transition Date.

(1) Wherever reference is made, in connection with the computation, determination, or payment of the Transportation Charge, to the allocation or payment of costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the Contractors as determined by the State.

(2) The State, in fixing and establishing prices, rates, and charges for water and power, shall include as a reimbursable cost of any state water project an amount sufficient to repay all costs incurred by the State, directly or by contract with other agencies, for the preservation of fish and wildlife and determined to be allocable to the costs of the project works constructed for the development of that water and power, or either. Costs incurred for the

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enhancement of fish and wildlife or for the development of public recreation shall not be included in the prices, rates, and charges for water and power, and shall be nonreimbursable costs. Such recreational purposes include, but are not limited to, those recreational pursuits generally associated with the out-of-doors, such as camping, picnicking, fishing, hunting, water contact sports, boating, and sightseeing, and the associated facilities of campgrounds, picnic areas, water and sanitary facilities, parking areas, viewpoints, boat launching ramps, and any others necessary to make project land and water areas available for use by the public. In administering this Contract "development of public recreation" shall include recreation capital and operation and maintenance.

24. TRANSPORTATION CHARGE -- CAPITAL COMPONENTS.

(a) **Transportation Charge Capital Component for Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) shall apply only to Capital Costs Incurred prior to the Billing Transition Date.

(1) *Recovery of Capital Costs of Project Transportation Facilities Incurred Prior to the Billing Transition Date.* The amount of the capital component of the Transportation Charge for Capital Costs Incurred prior to the Billing Transition Date shall be determined in two steps as follows:

(A) first, an allocation of such costs to the Contractor in accordance with subdivision (a)(2) of this article, and

(B) second, a computation of annual payments to be made by the Contractor of such allocated costs and interest thereon, computed at the Project Interest Rate in accordance with subdivision (a)(3) of this article.

(2) *Allocation of Capital Costs of Project Transportation Facilities Incurred Prior to the Billing Transition Date.* The total amount of Capital Costs Incurred prior to the Billing Transition Date of each aqueduct reach to be returned to the State shall be allocated among all Contractors entitled to delivery of Project Water from or through such reach by the proportionate use of facilities method of cost allocation and in accordance with Article 23(c) and subdivision (c)(1) of this article.

The projected amounts of Capital Costs to be allocated annually to the District under the capital component of the Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision (a) and subdivision (c)(1) of this article, which principles and procedures shall be controlling as to allocations of Capital Costs to the District. Such amounts will be set forth in Table H by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a), *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28.

**TABLE H
 PROJECTED ALLOCATIONS OF CAPITAL COSTS INCURRED PRIOR TO THE
 BILLING TRANSITION DATE OF
 PROJECT TRANSPORTATION FACILITIES TO
 [DISTRICT]**

Year	Projected Allocation in Thousands of Dollars
1*	
2	
3	
4	

* Year in which State commences construction of Project Transportation Facilities.
 (This table was labeled Table C in original contract provisions)

(3) *Determination of Capital Component of Transportation Charge for Costs Incurred Prior to the Billing Transition Date.* The District's annual payment of its allocated Capital Costs Incurred prior to the Billing Transition Date and interest thereon, computed at the Project Interest Rate and compounded annually, shall be determined in accordance with a repayment schedule established by the State and determined in accordance with the principles set forth in (A), (B), and (C) below, which principles shall be controlling as to the District's payment of its allocated Capital Costs. The District's repayment schedule will be set forth in Table I by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a); *provided* that the amounts set forth in Table I shall be subject to redetermination by the State, pursuant to Article 28.

(A) The District's annual payment shall be the sum of the amounts due from the District on the District's allocated Capital Costs for the then current year and for each previous year where each such amount will pay, in not more than fifty (50) equal annual installments of principal and interest, the District's allocated Capital Costs for the respective year and interest thereon, computed at the Project Interest Rate and compounded annually.

(B) The District may make payments at a more rapid rate if approved by the State.

(C) Such annual Transportation Charge payments shall cease when all allocated Capital Costs and interest thereon, computed at the Project Interest Rate and compounded annually, are repaid.

TABLE I
TRANSPORTATION CHARGE FOR COSTS INCURRED PRIOR TO THE BILLING
TRANSITION DATE-- CAPITAL COST COMPONENT
[DISTRICT]
 (In Thousands of Dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
1*			
2**			
3			
4			

* Year in which State commences construction of Project Transportation Facilities.

** Year of first payment.

(This table was labeled Table D in original contract provisions)

(4) Notwithstanding provisions of subdivisions 24(a)(1) through (a)(3) of this article, the capital component of the Transportation Charge for costs Incurred prior to the Billing Transition Date shall include an annual charge to recover the District's share of the portion of Water System Facility Revenue Bond Financing Costs allocable to Project Transportation Facilities. Charges to the District for these costs shall be calculated in accordance with Article 50(a).

(b) Transportation Charge Capital Component for Costs Incurred On or After the Billing Transition Date. The provisions of this subdivision (b) shall apply only to Capital Costs Incurred on or after the Billing Transition Date.

(1) The amount of the capital component of the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be determined in three steps as follows:

(A) first, an allocation of Capital Costs to the Contractor as provided in subdivision (b)(2) of this article,

(B) second, a determination of the type and source of payment of each Capital Cost as provided in subdivision (b)(3) of this article, and

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(C) third, a computation of the annual payment to be made by the Contractor as provided in subdivision (b)(4) and (b)(5) of this article.

(2) The total amount of Capital Costs of each aqueduct reach to be returned to the State under the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be allocated among all Contractors entitled to delivery of Project Water from or through the reach by the proportionate use of facilities method of cost allocation and in accordance with Article 23(c) and subdivision (c)(1) of this article.

(3) Annual Capital Costs of Project Transportation Facilities shall be divided into five categories of type and source of payment:

(A) Project Transportation Facility Capital Costs paid with the proceeds of Water System Facility Revenue Bonds,

(B) Project Transportation Facility Capital Costs paid with the proceeds of bonds issued under the Burns-Porter Bond Act

(C) Project Transportation Facility Capital Costs paid with amounts in the SWRDS Reinvestment Account

(D) Project Transportation Facility Capital Costs paid annually for assets that will have a short Economic Useful Life or the costs of which are not substantial

(E) Project Transportation Facility Capital Costs prepaid by the District.

The projected amounts of Project Transportation Facility Capital Costs of each type to be allocated annually to the District shall be determined by the State in accordance with the cost allocation principles and procedures set forth in Article 23(c)(1) through (c)(3) and this subdivision (b)(3), which principles and procedures shall be controlling as to allocations of each type of Capital Costs to the District; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such projected amounts will be set forth in Table J by the State.

**TABLE J
 PROJECTED ALLOCATIONS TO [DISTRICT]
 OF PROJECT TRANSPORTATION FACILITY CAPITAL COSTS INCURRED ON OR
 AFTER THE BILLING TRANSITION DATE**

Year	Allocations in Thousands of Dollars				
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act	Costs to be Paid with Amounts in the SWRDS Reinvestment Account	Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial	Costs Prepaid by the District
1*					
2					
3					

* Year commencing with the Billing Transition Date

(4) The capital component of the Transportation Charge for a calendar year for costs Incurred on or after the Billing Transition Date shall consist of the following to the extent the related Capital Costs are allocated to the District:

(A) Water System Facility Revenue Bond: a charge determined in accordance with Article 50(b) to recover Water System Facility Revenue Bond Financing Costs Incurred during such calendar year that relate to the financing of Water System Facilities that are Project Transportation Facilities,

(B) Burns-Porter Act Bonds: a charge to recover the amount to be paid by the State of California during such calendar year in accordance with the Burns-Porter Bond Act for the principal of and interest on bonds issued under the Burns-Porter Bond Act on or after the Billing Transition Date for Project Transportation Facility Capital Costs,

(C) SWRDS Reinvestment Account: a charge determined in accordance with subdivision (b)(5) of Article 61 to amortize Project Transportation Facility Capital Costs Incurred during prior calendar years

(but not prior to the Billing Transition Date) that have been paid with amounts from the SWRDS Reinvestment Account,

(D) Capital Assets with Short Economic Life or Costs of which are Not Substantial: a charge to recover the Capital Costs to be Incurred during such calendar year of Project Transportation Facility assets with a short Economic Useful Life or the costs of which are not substantial as determined by the State and any such Capital Costs Incurred but not charged in the prior two calendar years,

(5) *Projected Charges.* The projected amounts of the charges to be allocated annually to the District under the capital component of the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this Article, which principles and procedures shall be controlling as to allocations of capital component charges to the District; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table K by the State.

**TABLE K
 PROJECTED CHARGES UNDER THE CAPITAL COMPONENT
 OF THE TRANSPORTATION CHARGE FOR COSTS INCURRED ON OR AFTER THE
 BILLING TRANSITION DATE TO
 [DISTRICT]**

Year	Projected Charges in Thousands of Dollars			
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act	Costs to be Paid with Amounts in the SWRDS Reinvestment Account	Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial
1*				
2				
3				

* Year commencing with the Billing Transition Date.

(c) **Provisions Applicable to the Transportation Charge For Costs Incurred Both Prior To and On or After the Billing Transition Date.** The provisions of this subdivision (c) shall be applicable to Capital Costs Incurred both prior to and on or after the Billing Transition Date.

(1) *Proportionate Use Factors.* The measure of the proportionate use by each Contractor of each reach shall be the average of the following two ratios:

(A) the ratio of the Contractor's Maximum Annual Table A Amount to be delivered from or through the reach to the total of the Maximum Annual Table A Amounts of all Contractors to be delivered from or through the reach from the year in which charges are to be paid through the end of the Project Repayment Period, and

(B) the ratio of the capacity provided in the reach for the transport and delivery of Project Water to the Contractor to the total capacity provided in the reach for the transport and delivery of Project Water to all Contractors served from or through the reach from the year in which charges are to be paid through the end of the Project Repayment Period.

Allocations of Capital Costs to the District pursuant hereto shall be on the basis of relevant values which will be set forth in Table L by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach of the Project Transportation Facilities for the transport and delivery of Project Water to the District, pursuant to Article 17(a); *provided* that these values shall be subject to redetermination by the State in accordance with Article 28; *provided further* that the principles and procedures set forth in this subdivision shall be controlling as to allocations of Capital Costs to the District. Proportionate use of facilities factors for prior years shall not be adjusted by the State in response to changes or transfers of Table A Amounts among Contractors unless otherwise agreed by the State and the parties to the transfer and unless there is no impact on past charges or credits of other Contractors.

TABLE L

[TABLE L shall set forth the relevant values that shall serve as the basis for allocation of all Transportation Charge Costs]

(This table was labeled Table B in original contract provisions)

(2) *Determinations Using Proportionate Use Factors.* The total amount in each category of Capital Costs allocated to a Contractor shall be the sum of the products obtained when there is multiplied, for each aqueduct reach necessary to deliver water to the Contractor, the total amount of the Capital Costs of the reach in that category to be returned to the State under the Transportation Charge by the average of the two foregoing ratios for such reach as such average is set forth in the appropriate table included in its contract.

(3) *Excess Capacity.* In the event that excess capacity is provided in any aqueduct reach for the purpose of making Project Water available in the future to an agency or agencies with which the State has not executed contracts at the time of any allocation of costs pursuant to this subdivision, the prospective Maximum Annual Table A Amount or Amounts to be supplied by such excess capacity, as determined by the State, shall be deemed to be contracted for by such agency or agencies for the purpose of such allocation of costs, to the end that the Capital Costs of providing such excess capacity are not charged to any Contractor entitled by virtue of an executed contract to the delivery of Project Water from or through that aqueduct reach at the time of such allocation. Where additional capacity is provided in any aqueduct reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the Project Facilities, then, for the purpose of any allocation of costs pursuant to this subdivision:

(A) the Maximum Annual Table A Amount to be delivered from or through the reach of each Contractor entitled to delivery of Project Water from or through the reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the Contractor's Maximum Annual Table A Amount to be delivered from or through the reach bears to the total of the Maximum Annual Table A Amounts to be delivered from or through the reach under all contracts; and

(B) the capacity provided in the reach for each Contractor entitled to delivery of Project Water from or through the reach shall be increased in the same proportion that the Contractor's Maximum Annual Table A Amount to be delivered from or through the reach is increased pursuant to (A) above.

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(4) *Power Facilities.* The Capital Costs of project aqueduct power recovery plants shall be charged and allocated in accordance with this Article 24. The Capital Costs of off-aqueduct power facilities shall be charged and allocated in accordance with Article 25(d).

(5) *Capital Costs of Excess Capacity.* In the event that any Contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such Contractor in excess of the percentage amounts specified in such Article 12(b) for the uses designated therein, such Contractor shall furnish to the State, in advance of the construction of such aqueduct reach, funds sufficient to cover the costs of providing such excess capacity, which funds shall be in an amount which bears the same proportion to the total Capital Costs of such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. For the purpose of any allocation of costs pursuant to subdivision (c)(1) of this article, the total Capital Costs of such aqueduct reach shall be allocated among all Contractors entitled to delivery of Project Water from or through the reach in the following manner:

(A) The costs which would have been Incurred for such reach had no such excess capacity been provided shall be estimated by the State and allocated among all such Contractors in the manner provided in such subdivision (c)(1); and

(B) the amount of the difference between such estimated costs and the projected actual costs of such reach shall be allocated to the Contractor or Contractors for which such excess capacity is provided.

Where such excess capacity is provided for more than one Contractor, the costs allocated to them under (B) above shall be further allocated between or among them in amounts which bear the same proportion to the total of such allocated costs as the amount of such excess capacity provided for the respective Contractor bears to the total of such excess capacity provided in such reach. In the event that the funds advanced by a Contractor pursuant to this subdivision are more or less than the costs so allocated to such Contractor under (B) above, the account of such Contractor shall be credited or debited accordingly.

(6) *Replacement Cost Treatment.* Replacement costs of Project Transportation Facilities shall be treated as either Capital Costs or as minimum operation, maintenance, power and replacement costs, as determined by the State considering the Economic Useful Life of the asset being replaced and other relevant factors.

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(7) *East Branch Enlargement.* Notwithstanding provisions of Articles 24(a) through 24(c), Capital Costs associated with East Branch Enlargement Facilities as defined in Article 49(a) shall be collected under the capital component of the East Branch Enlargement Transportation Charge Article 49(d). Any Capital Costs of off-aqueduct power facilities associated with deliveries through East Branch Enlargement Facilities shall be charged and allocated in accordance with Article 25(d).

25. TRANSPORTATION CHARGE -- MINIMUM OPERATION, MAINTENANCE, POWER, AND REPLACEMENT COMPONENT.

The provisions of this article shall apply to costs incurred both prior to and on or after the Billing Transition Date.

(a) **Purpose.** The minimum operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the Project Transportation Facilities necessary to deliver water to the Contractor which constitute operation, maintenance, power, and replacement costs Incurred irrespective of the amount of Project Water delivered to the Contractor and which are allocated to the Contractor pursuant to subdivision (b) of this article; *provided* that to the extent permitted by law, the State may establish reserve funds to meet anticipated minimum replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the minimum replacement costs for the year in which such deposits are made

(b) **Allocation.** The total projected minimum operation, maintenance, power, and replacement costs of each aqueduct reach of the Project Transportation Facilities for the respective year shall be allocated among all Contractors entitled to delivery of Project Water from such facilities by the proportionate use of facilities method of cost allocation, in the same manner and upon the same bases as are set forth for the allocation of Capital Costs in subdivisions (c)(1) through (c)(3) of Article 24; *provided* that such minimum operation, maintenance, power, and replacement costs as are Incurred generally for the Project Transportation Facilities first shall be allocated to each aqueduct reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs Incurred directly for the reach bears to the total of all direct costs for all aqueduct reaches.

(c) **Determination; Repayment Table.** The amount to be paid each year by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (b) of this article on the basis of the relevant values to be set forth for the respective aqueduct reaches in Table L, included in Article 24; *provided* that these values shall be subject to redetermination by the State in accordance with Article 28. Such amounts and any appropriate interest thereon for costs incurred prior to the Billing Transition Date shall be set forth by the State in Table M as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a); *provided* that the amounts set forth in Table M shall be subject to redetermination by the State in accordance with Article 28.

TABLE M
TRANSPORTATION CHARGE -- MINIMUM OPERATION MAINTENANCE, POWER, AND
REPLACEMENT COMPONENT
[DISTRICT]

Year	Total Annual Payment by District*
1**	
2	
3	
4	

* Payment shall start with respect to each aqueduct reach in the year following the year in which the State completes construction of the respective reach.

** Year in which the State commences construction of Project Transportation Facilities.

(This table was labeled Table E in original contract provisions)

(d) **Off-Aqueduct Power Facilities.** Notwithstanding the provisions of subdivisions (a) through (c) of this Article or of Article 1(h) the costs of off-aqueduct power facilities shall be determined and allocated as follows:

(1) The off-aqueduct power costs shall include all annual costs the State incurs for any off-aqueduct power facility, which shall include, but not be limited to, power purchases, annual Financing Costs, and associated operation and maintenance costs of such facility, less any credits, interest earnings, or other monies received by the State in connection with such facility or Revenue Bonds issued to finance the Capital Costs of such facility. In the event the State finances all or any part of an off-aqueduct power facility directly from funds other than bonds or borrowed funds, in lieu of such annual principal and interest payments, the repayment of Capital Costs as to that part financed by such other funds shall be determined on the basis of the schedule that would have been required under Article 24.

(2) The annual costs of off-aqueduct power facilities as computed in (1) above shall initially be allocated among Contractors in amounts which bear the same proportions to the total amount of such power costs that the total estimated electrical energy (kilowatt hours) required to pump through Project Transportation Facilities the desired delivery of Annual Table A Amounts for that year, as submitted pursuant to Article 12(a)(1) and as may be modified by the State pursuant to Article 12(a)(2), bears to the total estimated electrical energy

(kilowatt hours) required to pump all such amounts for all Contractors through Project Transportation Facilities for that year, all as determined by the State.

(3) An interim adjustment in the allocation of the power costs calculated in accordance with (2) above, may be made in May of each year based on April revisions in approved schedules of deliveries of project and nonproject water for Contractors for such year. A further adjustment shall be made in the following year based on actual deliveries of project and nonproject water for Contractors; *provided, however*, that in the event no deliveries are made through a pumping plant, the adjustments shall not be made for that year at that plant.

(4) To the extent the monies received or to be received by the State from all Contractors for off-aqueduct power costs in any year are determined by the State to be less than the amount required to pay the off-aqueduct power costs in such year, the State may allocate and charge that amount of off-aqueduct power costs to the District and other Contractors in the same manner as costs under the capital component of the Transportation Charge are allocated and charged. After that amount has been so allocated, charged and collected, the State shall provide a reallocation of the amounts allocated pursuant to this paragraph (4), such reallocation to be based on the allocations made pursuant to (2) and (3) above for that year, or in the event no such allocation was made for that year, on the last previous allocation made pursuant to (2) and (3) above. Any such reallocation of costs incurred prior to the Billing Transition Date shall include appropriate interest thereon at the Project Interest Rate.

(e) The total minimum operation, maintenance, power and replacement component due that year from each Contractor shall be the sum of the allocations made under the proportionate use of facilities method provided in subdivision (b) of this article and the allocations made pursuant to subdivision (d) of this article for each Contractor.

(f) Notwithstanding provisions of Articles 25(a) through 25(c) and 25(e), minimum operation, maintenance, power, and replacement costs associated with deliveries through East Branch Enlargement Facilities as defined in Article 49(a) shall be collected under the minimum operation, maintenance, power, and replacement component of the East Branch Enlargement Transportation Charge as determined under Article 49(e).

26. TRANSPORTATION CHARGE -- VARIABLE OPERATION, MAINTENANCE AND POWER COMPONENT.

The provisions of this article shall apply to costs Incurred both prior to and on or after the Billing Transition Date.

(a) **Purpose.** The variable operation, maintenance, and power component of the Transportation Charge shall return to the State those costs of the Project Transportation Facilities necessary to deliver water to the Contractor which constitute operation, maintenance, power and replacement costs Incurred in an amount which is dependent upon and varies with the amount of Project Water delivered to the Contractor and which are allocated to the Contractor pursuant to (1) and (2) below; *provided* that to the extent permitted by law, the State may establish reserve funds to meet anticipated variable replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the variable replacement costs for the year in which such deposits are made.

(b) **Determination.** The amount of this variable operation, maintenance, and power component shall be determined as follows:

(1) *Determination of Charge Per Acre-Foot.* There shall be computed for each calendar year for each aqueduct reach of the Project Transportation Facilities a charge per acre-foot of water which will return to the State the total projected variable operation, maintenance and power costs of the reach for such calendar year. This computation shall be made by dividing such total by the number of acre-feet of Project Water estimated to be delivered from or through the reach to all Contractors during the year.

(2) *Determination of Charge Per Reach to the Contractor.* The amount of the variable component shall be the product of the sum of the charges per acre-foot of water, determined under (1) above, for each aqueduct reach necessary to deliver water to the Contractor, and the number of acre-feet of Project Water delivered to the Contractor during the year through such reach; *provided* that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, the amount of such variable component to be paid by such Contractor during such period shall be the product of the above sum and the sum of the number of acre-feet of Project Water delivered to the Contractor and the number of acre-feet wasted.

(c) **Credit Relating to Project Aqueduct Power Recovery Plants.** There shall be credited against the amount of the variable operation, maintenance, and power

component to be paid by each Contractor, as determined pursuant to subdivision (a) of this article, a portion of the projected net value of any power recovered during the respective year at project aqueduct power recovery plants located upstream on the particular aqueduct reach from the delivery structures for delivery of Project Water to the Contractor. Such portion shall be in an amount which bears the same proportion to such projected net value that the number of acre-feet of Project Water delivered to the Contractor through such plants during the year bears to the number of acre-feet of Project Water delivered to all Contractors through such plants during the year.

(d) **Determination of Total Variable Component Charge.** The amount to be paid each year by the District under the variable operation, maintenance, and power component of the Transportation Charge shall be determined in accordance with subdivision (a) of this article for the respective aqueduct reaches in Table L included in Article 24. Such amounts and any appropriate interest thereon for costs incurred prior to the Billing Transition Date shall be set forth by the State in Table N as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a); *provided* that the amounts set forth in Table N shall be subject to redetermination by the State in accordance with Article 28.

**TABLE N
 TRANSPORTATION CHARGE -- ESTIMATED VARIABLE OPERATION, MAINTENANCE,
 AND POWER COMPONENT
 [DISTRICT]**

Year	Total Annual Payment by District*
1**	
2	
3	
4	

* Payments start with year of initial water delivery.

** Year in which the State commences construction of the Project Conservation Facilities.

(This table was labeled Table F in original contract provisions)

(e) **No Separate Variable Component for East Branch Enlargement Facilities.** There shall be no separate variable operation, maintenance, and power component for deliveries of water through East Branch Enlargement Facilities defined in Article 49(a).

27. TRANSPORTATION CHARGE -- REPAYMENT SCHEDULE.

The amounts to be paid by the District for each year under the Capital Cost and minimum operation, maintenance, power, and replacement components of the Transportation Charge, and under the variable operation, maintenance, and power component of such charge on the basis of then estimated deliveries, shall be set forth by the State in Table O as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the District, pursuant to Article 17(a), which Table O shall constitute a summation of Tables I, K, M, and N; *provided* that each of the amounts set forth in Table O shall be subject to redetermination by the State in accordance with Article 28; *provided further* that the principles and procedures set forth in Articles 24, 25, and 26 shall be controlling as to such amounts. Such amounts shall be paid by the District in accordance with the provisions of Article 29.

**TABLE O
 REPAYMENT SCHEDULE--TRANSPORTATION CHARGE
 [DISTRICT]**

Year	Capital Cost Component	Minimum Component	Variable Component	Total
1*				
2**				
3				
4				

* Year in which State commences construction of Project Transportation Facilities.

** Year of first payment.

(This table was labeled Table G in original contract provisions)

**28. DELTA WATER CHARGE AND TRANSPORTATION CHARGE --
REDETERMINATION.**

(a) **Redetermination of Transportation Charges for Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) shall apply only to costs Incurred prior to the Billing Transition Date.

(1) *Determinative Factors Subject to Retroactive Change.* The State shall redetermine the values and amounts set forth in Tables H through O (referred to in the original contract provisions as Tables B, through G) of this contract in the year following the year in which the State commences construction of the Project Transportation Facilities and each year thereafter during the Project Repayment Period in order that the Transportation Charge to the District and the components thereof may accurately reflect the increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred prior to the Billing Transition Date to construct the Project Transportation Facilities described in Table G of this contract, Annual Table A Amounts, estimated deliveries, Project Interest Rate, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the District for succeeding years which shall account for the differences, if any, between those factors used by the State in determining the amounts of such components for all preceding years and the factors as then currently known by the State. Such adjustment shall be computed by the State and paid by the District or credited to the District's account in the manner described in (b) and (c) below.

(2) *Adjustment: Transportation Charge -- Capital Component For Costs Incurred Prior to the Billing Transition Date.* Adjustments for prior underpayments or overpayments of the capital component of the Transportation Charge to the District for costs Incurred prior to the Billing Transition Date, together with accrued interest charges or credits thereon computed at the then current Project Interest Rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year the underpayment or overpayment occurred to and including the year following the redetermination, shall be paid in the year following the redetermination; *provided* that the District may elect to exercise the option whereby when the redetermined Transportation Charge for the following year, with adjustments, including adjustments of the operation, maintenance, power, and replacement components provided for in subdivision (a)(3) of this article, is more or less than the last estimate of the charge provided pursuant to Article 27 for the corresponding year, without adjustments, an amount equal to the total of such difference shall be deducted

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from or added to the adjusted capital component for that year and paid or credited in accordance with the following schedule:

Percent that Transportation Charge for costs Incurred prior to the Billing Transition Date differs from last estimate (+ or -)	Period, in years, for amortizing the difference in indicated charge
for 10% or less	no amortization
more than 10%, but not more than 20%	2
more than 20%, but not more than 30%	3
more than 30%, but not more than 40%	4
more than 40%	5

Such payments or credits shall be equal semi-annual amounts of principal and interest on or before the 1st day of January and the 1st day of July, with interest computed at the Project Interest Rate and compounded annually, during varying amortization periods as set forth in the preceding schedule; *provided* that for the purpose of determining the above differences in the Transportation Charge for costs Incurred prior to the Billing Transition Date, the variable operation, maintenance, and power component shall be computed on the basis of the same estimated Project Water deliveries as was assumed in computing pursuant to Article 26(c).

(3) *Adjustment: Transportation Charge -- Minimum and Variable Components for costs Incurred prior to the Billing Transition Date.* One-twelfth of the adjustments for prior underpayments or overpayments of the District's minimum and variable operation, power, and replacement components for each year shall be added or credited to the corresponding components to be paid in the corresponding month of the year following the redetermination, together with accrued interest charges or credits thereon computed at the then current Project Interest Rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year the underpayment or overpayment occurred to and including the year following the redetermination.

(4) *Exercise of Option.* The option provided for in subdivision (a)(2) of this article shall be exercised in writing on or before the January 1 due date of the first payment of the capital component of the Transportation Charge for the year in which the option is to become effective. Such option, once having been exercised, shall be applicable for all of the remaining years of the Project Repayment Period.

(5) *Project Interest Rate Adjustments.* Notwithstanding the provisions of subdivision (a)(2) of this article, adjustments for prior overpayments and underpayments shall be repaid beginning in the year following the redetermination by application of a unit rate per acre-foot which, when paid for the projected portion of the District's Annual Table A Amount will return to the State, during the Project Repayment Period, together with interest thereon computed at the Project Interest Rate and compounded annually, the full amount of the adjustments resulting from financing after January 1, 1987, from all bonds, advances, or loans listed in Article 1(ad) except for Article 1(ad)(3) and except for bonds issued by the State under the Central Valley Project Act after January 1, 1987 for facilities not listed among the Water System Facilities in Article 1(ap). Notwithstanding the immediately preceding exception, such amortization shall also apply to any adjustments in this component charge resulting from a change in the Project Interest Rate due to any refunding after January 1, 1986 on bonds issued under the Central Valley Project Act. However, amortization of adjustments resulting from items listed in subdivisions (1)(ad)(4) through (7) of Article 1 shall be limited to a period which would allow the Department to repay the debt service on a current basis until such time as bonds are issued to reimburse the source of such funding. In no event shall this amortization period be greater than the Project Repayment Period.

(6) *No Adjustment of Water System Facility Revenue Bond Financing Costs.* The use of Water System Facility Revenue Bonds for financing facilities listed in Article 1(ap) shall not result in adjustments for prior underpayments or overpayments of the capital component of the Transportation Charge to the District under the provisions of this article. In place of making such adjustments, charges to the District for Water System Facility Revenue Bond Financing Costs will be governed by Article 50(a).

(b) Redetermination of Delta Water Charges and Transportation Charges for Costs Incurred On or After the Billing Transition Date. The provisions of this subdivision (b) shall apply only to costs Incurred on or after the Billing Transition Date.

(1) *Determinative Factors Subject to Retroactive Change.* The State shall redetermine the values and amounts set forth in Tables B through F and Tables J through O of this contract each calendar year commencing on or after the Billing Transition Date in order that the Delta Water Charge and the Transportation Charge to the District for costs Incurred on or after the Billing Transition Date and the components thereof may accurately reflect the increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred to construct Project Conservation Facilities and Project Transportation Facilities, Annual Table A Amounts, estimated deliveries, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Delta

Water Charge and Transportation Charge to be paid by the District for succeeding years which shall account for the differences, if any, between those factors used by the State in determining the amounts of such components for all preceding years and the factors as then currently known by the State, as applicable. Such adjustment shall be computed by the State and paid by the District or credited to the District's account in the manner described in subdivisions (b)(2) and (b)(3) of this article.

(2) Adjustment: Delta Water Charge and Transportation Charge -- Capital Components for Costs Incurred On or After the Billing Transition Date.
Adjustments for prior underpayments or overpayments of the capital component of the Delta Water Charge and the Transportation Charge to the District for costs Incurred on or after the Billing Transition Date shall be paid in the year following the redetermination.

(3) Adjustment: Delta Water Charge and Transportation Charge -- Minimum and Variable Components for Costs Incurred On or After the Billing Transition Date One-twelfth of the adjustments for prior underpayments or overpayments of the District's minimum operation, maintenance, power, and replacement component and variable operation, maintenance and power component of the Delta Water Charge and Transportation Charge for each year shall be added or credited to the corresponding components to be paid in the corresponding month of the year following the redetermination.

29. TIME AND METHOD OF PAYMENT OF DELTA WATER CHARGE AND TRANSPORTATION CHARGE.

The provisions of this article shall apply to costs Incurred both prior to and on or after the Billing Transition Date. References to the Delta Water Charge shall include the Delta Water Charge for costs Incurred prior to the Billing Transition Date and the Delta Water Charge for costs Incurred on or after the Billing Transition Date, separately, as applicable, and references to the Transportation Charge shall include the Transportation Charge for costs Incurred prior to the Billing Transition Date and the Transportation Charge for costs Incurred on or after the Billing Transition Date, separately, as applicable.

(a) Initial Payments.

(1) *Delta Water Charge.* Payments by the District under the Delta Water Charge shall commence in the Year of Initial Water Delivery to the District.

(2) *Capital Component of the Transportation Charge.* Payments by the District under the capital component of the Transportation Charge shall commence in the year following the year in which the State commences construction of the Project Transportation Facilities.

(3) *Minimum Operation, Maintenance, Power, and Replacement Component.* Payments by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall commence for each aqueduct reach in the year following the year in which construction of that reach is completed.

(4) *Variable Operation, Maintenance, Power, and Replacement Component.* Payments by the District under the variable operation, maintenance, power and replacement component of the Transportation Charge shall commence in the Year of Initial Water Delivery to the District.

(b) Annual Statement of Charges. The State shall, on or before July 1 of each year, commencing with the year preceding the year in which payment of the respective charge is to commence pursuant to this article, furnish the District with a written statement of the following items:

(1) the charges to the District for the next succeeding year under the capital components and minimum operation, maintenance, power, and replacement components of the Delta Water Charges and Transportation Charges; *provided* that charges for Financing Costs shall be stated as separate items in the Statement of Charges;

(2) the unit charges to the District for the next succeeding year under the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge; and

(3) the total charges to the District for the preceding year under the variable operation, maintenance, power and replacement components of such Delta Water Charge and Transportation Charge; *provided* that through December 31, 1969, the Delta Water Charge shall be based upon a unit rate of \$3.50 per acre-foot and shall be paid by the contractors on the basis of their respective Annual Table A Amounts, as provided in Article 22(b).

All such statements shall be accompanied by the latest revised copies of the documents amendatory to Article 22 and of the tables included in Articles 24 through 27, together with such other data and computations used by the State in determining the amounts of the above charges as the State deems appropriate.

(c) **Monthly Statements.** The State shall, on or before the fifteenth day of each month of each year, commencing with the Year of Initial Water Delivery to the District, furnish the District with a statement of the charges to the District for the preceding month under the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge. Such charges shall be determined by the State in accordance with the relevant provisions of Articles 22 and 26 of this contract, upon the basis of metered deliveries of Project Water to the District, except as otherwise provided in those articles.

(d) **Semiannual Payments of Capital Components.** The District shall pay to the State, on or before January 1 of each year, one-half (1/2) of the charge to the District for the year under the capital component of the Delta Water Charge and one-half (1/2) of the charge to the District for the year under the capital component of the Transportation Charge, as such charges are stated pursuant to subdivision (b) of this article; and shall pay the remaining one-half (1/2) of each of such charges on or before July 1 of that year.

(e) **Monthly Payments of Minimum Operation, Maintenance, Power, and Replacement Component.** The District shall pay to the State, on or before the first day of each month of each year, one-twelfth (1/12) of the sum of the charges to the District for the year under the minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, as such charges are stated pursuant to subdivision (b) of this article.

(f) **Monthly Payments of Variable Operation, Maintenance, Power, and Replacement Component.** The District shall pay to the State on or before the fifteenth day of each month of each year, the charges to the District under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and

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Transportation Charge, respectively, for which a statement was received by the District during the preceding month pursuant to subdivision (c) of this article, as such charges are stated in such statement.

(g) **Contest of Charges**. In the event that the District in good faith contests the accuracy of any statement submitted to it pursuant to subdivision (b) or (c) of this article, it shall give the State notice thereof at least ten (10) days prior to the day upon which payment of the stated amounts is due. To the extent that the State finds the District's contentions regarding the statement to be correct, it shall revise the statement accordingly, and the District shall make payment of the revised amounts on or before the due date. To the extent that the State does not find the District's contentions to be correct, or where time is not available for a review of such contentions prior to the due date, the District shall make payment of the stated amounts on or before the due date, but may make the contested part of such payment under protest and seek to recover the amount thereof from the State.

50. WATER SYSTEM FACILITY REVENUE BOND FINANCING COSTS.

(a) **Water System Facility Revenue Bonds to Finance Capital Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) shall apply to the Financing Costs of Revenue Bonds issued to finance Water System Facility Capital Costs Incurred prior to the Billing Transition Date. Charges to all Contractors for such Financing Costs shall return to the State each year an amount equal to the Financing Costs the State incurs in that year for such Water System Facility Revenue Bonds.

(1) *Elements of Charge.* Annual charges to recover such Water System Facility Revenue Bond Financing Costs shall consist of two elements.

(A) The first element shall be an annual charge to the District for repayment of Capital Costs of Water System Facilities as determined under Articles 22(a) and 24(a) of this contract with interest at the Project Interest Rate. For conservation facilities, the charge shall be a part of the capital component of the Delta Water Charge in accordance with the provisions of Article 22(a) applicable to Capital Costs Incurred prior to the Billing Transition Date. For transportation facilities, the charge shall be a part of the capital component of the Transportation Charge in accordance with the provisions of Article 24(a) applicable to Capital Costs Incurred prior to the Billing Transition Date.

(B) The second element shall be the District's share of a Water System Facility Revenue Bond Surcharge to be paid in lieu of a Project Interest Rate adjustment. The total annual amount to be paid by all Contractors under this element shall be the difference between the total annual charges under the first element and the annual Financing Costs of the related Water System Facility Revenue Bonds. The amount to be paid by each Contractor shall be calculated annually as if the Project Interest Rate were increased to the extent necessary to produce revenues from all Contractors sufficient to pay such difference for that year. In making that calculation, adjustments in the District's transportation capital component charges for prior overpayments and underpayments shall be determined as if amortized over the remaining years of the Project Repayment Period.

(2) *Identification of Surcharge on Invoices.* The Water System Facility Revenue Bond Surcharge will be identified by in the District's invoice.

(3) *Timing of Surcharge Payments.* Surcharge payments shall be made in accordance with Article 29(f) of this contract.

(4) *Termination of Surcharge.* The Water System Facility Revenue Bond Surcharge under Article 50(a)(1)(B) shall cease for each series of Water System Facility Revenue Bonds when that series is fully repaid. However, the annual charge determined pursuant to Article 50(a)(1)(A) shall continue to be collected for the time periods otherwise required under Articles 22 and 24.

(5) *Reduction of Charges.* After the Department has repaid the California Water Fund in full and after each series of Water System Facility Revenue Bonds is repaid, the Department will reduce the charges to all Contractors in an equitable manner in a total amount that equals the amount of the charges under Article 50(a)(1)(A) that the Department determines is not needed for future financing of facilities of the System which, in whole or in part, will serve the purposes of the water supply contract with the District.

(b) **Water System Facility Revenue Bonds to Finance Capital Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) shall apply to the Financing Costs of Revenue Bonds issued to finance Water System Facility Capital Costs Incurred on or after the Billing Transition Date. Charges to all Contractors for such Financing Costs shall return to the State each year an amount equal to the Financing Costs the State incurs in that year for such Water System Facility Revenue Bonds. The amount of this charge shall be calculated in two steps as follows:

(1) *Allocation of Water System Facility Capital Costs.* Capital Costs Incurred on or after the Billing Transition Date of Water System Facilities that are conservation facilities shall be allocated among all Contractors in proportion to each Contractor's Maximum Annual Table A Amount. Capital Costs Incurred on or after the Billing Transition Date of Water System Facilities that are transportation facilities shall be allocated among all Contractors in accordance with Article 24(c).

(2) *Determination of Annual Financing Cost Amounts.* The State shall determine and charge the District each year the amount of the Financing Costs the State incurs in that year for the Water System Facility Revenue Bonds issued to finance such Water System Facility Capital Costs allocated to the District.

(c) **Provisions Applicable to All Water System Facility Revenue Bonds.** The provisions of this article shall apply to all Water System Facility Revenue Bonds.

(1) *Credits for Excess Amounts.* The State shall provide credits to the Contractors for excess reserve funds, excess debt service coverage, interest, and other earnings of the State in connection with payment of the Financing Costs of such Water System Facility Revenue Bonds, when and as permitted by the applicable bond resolution or indenture. When such credits are determined

by the State to be available, such credits shall be promptly provided to the Contractors and shall be in proportion to the payments of Water System Facility Revenue Bond Financing Costs from each Contractor. Reserves, bond debt service coverage, interest, and other earnings may be used to retire bonds.

(2) *Allocation of Maturities Permitted.* When calculating charges for Water System Facility Revenue Bond Financing Costs, the State may allocate portions of particular maturities of Water System Facility Revenue Bonds and the Financing Costs associated with such maturities to particular Water System Facilities, in order to establish a reasonable relationship between the Economic Useful Life of such facilities and the term of bonds issued to finance such facilities, and may determine the Financing Costs allocated to the District on the basis of such maturity allocation.

(3) *Supplemental Bills for Unanticipated Financing Costs.* The State may submit a supplemental bill to the District for the year if necessary to meet unanticipated costs for Water System Facility Revenue Bond Financing Costs for which the State can issue a statement of charges under this article and any other article of this contract providing for payments that are pledged to the payment of Revenue Bonds issued to finance Project Facility Capital Costs allocated to the District. The relative amounts of any supplemental billing made to the District and to other Contractors for Revenue Bond purposes shall be governed by the otherwise applicable article. Payment of any supplemental billing shall be due thirty days after the date of the invoice.

(4) *Insurance on Contractor Obligations.* To the extent economically feasible and justifiable, as determined by the State after consultation with Contractors, the State shall maintain insurance or other forms of security protecting bondholders and non-defaulting Contractors against costs resulting from the failure of any Contractor to make the payments required by this article.

(5) *Consultation on Financing Plan.* Before issuing each series of Water System Facility Revenue Bonds, the State shall consult with the Contractors, prepare a plan for the State's future financing of Water System Facilities, and give the District an opportunity to comment on the plan. The plan shall include but not be limited to the size of any Water System Facility Revenue Bond issuances and the form of any necessary resolutions, indentures or supplements.

(6) *Defaults.*

(A) If a Contractor defaults partially or entirely on its payment obligations with respect to Water System Facility Revenue Bond Financing Costs and sufficient insurance or other security protecting the non-defaulting Contractors is not provided under subdivision (c)(4) of this

article, the State shall allocate a portion of the default to each non-defaulting Contractor. The District's share of the default shall be equal to an amount determined by multiplying the total default amount to be charged to all non-defaulting Contractors by the ratio that the District's Maximum Annual Table A Amount bears to the total of the Maximum Annual Table A Amounts of all non-defaulting Contractors. However, such amount shall not exceed in any year 25 percent of the Water System Facility Revenue Bond Financing Costs that are otherwise payable by the District in that year. The amount of default to be charged to non-defaulting Contractors shall be reduced by any receipts from insurance protecting non-defaulting Contractors and bond debt service coverage from a prior year and available for such purpose.

(B) If a Contractor defaults partially or entirely on its payment obligations under this article, the State shall also pursuant to Article 20, upon six months' notice to the defaulting Contractor, suspend water deliveries under Article 20 to the defaulting Contractor so long as the default continues. The suspension of water deliveries shall be proportional to the ratio of the default to the total Water System Facility Revenue Bond Financing Cost payments due from the defaulting Contractor. However, the State may reduce, eliminate, or not commence suspension of deliveries pursuant to this subparagraph if it determines suspension in the amounts otherwise required is likely to impair the defaulting Contractor's ability to avoid further defaults or that there would be insufficient water for human consumption, sanitation, and fire protection. The State may distribute the suspended water to the non-defaulting Contractors on terms it determines to be equitable.

(C) During the period of default, credits otherwise due the defaulting Contractor shall be applied to payments due from the defaulting Contractor.

(D) Except as otherwise provided in subparagraph (c) of this article, the defaulting Contractor shall repay the entire amount of the default to the State with interest compounded annually at the Surplus Money Investment Fund rate before water deliveries that had been suspended shall be fully resumed to that Contractor. If the defaulting Contractor makes a partial repayment of its default, the Department may provide a proportional restoration of suspended deliveries. The amount of the default to be repaid shall include any amounts previously received by the State from insurance proceeds, bond debt service coverage, or other reserves, and payments from other Contractors pursuant to this subparagraph (c)(6). The defaulting Contractor shall not be entitled to any

make-up water deliveries as compensation for any water deliveries suspended during the period when the Contractor was in default.

(E) At such time as the default amount is repaid by the defaulting Contractor, the non-defaulting Contractors shall receive credits in proportion to their contributions towards the amount of the default with interest collected by the State on the defaulted amount.

(F) In the event there is an increase in the amount a non-defaulting Contractor contributes to reserves and/or bond debt service coverage, such increase shall be handled in the same manner as provided in subparagraph (a) of this article.

(G) Action taken pursuant to this subdivision shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

(7) *No Article 51 Reduction.* Amounts of Water System Facility Revenue Bond Financing Costs payable under this contract shall not be affected by any reductions in payments pursuant to Article 51.

(8) *Contract Extension.* In the event the Contract Extension Amendment takes effect, but not all Contractors sign the amendment, the following shall apply: If and to the extent that the charges under Article 50(b)(1) and 50(b)(2) of the water supply contracts of Contractors that have not executed the Contract Extension Amendment (“non-signing Contractors”) are not sufficient to recover the annual Financing Costs that relate to Revenue Bonds issued to finance capital costs that are Incurred after the Billing Transition Date and are allocable to such non-signing Contractors, the amount of the shortfall shall be determined. Such shortfall shall be charged to the Contractors that have executed the Contract Extension Amendment (“signing Contractors”) in proportion to each such signing Contractor’s total Water System Facility Revenue Bond Financing Cost charges under Article 50(b) of this contract.

51 FINANCIAL ADJUSTMENTS

(a) Article Expiration

This Article 51 shall be effective through December 31, 2035 and shall be of no further effect on and after January 1, 2036; provided, however, that the provisions of this Article 51 may, to the extent applicable, continue to be used and applied on and after January 1, 2036 for the purpose of truing up amounts owed by the District to the State or by the State to the District for the calendar years up to and ending with calendar year 2035.

(b) State Water Facilities Capital Account

(1) The State shall establish a State Water Facilities Capital Account to be funded from revenues available under Water Code section 12937(b)(4). Through procedures described in this article and as limited by this article, the State may consider as a revenue need under subdivision (c)(2)(v) of this article and may deposit in the State Water Facilities Capital Account the amounts necessary to pay capital costs of the State Water Facilities for which neither general obligation bond nor revenue bond proceeds are available, including but not limited to planning, reconnaissance and feasibility studies, the San Joaquin Valley Drainage Program and, through the year 2000, the CALFED Bay-Delta Program.

(2) The Director of the Department of Water Resources shall fully consult with the contractors and consider any advice given prior to depositing funds into this account for any purposes. Deposits into this account shall not exceed the amounts specified in subdivision (c)(2)(v) of this article.

(3) The State shall use revenue bonds or other sources of moneys rather than this account to finance the costs of construction of any major capital projects.

(4) Five years following the Contract Extension Amendment Effective Date, the SWRDS Finance Committee shall review the State Water Facilities Capital Account to determine whether to recommend to the Director that this account be closed. If the Director determines to close the account, the State shall transfer any balance in the account to the SWRDS Support Account.

(5) Unless closed sooner, the State Water Facilities Capital Account shall terminate on December 31, 2035 and the State shall transfer any balance in such account to the SWRDS Support Account.

(c) Calculation of Financial Needs

(1) Each year the State shall calculate in accordance with the timing provisions of Articles 29 and 31 the amounts that would have been charged (but for this article) to each contractor as provided in other provisions of this contract.

(2) Each year the State shall also establish its revenue needs for the following year for the following purposes, subject to the following limitations:

(i) The amount required to be collected under the provisions of this contract, other than this article, with respect to all revenue bonds issued by the State for Project Facilities.

(ii) The amount required for payment of the reasonable costs of the annual maintenance and operation of the State Water Resources Development System and the replacement of any parts thereof as described in Water Code section 12937(b)(1). These costs shall not include operation and maintenance costs of any Federal Central Valley Project facilities constructed by the United States and acquired by the State of California after 1994, other than the State's share of the joint use facilities which include San Luis Reservoir, the San Luis Canal and related facilities.

(iii) The amount required for payment of the principal of and interest on the bonds issued pursuant to the Burns-Porter Act as described in Water Code section 12937(b)(2).

(iv) Any amount required for transfer to the California Water Fund in reimbursement as described in Water Code section 12937(b)(3) for funds utilized from said fund for construction of the State Water Resources Development System.

(v) For the years 1998 and thereafter, the amount needed for deposits into the State Water Facilities Capital Account as provided in subdivision (b) of this article, but (A) not more than \$6 million per year for the years 1998, 1999 and 2000, and (B) not more than \$4.5 million per year for the years 2001 and thereafter.

(3) The State shall reduce the annual charges in the aggregate for all contractors by the amounts by which the hypothetical charges calculated pursuant to subdivision (c)(1) above exceed the revenue needs determined pursuant to subdivision (c)(2) above; provided that the reduction in annual charges in the aggregate for all contractors shall not exceed \$48 million in any year beginning with the first calendar year following the Contract Extension Amendment Effective Date. The provisions regarding the reduction in annual charges that were in effect prior to

the Contract Extension Amendment Effective Date shall continue to apply to the entire calendar year in which the Contract Extension Amendment Effective Date occurs. The reductions under this article shall be apportioned among the contractors as provided in subdivisions (d), (e), (f) and (g) of this article. Reductions to contractors shall be used to reduce the payments due from the contractors on each January 1 and July 1; provided, however, that to the extent required pursuant to subdivision (h) of this article, each Agricultural Contractor shall pay to the Agricultural Rate Management Trust Fund an amount equal to the reduction allocated to such Agricultural Contractor. Any default in payment to the trust fund shall be subject to the same remedies as any default in payment to the State under this contract. To determine whether the reduction in annual charges in the aggregate for all contractors equals the \$48 million limit specified in this subdivision (c)(3), it shall be assumed that all contractors have executed the Contract Extension Amendment and will share in the available rate reductions consistent with the proportions as provided in this contract, regardless of whether one or more contractors do not receive a reduction under their respective Water Supply Contracts.

(4) The supplemental billing provisions authorized under this Article 51(c)(4) shall remain in effect through December 31, 2035, unless the Director determines in his or her discretion to eliminate the use of supplemental billing prior to that date or the Director in his or her discretion accepts a recommendation from the SWRDS Finance Committee to eliminate the use of supplemental billing prior to that date.

(i) The State shall inform the SWRDS Finance Committee if the available System cash balances are projected by the State to fall during the succeeding one hundred twenty (120) days to an amount below an amount equal to ninety (90) days operating expenditures. The SWRDS Finance Committee shall make a recommendation in light of such circumstances to the Director.

(ii) The State may submit a supplemental billing to the District for the year in an amount not to exceed the amount of the prior reductions for such year under this Article if necessary to meet unanticipated costs for purposes identified in Water Code Section 12937(b)(1) and (2) for which the State can issue billings under other provisions of this contract, subject to the following procedures and limitations:

(a) The State may only issue supplemental bills pursuant to the provisions of this Article 51(c)(4) when available System cash

balances are projected to be less than the amount equal to 90 days operating expenditures.

(b) The term “available System cash balances,” for purposes of subdivision (a) of this Article 51(c)(4)(ii) shall mean available amounts in the following California Water Resources Development Bond Fund accounts: System Revenue Account (to the extent the funds in the System Revenue Account are not projected to be needed for payment of Burns-Porter General Obligation Bond debt service within the next two years), General Operating Account, SWRDS Reinvestment Account, and SWRDS Support Account (to the extent the funds in the SWRDS Support Account are not projected to be needed for non-reimbursable expenditures within the next two years).

(c) The term “operating expenditures” for purposes of subdivision (a) of this Article 51(c)(4)(ii) shall mean the costs described in California Water Code Section 12937(b) chargeable to the State Water Project as water supply.

(d) Any supplemental billing made to the [District] for these purposes shall be in the same proportion to the total supplemental billings to all contractors for these purposes as the prior reduction in charges to the District in that year bears to the total reduction in charges to all contractors in that year and shall be treated as reducing the amount of the reduction made available for that year to the contractor by the amount of the supplemental bill to the contractor.

(5) The State may also submit a supplemental billing to the [District] for the year if necessary to meet unanticipated costs for revenue bond debt service and coverage for which the State can issue a statement of charges under provisions of this contract other than this article. The relative amounts of any supplemental billing made to the [District] and to other contractors for revenue bond purposes shall be governed by such other applicable provisions of this contract.

(6) Payment of any supplemental billing shall be due thirty days after the date of the invoice. Delinquency and interest on delinquent amounts due shall be governed by Article 32.

(d) Apportionment of Reductions between Agricultural and Urban Contractors:

(1) Commencing with the first calendar year following the Contract Extension Amendment Effective Date, the State shall apportion available reductions for each year in accordance with this Article.

(2) Annual reductions in the aggregate amount of \$48 million are projected to be available in the first calendar year following the Contract Extension Amendment Effective Date and each succeeding year through calendar year 2035 and shall be applied as follows:

(i) If reductions are available in an aggregate amount that equals \$48 million, \$11,856,000 of reductions shall be apportioned among the Agricultural Contractors, and \$36,144,000 of reductions shall be apportioned among the Urban Contractors.

(ii) If reductions are available in an aggregate amount less than \$48 million in any of these years, the reductions shall be divided on a 24.7%-75.3% basis between the Agricultural Contractors and the Urban Contractors respectively.

(3) No contractor shall be entitled to receive in any year any additional reductions, including any additional reductions to make up for deficiencies in past projected reductions and any additional reductions above an aggregate annual amount of \$48 million.

(4) Reductions in annual charges to a contractor pursuant to this Article 51 (d) shall only be made prospectively beginning with the later of the first calendar year following the Contract Extension Amendment Effective Date or the first calendar year following the date the contractor executes the Contract Extension Amendment. Apportionments of reductions shall be calculated on the assumption that all contractors have executed such amendment.

(e) Revenues and Reports

(1) Each year, beginning with the first calendar year commencing after the Contract Extension Amendment Effective Date, the Director shall determine the amount of available Article 51(e) Amounts. The Director shall determine the aggregate amount that would have been charged to all contractors in any year but for this Article 51 and from that amount shall deduct the sum of

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(i) the amount of revenues needed for the purposes specified in subdivisions (c)(2)(i), (ii), (iii), (iv) and (v) plus

(ii) \$48 million.

The remaining amount, if any, shall be referred to herein as "Article 51(e) Amounts".

(2) The State shall allocate available Article 51(e) Amounts as follows: The Director in his or her discretion shall allocate and transfer or deposit up to 80% of available Article 51(e) Amounts, as determined on a projected basis, and up to 100% of available Article 51(e) Amounts, as determined on an actual basis, into the General Operating Account, the SWRDS Support Account and/or the SWRDS Reinvestment Account. Any Article 51(e) Amounts determined on an actual basis to be remaining in the Systems Revenue Account after the Director allocates and transfers such amounts to the General Operating Account, the SWRDS Support Account and/or the SWRDS Reinvestment Account shall remain in the Systems Revenue Account and shall be tracked separately in the State's Financial Information System. The Director shall have full discretion regarding the use of the amounts remaining in the Systems Revenue Account.

(3) The State shall prepare and distribute an Annual Rate Reduction Determination Report setting out the factors used to determine reductions in rates pursuant to Article 51(c). The report shall include a display of the distribution of gross annual revenues before, among other items, recreation and fish and wildlife expenditures, contributions to the State Water Facilities Capital Account and reduction in rates pursuant to Article 51(c). The report shall also include a display of the distribution and/or allocation of net annual revenues after reduction in rates pursuant to Article 51(c), to the General Operating Account, SWRDS Support Account, SWRDS Reinvestment Account, 51(e) Sub-Account of the Systems Revenue Account, Davis-Dolwig Fund, State Water Facilities Capital Account, and Suspended Costs, as applicable.

(4) The System Financial Activity Report, which is required to be prepared quarterly pursuant to Article 61(d), shall include annual and accumulated Article 51(e) Amounts and expenditure activity, including the beginning balance, the annual activity and the ending balance for the year for each fund or account into which Article 51(e) Amounts have been transferred or deposited. The System Financial Activity Report should also have sufficient detail to provide comprehensive accounting of annual Article 51(e) Amounts and the uses of the annual Article 51(e) Amounts to enable the SWRDS Finance Committee to assess the use of these amounts.

(f) **Apportionment of Reductions Among Urban Contractors.**

Reductions in annual charges apportioned to Urban Contractors under subdivision (d) of this article shall be further allocated among Urban Contractors pursuant to this subdivision. The amount of reduction of annual charges for each Urban Contractor shall be based on each Urban Contractor's proportionate share of total allocated capital costs as calculated below, for both project conservation and project transportation facilities, repaid by all Urban Contractors over the project repayment period.

(1) The conservation capital cost component of the reduction allocation shall be apportioned on the basis of maximum annual Table A amount. Each Urban Contractor's proportionate share shall be the same as the percentage of that contractor's maximum annual Table A amount to the total of all Urban Contractors' maximum annual Table A.

(2) The transportation capital cost component of the reduction allocation shall be apportioned on the basis of transportation capital cost component repayment obligations, including interest over the project repayment period. Each Urban Contractor's proportionate share shall be the same as the percentage that the contractor's total transportation capital cost component repayment obligation is of the total of all Urban Contractors' transportation capital cost component repayment obligations.

(i) Recalculations shall be made annually through the year 1999. Beginning in the year 2000 recalculations shall be made every five years unless an Urban Contractor requests a recalculation for an interim year and does so by a request in writing delivered to the Department by January 1 of the year in which the recalculation is to take place.

(ii) The transportation capital cost component repayment obligations, for purposes of this Article 51(f), shall be based in the year of recalculation on the then most recent Department of Water Resources Bulletin 132, Table B-15, "Capital Cost Component of Transportation Charge for Each Contractor," or its equivalent, excluding any costs or Table A amount associated with transfers of Table A amounts from Agricultural Contractors pursuant to Article 53.

(3) To reflect the relative proportion of the conservation capital cost component and the transportation capital cost component to the total of all capital cost repayment obligations, the two cost components shall be weighted as follows:

(i) The conservation capital cost component shall be weighted with a thirty percent (30%) factor. The weighting shall be accomplished by multiplying each Urban Contractor's percentage of maximum annual Table A

Amounts as calculated in subdivision (f)(1) of this article by thirty percent (30%).

(ii) The transportation capital cost component shall be weighted with a seventy percent (70%) factor. The weighting shall be accomplished by multiplying each Urban Contractor's percentage of transportation capital cost component repayment obligations as calculated in subdivision (f)(2) of this article by seventy percent (70%).

(iii) A total, weighted capital cost percentage shall be calculated for each Urban Contractor by adding the weighted conservation capital cost component percentage to their weighted transportation capital cost component percentage.

(4) The total amount of the annual charges to be reduced to Urban Contractors in each year shall be allocated among them by multiplying the total amount of annual charges to be reduced to the Urban Contractors by the total, weighted capital cost percentages for each such contractor. If the amount of the reduction to an Urban Contractor is in excess of that contractor's payment obligation to the Department for that year, such excess shall be reallocated among the other Urban Contractors.

(5) In the case of a permanent transfer of urban Table A amounts, the proportionate share of annual charge reductions associated with that Table A amount shall be transferred with the Table A amount to the buying contractor. In the case of an Table A amount transfer by either Santa Barbara County Flood Control and Water Conservation District or San Luis Obispo County Flood Control and Water Conservation District, the reductions in annual charges to that agency shall be allocated (a) on the basis of that Table A amount being retained by that agency which bears Coastal Branch Phase II transportation costs, (b) on the basis of that Table A amount being retained by that agency which does not bear Coastal Branch Phase II transportation costs, and (c) on the basis of the balance of that agency's Table A amount which also does not bear Coastal Branch Phase II transportation costs.

(g) Apportionment of Reductions Among Agricultural Contractors.

(1) Reductions in annual charges apportioned to Agricultural Contractors under subdivision (d) of this article shall be allocated among the Agricultural Contractors pursuant to this subdivision. The amount of reduction of annual charges for each Agricultural Contractor for the years 1997 through 2001 shall be based on each Agricultural Contractor's estimated proportionate share of the total project costs, excluding the variable operation, maintenance, power and replacement components of the Delta Water Charge and the Transportation

Charge and also excluding off-aqueduct power charges, to be paid by all Agricultural Contractors for the years 1997 through 2035, calculated without taking into account this article. For purposes of these calculations, Kern County Water Agency's and Dudley Ridge Water District's estimated project costs shall not include any costs associated with the 45,000 acre-feet of Annual Table A Amounts being permanently relinquished by those contractors pursuant to subdivision (j) of Article 53. Also, for purposes of these calculations, an Agricultural Contractor's estimated project costs shall not be reduced by the transfer of any of the 130,000 acre-feet of Annual Table A Amounts provided for in subdivisions (a) through (i) of Article 53. The proportionate shares for 1997 through 2001 shall be calculated as follows:

(i) Each Agricultural Contractor's statement of charges received on July 1, 1994, shall be the initial basis for calculating the proportionate shares for the five years 1997 through 2001.

(ii) Each Agricultural Contractor's estimated capital and minimum components of the Delta Water Charge and the Transportation Charge (excluding off-aqueduct power charges) and Water Revenue Bond Surcharge shall be totaled for the years 1997 through 2035.

(iii) Kern County Water Agency and Dudley Ridge Water District totaled costs shall be reduced for the 45,000 acre-feet of annual Table A amount being permanently relinquished by them.

(iv) Any reductions in an Agricultural Contractor's totaled costs resulting from the transfer of any of the 130,000 acre-feet of annual Table A amount shall be re-added to that contractor's costs.

(v) Each Agricultural Contractor's proportionate share shall be computed by dividing that contractor's total costs by the total costs for all Agricultural Contractors determined pursuant to subparagraphs (ii), (iii) and (iv) above.

(2) The reductions in annual charges, for 1997 through 2001, shall be calculated using the method described in subdivision (g)(1) of this article.

(3) The allocation shall be recalculated using the same method described in subdivision (g)(1) of this article every five years beginning in 2002, if any Agricultural Contractor requests such a recalculation. Any recalculation shall be based on project cost data beginning with the year that the recalculation is to become effective through 2035.

(h) Agricultural Rate Management Trust Fund.

(1) **Establishment.** Through a trust agreement executed contemporaneously with this amendment, the State and the Agricultural Contractors that sign the Monterey Amendments shall establish the Agricultural Rate Management Trust Fund with a mutually agreed independent trustee.

(2) **Separate Accounts.** The trustee shall maintain within the trust fund a separate account for each Agricultural Contractor that signs the trust agreement to hold deposits made pursuant to this article.

(3) **Deposits.** Each Agricultural Contractor that signs the trust agreement shall deposit into such contractor's account within the trust fund, at the same time as payments would otherwise be required by this contract to be made to the State, an amount equal to the amount by which such contractor's charges under this contract have been reduced by reason of this article, until the balance in such contractor's account within the trust fund is the same percentage of \$150,000,000 as such contractor's percentage share of reductions made available to all Agricultural Contractors as specified in subdivision (g) of this article. In 2002 and every fifth year thereafter, the Agricultural Contractors will review the maximum accumulation in the trust fund (the "Cap") and determine whether the cap should be adjusted. However, the Cap shall not be reduced below an aggregate of \$150,000,000 for all Agricultural Contractor accounts.

(4) Trust Fund Disbursements.

(i) In any year in which the State's allocation of water to an Agricultural Contractor by April 15th of that year is less than one-hundred percent (100%) of the contractor's requested annual Table A amount for that year, the trustee shall, to the extent there are funds in that contractor's account, distribute to the State from such account for the benefit of that contractor an amount equal to the percentage of the total of that contractor's statement of charges for that year, as redetermined by the State on or about May 15th of that year, for (a) the Delta Water Charge; (b) the capital cost and minimum operation, maintenance, power and replacement components of the Transportation Charge (including off-aqueduct power charges); and (c) the water system revenue bond surcharge, that is equal to the percentage of that contractor's annual Table A amount for that year that was not allocated to it by the State by April 15th of that year.

(ii) In addition to the provisions of subdivision (h)(4)(i) of this article, if on April 15 of any year any of the irrigable land within the Tulare Lake Basin Water Storage District (Tulare) is flooded, and Tulare in writing requests the trustee to do so, the trustee shall, to the extent there are funds

in Tulare's account, distribute to the State from such account for the benefit of Tulare an amount equal to the percentage of the total of Tulare's statement of charges for that year, as redetermined by the State on or about May 15th of that year, for (a) the Delta Water Charge; (b) the capital cost and minimum components of the Transportation Charge (including off-aqueduct power charges); and (c) the water system revenue bond surcharge, that is equal to the percentage of the irrigable land within Tulare that is flooded on April 15.

(iii) Each Agricultural Contractor shall remain obligated to make payments to the State as required by other articles in this contract. Any amount to be disbursed pursuant to subdivisions (h)(4)(i) and (h)(4)(ii) shall be paid by the trustee to the State on July 1 of the year involved and shall be credited by the State toward any amounts owed by such respective Agricultural Contractor to the State as of that date. However, an Agricultural Contractor may direct the trustee to make the disbursement to that Agricultural Contractor which shall in turn make the payment to the State as required by other provisions of this contract. If the amount to be disbursed exceeds the amount owed to the State by such contractor as of July 1, the excess shall be disbursed by the Trustee to the State at the time of and in payment of future obligations owed to the State by such contractor. Alternatively, upon the request of such contractor, all or part of the excess shall be paid by the trustee to that contractor in reimbursement of prior payments by the contractor to the State for that year.

(5) Payment of Supplemental Bills. In any year in which a supplemental bill has been submitted to an Agricultural Contractor pursuant to subdivision (c)(4) of this article, such supplemental bill shall be treated as reducing by an equal amount the obligation of such contractor for that year to make payments into the Agricultural Rate Management Trust Fund. To the extent that such contractor has already made payments to the trust fund in an amount in excess of such contractor's reduced trust fund payment obligation, such contractor may request the trustee to use the excess from the trust fund to pay the supplemental bill.

(6) Discharge of Payment Obligation. Each payment to the State by the trust fund shall discharge and satisfy the Agricultural Contractor's obligation to pay the amount of such payment to the State. No reimbursement of the trust fund by the Agricultural Contractor for such payments shall be required. However, each Agricultural Contractor shall continue to make deposits to the trust fund matching the amount of each year's reductions as provided in subdivision (d) of this article so long as the amount in that contractor's account is less than its share of the Cap.

(7) Distribution of Funds in Excess of the Cap. Whenever accumulated funds (including interest) in an Agricultural Contractor's account in the trust fund

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exceed that contractor's share of the Cap, or the estimated remaining payments the contractor is required to make to the State prior to the end of the project repayment period, that contractor may direct the trustee to pay such excess to the contractor.

(8) Termination of Trust Fund. At the end of the project repayment period, the Agricultural Rate Management Trust Fund shall be terminated and any balances remaining in the accounts for each of the Agricultural Contractors shall be disbursed to the respective Agricultural Contractors.

(i) **Definitions. For the purposes of this article, the following definitions will apply:**

(1) "Agricultural Contractor" shall mean the following agencies as they now exist or in any reorganized form:

- (i) County of Kings,
- (ii) Dudley Ridge Water District,
- (iii) Empire West Side Irrigation District,
- (iv) Kern County Water Agency for 848,130 acre-feet of its Table A amount,
- (v) Oak Flat Water District,
- (vi) Tulare Lake Basin Water Storage District.

(2) "Urban Contractor" shall mean every other agency having a long term water supply contract with the State as they exist as of the date of this amendment or in any reorganized form as well as Kern County Water Agency for 134,600 acre-feet of its Table A amount.

(j) **Except as provided in subdivisions (c)(4) and (c)(5), this article shall not be interpreted to result in any greater State authority to charge the contractors than exists under provisions of this contract other than this article.**

NEW CONTRACT ARTICLE

II. ARTICLE 61 IS ADDED TO THE CONTRACT AS A NEW ARTICLE AS FOLLOWS:

61. FINANCIAL ACCOUNTS AND ACTIVITIES

(a) General Operating Account

(1) The State shall maintain a General Operating Account to provide the moneys needed for the following purposes:

(i) To pay or provide for the payment of System costs which are reimbursable by one or more contractors under their respective Water Supply Contracts in the event System revenues available for such payment are insufficient for such purpose; or

(ii) To pay or provide for the payment of System costs for any System purpose in the event of a System emergency as defined in Article 61(a)(1)(iii).

(iii) A System Emergency, as used in this Article 61(a)(1)(ii) shall mean an immediate, urgent, critical, unexpected, or impending situation that, in the judgment of the Director may cause or pose a risk of causing injury, loss of life, damage to the property, impairment of the financial condition, and/or interference with the normal activities of the System which requires immediate attention and remedial action.

(2) The maximum amount in the General Operating Account shall be set, adjusted and funded as follows:

(i) Upon the Contract Extension Amendment Effective Date, the maximum amount shall be \$150 million.

(ii) On or before the first September 1 occurring five (5) years after the Contract Extension Amendment Effective Date and every five (5) years thereafter, the State shall present a business case analysis of the maximum amount reasonably necessary or appropriate to be maintained in the General Operating Account, including an evaluation of the maximum amount and its relationship to the business risks associated with the System cash flow, to the SWRDS Finance Committee for recommendation to the Director regarding a General Operating Account maximum amount

adjustment, provided that the maximum amount shall not be less than \$150 million.

(iii) To fund the General Operating Account to its maximum amount, the Director may, in his or her discretion, transfer to the General Operating Account (1) amounts determined to be available pursuant to Article 51(e); (2) earnings from the investment of amounts in the General Operating Account; (3) amounts in the SWRDS Reinvestment Account; and (4) amounts in the SWRDS Support Account.

(iv) If the Director determines to decrease the maximum amount pursuant to Article 61(a)(2)(ii), or the maximum amount is otherwise exceeded, the excess amount in the General Operating Account shall be transferred to the SWRDS Reinvestment Account.

(v) The State shall replenish the amounts used from the General Operating Account (1) through charges to the contractors to the extent the contractors are obligated to reimburse the State for the costs paid with such amounts and (2) from the SWRDS Support Account or other available revenues (including the sources described in subparagraph (iii) of this Article 61(a)(2)) for costs not reimbursable by the contractors under their respective Water Supply Contracts.

(vi) General Operating Account investment earnings shall be used to fund the General Operating Account to its maximum amount or, in the Director's discretion, transferred to the SWRDS Support Account and/or the SWRDS Reinvestment Account.

(3) The State shall prepare monthly reports on the balance in and use of the General Operating Account for the Director, and shall provide those reports to the SWRDS Finance Committee. The SWRDS Finance Committee may periodically review reporting frequency and make recommendations to the Director regarding reporting frequency.

(b) SWRDS Reinvestment Account

(1) Commencing with the Contract Extension Amendment Effective Date, the State shall establish and maintain a SWRDS Reinvestment Account to provide a continuing source of investment revenue to provide amounts to be transferred to or deposited in the General Operating Account, the SWRDS Reinvestment Account, and the SWRDS Support Account.

(2) To fund the SWRDS Reinvestment Account, the Director may, in his or her discretion, transfer to the SWRDS Reinvestment Account (i) amounts

determined to be available pursuant to Article 51(e), (ii) earnings from the investment of amounts in the SWRDS Reinvestment Account, (iii) payments by the contractors for capital costs funded from the SWRDS Reinvestment Account, (iv) amounts from the SWRDS Support Account, and (v) amounts from the General Operating Account.

(3) Amounts in the SWRDS Reinvestment Account may be used and/or invested as follows:

(i) To pay capital costs of project facilities to the extent those costs are reimbursable by one or more contractors under their respective Water Supply Contracts. Such capital costs shall be reimbursed to the State in accordance with item 5 of this subparagraph (b) below.

(ii) To pay capital costs of project facilities pending reimbursement of the State with the proceeds of revenue bonds issued by the State; and

(iii) To make temporary investments in accordance with the statutory limitations on such investments.

(4) The State shall prepare regular reports on the SWRDS Reinvestment Account for the Director and shall provide those reports to the SWRDS Finance Committee. The State shall consult with the SWRDS Finance Committee about the investments and activities to be funded from the SWRDS Reinvestment Account.

(5) *Amortization of Costs Financed with Amounts in the SWRDS Reinvestment Account.* Charges to amortize Project Facility Capital Costs paid with amounts from the SWRDS Reinvestment Account shall return to the State, in equal annual amounts over an amortization period determined by the State, the amount of each such cost together with an interest charge on the unamortized balance thereof.

(i) The length of such amortization periods may be from ten (10) to fifty (50) years, *provided* that if the capital asset has an Economic Useful Life of less than ten (10) years, the amortization period may be a comparable period of less than ten (10) years.

(ii) The interest charge shall be at a rate equal to the market interest rate at the time the cost is Incurred on municipal Revenue Bonds with the following characteristics:

(a) the same rating as the rating on Revenue Bonds issued by the State to finance Project Facilities, and

(b) the same term as the length of the amortization period, all as determined by the State.

(iii) For the purposes of this subdivision (b)(5), the State may aggregate the Capital Costs of each project facility Incurred during each calendar year and determine a composite interest rate and a composite amortization period applicable to the amortization of such costs.

(iv) The amortization charges relating to the costs Incurred during each calendar year shall commence the calendar year starting one year after the end of the calendar year in which such costs were Incurred, and the amount to be amortized shall include capitalized interest for the period from the date or dates the costs are Incurred to the date of commencement of amortization.

(c) SWRDS Support Account

(1) Commencing with the Contract Extension Amendment Effective Date, the State shall establish and maintain a SWRDS Support Account to provide a source of funds to pay System costs that are not chargeable to the contractors under their respective Water Supply Contracts and for the payment of which there are no other monies available.

(2) To fund the SWRDS Support Account, the Director may, in his or her discretion, transfer to the SWRDS Support Account (i) amounts determined to be available pursuant to Article 51(e); (ii) amounts in the SWRDS Reinvestment Account, (iii) investment earnings in the General Operating Account; (iv) earnings from the investment of amounts in the SWRDS Support Account; and (v) other available revenues. The State shall not charge the [District] to replenish the SWRDS Support Account for costs not otherwise chargeable to the [District] under this contract.

(3) If the State is reimbursed or other amounts are appropriated and received for a cost paid from the SWRDS Support Account, the State shall deposit the amount reimbursed or received in the SWRDS Support Account.

(4) The State shall prepare regular reports on the SWRDS Support Account for the Director and shall provide those reports to the SWRDS Finance Committee. The State shall consult with the SWRDS Finance Committee about the investments and activities to be funded from the SWRDS Support Account.

(d) System Financial Activity Report and Reporting Principles

(1) The State shall prepare and distribute quarterly a System Financial Activity Report that contains the following information:

(i) By fund or account, the activity in the following funds and accounts: the General Operating Account, the SWRDS Support Account, the SWRDS Reinvestment Account, the 51(e) Sub-Account of the Systems Revenue Account, the Davis-Dolwig Fund, and the State Water Facilities Capital Account, and the activity with respect to suspended costs.

(ii) The data in the System Financial Activity Report shall be auditable, which includes an audit trail from the costing ledger (currently the Utility Cost Accounting Billing System, as of the Contract Extension Amendment Effective Date) to the general ledger (currently SAP, as of the Contract Extension Amendment Effective Date) or the Bulletin 132 estimates to the System Financial Activity Report.

(2) Appendix B, entitled System Reporting Principles, contains principles and guidelines which shall be followed, to the extent applicable, in the preparation of System financial reports and financial management reports.

(e) State Water Resources Development System Finance Committee

(1) The State shall establish a joint State and contractors finance committee, which shall be referred to as the State Water Resources Development System Finance Committee or SWRDS Finance Committee. The membership of the SWRDS Finance Committee shall include both representatives from the State and the contractors.

(2) The primary purpose of the SWRDS Finance Committee shall be to make recommendations to the Director concerning the financial policies of the System. The State and the contractors shall describe the scope of the SWRDS Finance Committee in a charter mutually agreeable to the State and the contractors.

(f) **Cost Recovery**

In general, the State should seek reimbursement for all System costs from the appropriate customers and users of System facilities. With respect to those System costs that are reimbursable by the contractors, the State should allocate financial responsibility for such costs in a manner that is both lawful and equitable, and which endeavors to recover such costs from the appropriate contractors. If the State proposes to not charge any contractor the full amount that the State is entitled to charge the contractor under the contract, the State shall present a written proposal to the SWRDS Finance Committee for purposes of developing a recommendation to the Director regarding the proposal. The State shall submit such proposal in writing to the SWRDS Finance Committee 90 days in advance of the Director issuing any decision and within such 90 day period the SWRDS Finance Committee shall provide the Director with a recommendation regarding such proposal. Such proposals shall comply with the structure set out in the SWRDS Finance Committee charter referenced in Article 61(e)(2).

NEW CONTRACT APPENDIX

III. APPENDIX B IS ADDED TO THE CONTRACT AS A NEW APPENDIX AND SHALL READ AS FOLLOWS:

APPENDIX B SYSTEM REPORTING PRINCIPLES

- A. During the term of the water supply contracts, it is likely that financial reports and financial management reports will change in scope, nature, and frequency. Regardless of the exact reports used, such reports shall follow the below principles and guidelines to the extent applicable.
1. Principle 1: Financial reporting will be generated from the general ledger or data warehouse of the financial information system (system of record), such as SAP. The financial system of record is the authoritative source for financial reporting data values in a system. To ensure data integrity, there must be one, and only one, system of record for financial reporting values.
 2. Principle 2: Financial reporting is not limited to annual financial statements but will be developed for regular reporting periods.
 3. Principle 3: Financial management reporting generated from other financial systems, such as Utility Cost Accounting Billing System (UCABS), will identify and analyze significant variances from prior years or budgets.
 4. Principle 4: Financial reporting and financial management reporting will identify unusual items and exceptions, and these items will be documented, reviewed, and resolved by management.
 5. Principle 5: DWR will use standardized System-wide business rules and utilize a centralized financial system, such as SAP, UCABS, or other system, to provide controls/validations to ensure data integrity and reliable reporting.
 6. Principle 6: DWR will use standardized data integrity rules in the development and publication of reports, including but not limited to the following:
 - (1) Data integrity refers to the accuracy and consistency of data stored in a database, data warehouse, data mart or other construct.
 - (2) Data integrity processes verify that data has remained unaltered in transit from creation to reception or remains unaltered in transit from one system to the next. Data used outside of the Enterprise Resource Planning (ERP) systems to meet the reporting needs of Program will undergo any number

of operations in support of decision-making, such as capture, storage, retrieval, update and transfer. It is important to have confidence that during these operations, the data will be kept free from corruption, modification and remain unaltered.

- (3) Data with “integrity” has a complete or whole structure. Data values are standardized according to a data model and/or data type. All characteristics of the data must be correct – including business rules, relations, dates, definitions and lineage – for data to be complete.
- (4) Data integrity is imposed within an ERP database when it is created and is authenticated through the ongoing use of error checking and validation routines.
- (5) Data integrity state or condition is to be measured by the validity and reliability of the data values.
- (6) Data integrity service and security maintains information exactly as it was input, and is auditable to affirm its reliability.

The SWRDS Finance Committee is charged with providing financial policy recommendations to the Director, and the Director has final discretion on whether or not to accept the recommendations. While the SWRDS Finance Committee is not charged with reviewing the content of financial reports, timely and accurate financial reporting and financial management reporting provides technical committees access to useful information that can be used to formulate proposals on financial policy matters that may be brought to the SWRDS Finance Committee.

IT IS FURTHER MUTUALLY AGREED that the following provisions, which shall not be part of the Water Supply Contract text, shall be a part of this Amendment and be binding on the Parties.

AMENDMENT IMPLEMENTING AND ADMINISTRATIVE PROVISIONS

1. EFFECTIVE DATE OF CONTRACT EXTENSION AMENDMENT

(a) The Contract Extension Amendment shall take provisional effect (“provisional effective date pursuant to subparagraph (a)”) on the last day of the calendar month in which both of the following occur: (i) the State and 15 or more contractors, with an aggregate maximum annual Table A amount exceeding 3,200,000 acre feet, have executed (or committed in a form satisfactory to the State to execute) the Contract Extension Amendment and (ii) no legal action addressing the validity or enforceability of the Contract Extension Amendment or any aspect thereof has been filed within sixty days of such execution or, if filed, a final judgment of a court of competent jurisdiction has been entered sustaining or validating the Contract Extension Amendments. Subject to subparagraph (b), the provisional effective date pursuant to paragraph (a) shall be the Contract Extension Amendment Effective Date if the conditions set out in subparagraph (e) are met.

(b) If any part of the Contract Extension Amendment of any contractor is determined by a court of competent jurisdiction in a final judgment or order to be invalid or unenforceable, the Contract Extension Amendments of all contractors shall be of no force and effect except as provided in subparagraph(c).

(c) The unenforceability and lack of effectiveness of all contractors’ Contract Extension Amendments as provided for in subparagraph (b) may be avoided only if the part of the Contract Extension Amendment determined to be invalid or unenforceable is explicitly waived in writing by the State and 15 or more contractors, with an aggregate maximum annual Table A amount exceeding 3,200,000 acre feet , in which case the Contract Extension Amendment shall take provisional effect (“provisional effective date pursuant to subparagraph (c)”) on the last day of the calendar month in which the requisite waivers are received, but only as to those contractors submitting such a waiver in writing, subject to subparagraph (e). The provisional effective date pursuant subparagraph (c) shall become the Contract Extension Amendment Effective Date if the conditions set out in subparagraph (e) are met.

(d) If any contractor has not executed a Contract Extension Amendment or has not submitted a waiver pursuant to subparagraph (c), whichever is applicable, within sixty (60) days of the provisional effective date pursuant to subparagraph (a) or the provisional effective date pursuant to subparagraph (c), as applicable, the amendment shall not take effect as to such contractor, unless the contractor and the

STATE WATER PROJECT WATER SUPPLY CONTRACT EXTENSION AMENDMENT
Using Metropolitan Water District of Southern California Water Supply Contract
California Department of Water Resources 2/13/18

State, in its discretion, thereafter execute such contractor's contract extension amendment or the contractor thereafter submits, and the State in its discretion accepts, the waiver, whichever applies, in which case the Contract Extension Amendment Effective Date for purposes of that contractor's contract and any associated terms shall be as agreed upon by the State and contractor.

(e) (1) If at the end of the applicable 60-day period specified in subparagraph (d), 24 or more contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet have executed the amendment (or committed to execute the amendment in a form satisfactory to the State) or submitted a waiver pursuant to subparagraph (c), as applicable, the provisional effective date pursuant subparagraph (a) or the provisional effective date pursuant to subparagraph (c), as applicable, shall become the Contract Extension Amendment Effective Date.

(2) If at the end of the applicable 60 day period specified in subparagraph (d), 24 or more contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet have not executed (or committed to execute) the amendment or submitted a waiver pursuant to subparagraph (c), as applicable, then the State, after consultation with the contractors that have executed (or committed to execute) the amendment or submitted a waiver, as applicable, shall within 30 days following such 60 day period determine in its discretion whether to make the provisional effective date pursuant to subparagraph (a) or the provisional effective date pursuant to subparagraph (c), as applicable, the Contract Extension Amendment Effective Date. The State shall promptly notify all contractors of the State's determination. If the State determines, pursuant to this subparagraph 1(e)(2) to allow the contract amendment to take effect, it shall take effect only as to those contractors consenting to the amendment taking effect pursuant to this subparagraph 1(e)(2)

(f) (1) During the pendency of a legal action addressing the validity or enforceability of the Contract Extension Amendment, the State and a minimum of 24 contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet which have executed (or committed to execute) the Contract Extension Amendment may agree in writing to waive any limitation barring the Contract Extension Amendment from taking effect until a final judgment of a court of competent jurisdiction has been entered (including to waive the "no force and effect " provision in subsection (b)) and instead allow the Contract Extension Amendment to take effect as to such contractors, subject to such conditions, if any, agreed upon, by the State and such contractors. In such case, the State shall promptly notify all Contractors of the effective date of the Contract Extension Amendment.

(2) If, during the pendency of a legal action addressing the validity or enforceability of the Contract Extension Amendment, less than 24 contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet have agreed in writing to waive any limitation barring the Contract Extension Amendment

from taking effect until a final judgment of a court of competent jurisdiction has been entered as provided in subsection (1)(f)(1) above, then a contractor which has so agreed in writing may request the State to consider allowing the contract extension amendment to take effect with the agreement of less than 24 contractors. Upon receiving such a request, the State, after consultation with the contractors that have agreed in writing to waive any limitation as provided in subsection (1)(f)(1) above, may determine in its discretion whether to allow the Contract Extension Amendment to take effect with less than 24 contractors agreeing in writing to waive the limitation. The State shall promptly notify all contractors if the State's determines to allow the Contract Extension Amendment to take effect, and include in such notice the effective date of the Contract Extension Amendment and any conditions that would apply. If the State determines, pursuant to this subparagraph 1(f)(2) to allow the contract amendment to take effect, it shall take effect only as to those contractors consenting to the amendment taking effect pursuant to subparagraph 1(f)(1).

2. POST BILLING TRANSITION DATE ESTIMATES

If the State determines it to be necessary, the State may rely on estimates and later true-up for billing and reporting purposes in the initial years after the Billing Transition Date.

3. WAIVER AND RELEASE:

Subject to the Contract Extension Amendment taking effect, the [District] does hereby forever waive, release and discharge the State, and its current and former officers, agents and employees, from any and all past and present protests, claims, damages, actions and causes of action of every kind and description, now existing or hereafter arising, known or unknown, that were or could be or could have been asserted relating to the State's adjustment made prior to the execution date of this Contract Extension Amendment in connection with the proportional responsibility, for System facilities south of and including the Dos Amigos Pumping Plant, between (i) water supply and (ii) recreation and fish and wildlife enhancement.

4. OTHER CONTRACT PROVISIONS:

Except as amended by this amendment, all provisions of the contract shall be and remain the same and in full force and effect, provided, however, that any reference to the definition of a term in Article 1, shall be deemed to be a reference to the definition of that term, notwithstanding that the definition has been re-lettered within Article 1. In preparing a consolidated contract, the parties agree to update all such references to reflect the definitions' lettering within Article 1.



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

April 18, 2018

TO: CCWA Board of Directors

FROM: Ray A. Stokes
Executive Director

SUBJECT: State Water Project Contract California WaterFix Amendment Update

DISCUSSION

DWR and the State Water Project (SWP) Contractors continue weekly negotiations on amendments to the SWP Contract for California WaterFix cost allocations and other amendments to improve water management provisions in the contract.

Attached is the agenda for the April 17, 2018 negotiation meeting and the notes from the April 11th meeting.

I will provide an update of the current status of the negotiations at the CCWA Board meeting.

RAS

Attachments



SWP CONTRACT AMENDMENT FOR CALIFORNIA WATERFIX

Meeting #6 Agenda
April 17, 2018
10:00 am – TBD based on progress
Holiday Inn
300 J Street
Sacramento, CA

CALIFORNIA ROOM

Phone Line: 719-359-4032
Access Code: 474346#

WEBINAR: [HTTP://KEARNSWEST.ADOBECONNECT.COM/CWF/](http://kearnswest.adobeconnect.com/cwf/)

Documents can be found at:

[HTTPS://D3.WATER.CA.GOV/OWNCLOUD/INDEX.PHP/S/MY8GIXSP5JOUO1Y](https://d3.water.ca.gov/owncloud/index.php/s/my8gixsp5jouo1y)

AGENDA

MEETING OBJECTIVES

- Discuss North of Delta Cost Allocation
- Discuss Exchanges
- Discuss Transfers
- Discuss Carry Over/Stored Water
- Discuss Collaborative Review Process
- Determine Next Steps

- I. Welcome/Introductions

- II. Meeting Overview
 - Meeting Process Ground Rules
 - Structure and Format
 - Agenda Review
 - Approve April 11 Meeting Summary

Note:

- i. Any party can call a caucus at any time.
- ii. Meetings will end at 3:00pm, or when business is completed, or by mutual agreement.
- iii. Public comment period will occur at the end of every negotiation meeting.

- III. North of Delta Cost Allocation
 - Discuss options for exempting the five North of Delta PWA Contractors and related topics

- IV. Continue Discussion of Exchanges
 - PWA Contractors Counter Offer on Exchanges
 - DWR clarification on Sections 3.5 (Article 18(a)) and 3.6 (Table A water only) from their Offer on Exchanges

- V. Continue Discussion of Transfers
 - DWR to clarify Section 1.1 from their March 28th Offer on Transfers (negative impacts to local areas)

- VI. Continue Discussion of Carry Over/Stored Water
 - DWR rationale
 - PWA Contractors' perspectives

LUNCH (not provided)

- VII. Discussion of Collaborative Review Process
 - DWR concepts

- VIII. Agreement in Principle (AIP) Drafting
 - Discuss if there are concepts ready for AIP development

- IX. Next Steps
 - Future agenda topics, proposed schedule
 - Review actions, agenda topics for next meeting

- X. Public Comment

- XI. Adjourn

Note:

- i. Any party can call a caucus at any time.
- ii. Meetings will end at 3:00pm, or when business is completed, or by mutual agreement.
- iii. Public comment period will occur at the end of every negotiation meeting.



SWP CONTRACT AMENDMENT FOR CALIFORNIA WATERFIX

- a. Ground Rules for DWR and SWP Contractor Participants
 - i. Help the group accomplish the meeting objectives
 1. Focus on interests rather than positions; be flexible about solutions and take into account the interests of the group as a whole.
 2. Abide by the “no surprises” rule: Raise interests/concerns early to promote effective problem solving.
 3. Understand and support the consensus decision-making process:
 - a. Support what you can – from strong support to “I can live with it.”
 - b. If you disagree with a proposal or a consensus decision, explain what would be necessary to get your support and/or offer an alternative.
 4. Respect agreements about designated representatives.
 5. Ensure that the negotiation sessions are solely focused on the Cost Allocation Negotiations for WaterFix; other funding sources for the WaterFix by other entities will not be addressed; the environmental review and final decision on the WaterFix will not be addressed through this process.
 - ii. Follow common discussion guidelines
 1. Use name card tents to indicate you’d like to speak:
 - a. Stand card on end to get into the queue
 - b. Wave card to speak out of queue to make a directly related point
 2. Respect the agenda: stay on topic and on time by being concise and not repeating information unless necessary for understanding.
 3. Actively listen; make learning and understanding a priority.
 4. Let speakers finish their thoughts.
 5. Avoid side discussions and hold phone conversations until breaks.
 - iii. Be comfortable and make it comfortable for others
 1. Notify the facilitator if breaks are needed, or if there are other special meeting management requests.
 2. Use respectful language.
 3. Be hard on problems, easy on people.
 4. Insert humor, but not at someone else’s expense.
- b. Ground Rules for Observers and Commenters
 - i. You are welcome to observe and comment. Here’s how:
 1. Observers are free to attend and listen during negotiation sessions and to comment during the designated comment period.
 2. Sign up on the Public Comment Sign-in Sheet to speak during the designated comment period at the end of each negotiation session.
 3. Comments: The comment period will be 30 minutes. Times for each speaker will be no more than 3 minutes each, or less depending on the number of people wanting to provide public comment (number of people wanting to comment will be divided by the 30 minutes available). Members of the public calling in and attending in person will be able to provide written comments,

Note:

- i. Any party can call a caucus at any time.
- ii. Meetings will end at 3:00pm, or when business is completed, or by mutual agreement.
- iii. Public comment period will occur at the end of every negotiation meeting.

- but those calling in cannot provide oral comments. Oral comments are not recorded in any meeting record.
4. The comment period is designed for input and not for exchanges with the negotiators. As a general rule, the negotiators will listen to comments without responding.
 5. Be concise, avoid repeating comments made by other commenters, and focus on the topics covered in that day's negotiation session.
 6. The public is welcome to submit written comments to DWR within seven days of a negotiation session so they can be considered prior to subsequent sessions. Written comments from the public will be posted on the Cost Allocation Negotiations for WaterFix web page (<https://d3.water.ca.gov/owncloud/index.php/s/my8GIXsP5JouoIY>).
 7. DWR will not provide written responses to public comments during the negotiations. Public input during the environmental review process will be addressed, as required.
- ii. Audio, video recording is discouraged. Any recording (audio, video, or court reporting) should be disclosed at the beginning of the meeting.

Note:

- i. Any party can call a caucus at any time.
- ii. Meetings will end at 3:00pm, or when business is completed, or by mutual agreement.
- iii. Public comment period will occur at the end of every negotiation meeting.



SWP CONTRACT AMENDMENT FOR CALIFORNIA WATERFIX

Meeting Summary and Action Items

SWP Contract Amendment for California WaterFix

April 11, 2018 10:07 AM – 1:37 PM

Draft Meeting Attendance List

California Department of Water Resources Lead Negotiators

- Vinay Behl, California Department of Water Resources
- Spencer Kenner, California Department of Water Resources
- John Leahigh, California Department of Water Resources
- Joel Ledesma, California Department of Water Resources
- Dave Paulson, California Department of Water Resources
- Carl Torgersen, California Department of Water Resources
- Pedro Villalobos (by phone), California Department of Water Resources

California Department of Water Resources Staff

- Ted Alvarez, California Department of Water Resources
- Steve Cohen, California Department of Water Resources
- Stan Dirks (by phone), Orrick, on behalf of the California Department of Water Resources
- Terri Ely, California Department of Water Resources
- Avery Estrada, California Department of Water Resources
- Andrea Glasgow (by phone), California Department of Water Resources
- Darryl Hayes, California Department of Water Resources

- Brian "BG" Heiland, California Department of Water Resources
- Jagruti Maroney, California Department of Water Resources
- Vera Sandronsky, California Department of Water Resources
- Lisa Toms, California Department of Water Resources
- Bryan Victor, Orrick, on behalf of the California Department of Water Resources
- Molly White (by phone), California Department of Water Resources

Public Water Agencies (PWAs) Lead Negotiators

- Steve Arakawa, Metropolitan Water District of Southern California
- Jarnail Chahal, Alameda County Flood Control and Water Conservation District Zone 7
- Dwayne Chisam, Antelope Valley-East Kern Water Agency
- Kathy Cortner, Mojave Water Agency
- Curtis Creel, Kern County Water Agency
- Jeff Davis, San Geronio Pass Water Agency
- Mark Gilkey, County of Kings/Empire-West Side Irrigation District/Tulare Lake Basin Water Storage District
- Paul Gosselin, County of Butte
- Steven Inn, Alameda County Water District
- Dale Melville, Dudley Ridge Water District
- Phillip Miller, Napa County Flood Control and Water Conservation District
- Jon Pernula (by phone), Palmdale Water District

- Bob Perrault, Plumas County Flood Control & Water Conservation District
- Valerie Pryor, Santa Clarita Valley Water Agency
- Ivory Reyburn, Coachella Valley Water District
- Roland Sanford, Solano County Water Agency
- Ray Stokes, Central Coast Water Authority
- Steve Wickstrum (by phone), Ventura County Watershed Protection District
- Greg Young, City of Yuba City

Public Water Agencies Staff

- Eric Chapman, State Water Contractors
- Jaime Dalida (by phone), Metropolitan Water District of Southern California
- Mike Ellis (by phone), United Water Conservation District
- Dan Flory, Dudley Ridge Water District/Antelope Valley-East Kern Water Agency
- Dana Jacobson, Santa Clara Valley Water District
- Theresa Lightle, State Water Contractors
- Dirk Marks, Santa Clarita Valley Water Agency
- Holly Melton, Kern County Water Agency
- Amelia Minaberrigarai, Kern County Water Agency
- Thomas Pate, Solano County Water Agency
- Jennifer Pierre, State Water Contractors

- David Reukema (by phone), Metropolitan Water District of Southern California
- Jack Safely, Metropolitan Water District of Southern California
- John Schlotterbeck (by phone), Metropolitan Water District of Southern California
- Erick Soderlund, Santa Clara Valley Water District
- Linda Standlee, State Water Contractors
- Peter Thompson (by phone), Palmdale Water District
- Wes Thompson (by phone), San Luis Obispo Flood Control and Water Conservation District
- Craig Wallace, Kern County Water Agency

Members of the Public

- Stephen Pang, Delta Stewardship Council
- Tom Schlosser (by phone), Hoopa Valley Tribe
- Harry Starkey, West Kern Water District
- Tim Stroshane, Restore the Delta
- Michael Thomas (by phone), San Diego County Water Authority

Facilitation Team

- Zach Barr, Kearns & West
- Mary Beth Day, Kearns & West
- Anna West, Kearns & West

I. Welcome and Introductions

There were roundtable introductions of the negotiation teams and staff. Members of the public were given the opportunity to introduce themselves.

II. Meeting Overview

Anna West, of Kearns & West, thanked everyone for attending the public negotiation meeting on the contract amendment for California WaterFix (CWF). She reviewed the ground rules and outlined the negotiation session agenda. Anna noted that meeting materials were available online at the website listed on the agenda. She outlined the process for public comment at the end of the meeting and

reminded everyone that any party (i.e. the Department of Water Resources (DWR) or the Public Water Agency (PWA) Contractors) can call a caucus at any time. Anna asked if there were additional edits to the March 28th meeting summary. Kathy Cortner, Mojave Water Agency, was not able to view the minutes, but did not object if other PWA's approved the summary. Hearing no objections, the meeting summary was approved and will be posted to the DWR document website after the meeting.

Anna turned the meeting over to and Ray Stokes, Central Coast Water Authority, and Dave Paulson, DWR, to provide the North of Delta Technical Team update.

III. Technical Team Report

Ray provided an update on the technical aspects of exempting North of Delta contractors following the April 10 Technical Team meeting. He shared that the Technical Team intends to present its analysis to the PWAs and DWR individual caucuses soon and would provide a more detailed update during the next negotiation session.

Dave echoed what Ray shared and said DWR will formalize its position before presenting at the next negotiation session. He also thanked the Technical Team members for a helpful process.

Anna reaffirmed that groups need to caucus and that this will be a discussion topic at the next negotiation session.

IV. Continue Discussion of DWR's Offer on Transfers

Jeff Davis, lead negotiator for the PWA Contractors, reviewed the PWA's Water Transfer Transparency Process Graphic. He noted that although this process was developed in response to DWR's request for a proposal on transparency in transfers, the PWA's see this process working for both transfers and exchanges. He clarified that the timeline represents a proposed sequence of events, but the specific number of days for each phase varies based on the specifics of the transfer or exchange. He explained that the timing would depend on the CEQA process.

Jeff explained that the first milestone in the "Initiation Phase" is the adoption of a term sheet between the two PWAs which triggers the beginning of the CEQA process and the development of a contract information form (CIF) with basic terms of the transaction, including the parties involved, where water would be delivered, which agency would initiate the CEQA process, and whether the transaction has happened before. DWR and all 29 PWAs would be noticed of the transfer or exchange by receiving the CIF. Upon receipt of the CIF, DWR would put together an agreement for the two parties plus The Department. This agreement would be in addition to the agreement between the two PWAs drafted by their attorneys.

Jeff continued by describing the internal process that brings the transaction before the State Water Contractors (SWC) Board to determine whether to submit a letter of support to DWR on behalf of all the PWAs. If the transaction is a standard transaction, the SWC Board has authorized the GM to write a

letter of support without further Board approval. If the proposed transaction is non-standard, the transfer and/or exchange will go to a committee made up of representatives from PWAs and DWR for discussion. The committee has no authority. DWR and all PWAs are invited to ask questions and share concerns regarding the transaction and the two parties may explain the transaction, including its benefits. Jeff clarified that approval of the transaction rests solely with DWR. The SWC Board letter of support just signals that the transaction was reviewed, PWAs have addressed any concerns, and that the SWC Board is recommending that DWR approve the transfer and/or exchange. The process ends with CEQA completion and signing of the SWPAO Agreement.

Jeff stated that this Process Graphic should address DWR's concerns regarding transparency in two ways. First, the Department has the opportunity to get input early on and therefore not be surprised by an upcoming transaction. Second, all PWAs are provided with the opportunity to give input and express concerns.

Jeff explained that the PWAs also believe language that already exists in standard SWPAO Conveyance Agreements work to address DWR's Basic Criteria from Section 1 of its March 28th Offer on Transfers. Jeff introduced Holly Melton, Kern County Water Agency, to walk through this language.

Holly referenced an existing SWPAO Conveyance Agreement between Santa Barbara County Flood Control and Water Conservation District and Kern County Water Agency that addresses DWR's concerns regarding transparency. Holly highlighted some of this language in the SWPAO Agreement. Holly also noted that the PWAs would like to suggest adding a recital to this agreement that reads, "This transfer and/or exchange has been reviewed by the PWAs" instead of "...SWC Water Transfers Committee."

Holly continued by drawing attention to the sections of the SWPAO Agreement that address DWR's Basic Criteria from their Offer on Transfers. She noted that language from Articles 5(b), 6(b), 5(e), 6(e), 11, and 13(d) of the existing agreement address DWR's requirement that transfers must not harm non-participating PWAs (Basic Criteria 1.2).

Holly continued highlighting that Recital E, Article 14, and Article 22 contain language that addresses DWR's concerns regarding Basic Criteria 1.3; transfers must not create significant negative impact to local areas. With regard to DWR's Basic Criteria 1.4, transfers can be scheduled only if they do not impact State Water Project (SWP) operations; she noted that many of the same Articles that address Basic Criteria 1.2 also address 1.4, namely Articles 5(b), 6(b), 5(e), 6(e), and 11. She stated that Articles 13(d) and 15(b) address DWR's Basic Criteria 1.5; transfers cannot impact financial integrity of the SWP. Holly concluded that DWR's concerns regarding 1.2-1.5 are already addressed by existing language and added that future agreements will contain a recital that the terms have been reviewed by PWAs to address DWR's issues on 1.1.

Jeff followed by saying that he hoped that the PWAs had identified and documented a process for transparency that is supported by existing processes and agreements and addresses DWR's concerns.

Carl Torgersen, DWR, recommended adding a milestone in the initiation phase in the PWA's Water Transfer Transparency Process Graphic that affirms there are no negative impacts to local entities. He further suggested using language from DWR's Clarification on Transfers document.

Jeff asked DWR what would specifically qualify as sufficient communication to demonstrate that local entities were consulted and that there would be no negative impacts. He reminded DWR that the PWAs making the agreement have elected boards that provide multiple points of public input. He also expressed concern that DWR's request placed an arbitrary burden for the elected boards to contact other elected officials who represent the same constituents.

Joel Ledesma, lead negotiator for DWR, said that DWR's intent is not to direct how PWAs consult or communicate with the local agencies, but to provide confirmation that two-way communications have taken place. He added that the confirmation helps with transparency and documentation eases proceedings if there was a complaint. He noted that DWR is specifically interested in these conversations happening at a county level.

Jeff asked whom DWR would want PWAs to contact in local and county governments. He cited Riverside County as an example, noting it is one of counties in the state which did not want to be in a Groundwater Sustainability Agency (GSA) at all, and that it was a large county with many small agencies within the county. Jeff wondered what level of communication would be considered appropriate (e.g., staff to staff or elected to elected). He also noted it would be a huge burden on the PWAs to certify that they had contacted the appropriate parties at the county level.

Paul Gosselin, County of Butte, echoed Jeff's concerns and added that the requirement ignores a PWA's service area. He also questioned the relevancy of input from local agencies outside of a PWA's service area.

Anna asked for an example. Paul said Riverside is a good example. Anna asked if there was a way to determine and/or notify who is relevant. Paul responded that the DWR has interested party lists and a normal process used to notify the public.

Ray expressed deep concern that the requirement takes water management decisions outside of the direct control of the PWAs. He said that politics would get in the way, giving the example of a county board of supervisors which may take up certain positions that would be contrary to good water management. Ray cautioned against getting entities with no impact on or interest in the SWP involved in the decision-making process. He also expressed displeasure with the proposal on transfers if it would involve individual counties weighing in on individual transfers.

Curtis Creel, Kern County Water Agency (KCWA), cited KCWA as an example of a PWA that doesn't cover the entire portion of a county. KCWA is not allowed to deliver water to Antelope Valley-East Kern as this is handled by another PWA. He added that KCWA works with local water districts to identify their needs and water supply, but believes going beyond that in Kern County would become complicated very quickly.

Carl stated that DWR would discuss what exactly they are looking for in more detail during the next caucus. He said that since they are entering a new world with multi-year contracts the Department is concerned with making decisions based on the existing circumstances that don't consider the new changes.

Dwayne Chisam, Antelope Valley-East Kern Water Agency, agreed with Curtis adding that as a wholesaler his agency is in constant contact with water providers in their service area and they understand their needs. He also stated that his agency faces numerous issues because it sits within LA, Ventura, and Kern Counties with an adjudicated groundwater basin.

Dale Melville, Dudley Ridge Water District, pointed out that counties get notified as part of the CEQA process. He also expressed concerns about an additional notice requirement because transfers need to move quickly and it may take months to get on a county's board of supervisor agenda.

Carl clarified that DWR does not intend for PWAs to ask for permission from a county, but for the transaction to be vetted with local entities to be certain there are no unintended consequences. He added that though CEQA review involves the counties it is only for environmental review and DWR is concerned about onerous economic impact on local entities which is not part of the CEQA process.

Jeff remarked that even if CEQA is environmentally focused, it is still a public process that informs the public and counties and makes them aware of the proposed transaction. He added that each PWA's interaction with GSAs is different and questioned further what exactly DWR is looking for with their request, noting that PWAs are trying to minimize what they actively must do. He said he perceives the request as DWR asking the PWAs to expend more resources on actively reaching out.

Carl said that DWR is ultimately looking for PWAs to certify that they complied with CEQA and that there would be no significant unintended consequences. He clarified that DWR is not asking PWAs to spend exorbitant effort or money to accomplish this. DWR does not need detailed minutes of meetings with local entities, etc.

Anna asked for clarification on when DWR would like to see this certification, e.g. in the CIF or another document from the Initiation Phase of the PWA's Water Transfer Transparency Process Graphic. Carl responded yes in the CIF. Joel added that DWR would not want to just see it in the agreement at the end.

Anna pointed out that notice would occur through the CEQA process and asked what might be included in the CIF.

Jeff agreed with Anna and suggested SWPAO include additional blanks on the CIF and guidance on what information to include. He noted the PWAs feel they are already being transparent and that DWR is asking them to do more. They are trying to figure out what is enough versus too much.

Anna suggested that perhaps a list of counties and GSA agency notices could be added to the CIF.

Joel cautioned that DWR does not want to go too deeply into the details of the process at this point. He echoed Carl's earlier points, stating that this negotiation process is about providing more flexibility to the PWAs for better water management given the recent and expected changes in California. DWR does not want to directly tell the PWAs what to do, but wants to ensure that the process in place is following policies and regulations in a transparent way. He added that DWR is looking for a transparent way to certify without telling the PWAs what to do. At a high level, DWR is looking for transparency and to avoid unintended consequences. DWR wants to find a way that they can verify that transfers are working with all other state policies and regulations and that the PWAs are so certifying this so that if complaints happen later or there is a need for an audit or review, everyone is covered. DWR wants to discuss a transparent process that gets both sides to that point.

Jeff said that just because the PWAs think it's the right decision does not prevent someone from complaining, especially when politics are involved. He noted that on some level, this is not an issue here. It sounds like DWR is not trying to force the PWAs to be too prescriptive. This isn't going to be contract language, this is process. He added that PWAs have presented a process that includes a CIF that DWR reviews followed by a letter of support from the SWC Board that goes to DWR after what the PWAs consider to be thorough vetting. Jeff also pointed out that a rogue individual or agency could cause issues in the process even if the PWA did all the steps in the process correctly.

Kathy recognized that DWR wants to discuss this more and appreciates that desire for continued conversation. She asked DWR to consider all of the transparency efforts that PWAs employee to notice the public such as public notification process for board meetings, and the use of notification technology, contract language that indemnifies DWR, and that not all PWAs are within GSAs as they are adjudicated, as these discussions continue. Also, as Holly stated, in the SWPAO agreement, the PWAs state that they will hold DWR harmless.

Steve Arakawa, Metropolitan Water District of Southern California, said that DWR is not adding new requirements or regulations, but is concerned about PWAs satisfying current regulations and laws while PWAs are concerned about the mechanics of meeting DWR's concerns. He explained it may be difficult with a multi-jurisdictional county agency, but continued if the entity taking the action is able to indicate they've met all applicable laws then they could avoid going through a detailed consultation.

Joel agreed that DWR is not trying to create new processes. He reiterated that DWR wants to ensure two-way communications occur when needed and that existing processes are used and for PWAs to certify, to the best of their abilities, that a two-way process has happened.

Jeff suggesting moving on to the next topic.

Carl noted this topic still seemed a little open, but that DWR would discuss language associated with this request in the next caucus.

Jeff stated that the PWAs would like to know what DWR wants to see in either one or both of the formal communications (CIF Form and/or Letter) during the transfer process (the CIF and the SWPAO agreement) and how this issue can be satisfied.

Joel agreed, and the discussion moved on to Section 2 of DWR's Clarification on Transfers document.

Carl explained DWR's proposal for a process in which PWAs can raise issues with proposed transactions (to the Director of DWR, if needed). He explained that DWR is proposing something similar to the process outlined in the contract extensions negotiations. If an entity believes there is an issue, it may put together a white paper explaining what the issue is and the proposed remedy. He continued that the white paper would go to a group that would be assembled from DWR managers and designated representatives from the PWA Contractors. This group would discuss the issue, and if they are unable to come to a resolution, it would be elevated to the Director of DWR who can make a ruling, or decision.

Jeff replied that while the PWAs had a lot of issues with Section 1 in DWR's Clarification on Transfers document (e.g., "transfers must not create negative significant impact to local areas"), the PWAs have no major issues with Section 2. He observed that DWR appears to be treating transfers and exchanges very differently. Jeff pointed out that in the DWR Offer on Exchanges, the Interim Finance Committee (IFC) was listed as the group that would review claims of an adverse impact, but the IFC wasn't mentioned in DWR's Clarification on Transfers document. He wondered why DWR would set up two processes?

Carl stated that DWR intended the process for raising issues with proposed transfers and exchanges to be the same. Jeff responded that the PWAs had the same conclusion.

Anna asked for confirmation from the PWAs that they are in concept okay with what DWR proposed as a process to address impacts raised by PWAs. Jeff confirmed that the PWAs had no conceptual problems with Section 2 of DWR's Clarification on Transfers document. Anna noted that after the caucus the group might be ready to draft AIP language on transfers.

V. Discuss DWR's Offer on Exchanges

Joel opened the discussion on exchanges by explaining that the only changes from the 17-11 Notice to Contractors were clarifications on return ratios in section 2.1.2.4.

Jeff asked if DWR considers exchanges and transfers broadly the same, as it seems like DWR is treating them differently. In transfers, parties can set their own terms, but this is not the case for exchanges. There are limitations from The Department on exchanges, but the limits are determined by the PWAs on transfers. He wondered why DWR would put limits on exchange terms, but not on transfer terms.

Anna asked for Jeff to clarify if he was referring to Sections 2.1.2.1 to 2.1.2.3 in DWR's Offer on Exchanges.

Jeff confirmed those were the sections he was referring to, and noted that the Department has used those ratios under the current contract. He noted that if this process is meant to make changes to the

contract, we aren't bound by the current interpretation of the contract. Jeff again questioned why exchanges differed from transfers in DWRs offers.

Joel stated that DWR wanted to hear all questions from the Contractors regarding exchanges so they could discuss them during the caucus.

Dale provided an example of what Jeff was referring to by explaining that it's tough to always meet the specific numbers provided for return ratios because of other variables like SWP allocation, equitable arrangements on exchanges, and timing of the first exchange. If during a wet year someone has too much carry over and wants to move water out of their system, their ability to do so depends on the return arrangement. There are many variables to consider when it comes to exchanges, including timing, groundwater conditions, or if a PWA has carry over water or not. He wondered why return ratios wouldn't be left up to the Contractors to decide, just as compensation on transfers would be determined by Contractors. Dale added that if forced to operate under DWR's current offer, the PWAs would just use work arounds. Instead of an exchange program, which would be open and clear, PWAs would carry out two transfers. Adding defined ratios would force Contractors to work around the exchange program.

Steve suggested that it may make sense to consider some capabilities under exchanges that go beyond the Notice to Contractors given that we are in contract amendment negotiations regarding additional flexibility. He suggested that DWR consider added flexibility that would help the Contractors. He added that the discussion on transparency earlier is not intended to be different between transfers and exchanges; he would want to see exchanges and transfers treated the same way in all regards. If this section read like the language on transfers, that would help clarify this section in the Offer on Exchanges.

Joel stated DWR is absorbing these comments for discussion during the caucus. He explained that DWR is trying to work with the PWAs on changing how business is done, but is cautious on how much is changed because they don't want unintended consequences. He added that additional negotiations would take place in the future.

Ray said he was happy with the added flexibility the 17-11 Notice to Contractors provides to PWAs, but he sees a few practical issues with details of implementation that should be addressed in the negotiation since they can impede good water management decisions. He asked, referencing 2.1.2.4, if a PWA does an exchange in January and fully delivered that water with a 3:1 exchange ratio, but allocation allows a 2:1 ratio, does that unwind the exchange? PWAs can use transfers to work around the ratios. Compensating the seller in both water and money, could actually reduce the cost of the water transfer and/or exchange providing more flexibility to complete the transaction. He encouraged removing the language to lift constraints and provide additional flexibility, as this contract amendment process is meant to provide additional flexibility to PWAs.

Anna asked if Ray recommended eliminating Section 2.1.2 in DWR's Offer on Exchanges (setting up ratios) entirely. Ray said he saw no reason to limit ratios when there is no limit on transfer amounts.

There would be no reason to do an exchange if you set up two transfers instead. If we are opening up the contract for amendments, why not provide flexibility instead of limiting capabilities?

Carl stated that the document was DWR's offer and it does not prevent the PWAs from drafting a counter offer for DWR to review. If the PWAs come back to DWR with a new proposal, they'll consider it.

Anna asked if the next step would be for the PWAs to provide an alternate offer. Jeff affirmed that the PWAs will come back with a counter offer today or at the next session. He asked for clarification on what DWR meant and its intention in Sections 3.5 (exchanges subject to Article 18(a) and 3.6 (exchanges pertain only to Table A water)?

Dave explained that DWR thought the process with Section 3.5 was similar to current contract language stating that the DWR Director will hold discretion and be able to look at transactions in certain scenarios. In essence, if there are health and safety issues, DWR can address them. DWR was trying to imply that the current contract language under Article 18(a) will be in place for this process as well. Dave explained that for Section 3.6, DWR meant that exchanges would be limited to only Table A water and not Article 21, 14(b), or carry over water.

Jeff asked why exchanges should be limited to only Table A water.

Dave explained that this is in part because DWR wants to provide the greater flexibility the Contractors need, but do so in increments so there aren't unintended consequences. DWR wants to make sure that things are unfolding in the way we envision they would. He added that DWR wants to concentrate on current year water allocation water (Table A) in part to make sure we are taking things step by step. Dave assured the PWA Contractors that DWR would address this in more detail after the next caucus.

Joel added that this process is to allow a discussion about proposals and work towards a solution both the PWAs and DWR can agree on. He invited the PWAs to come back with a counter offer and added that DWR is cautious in this area because of possible unintended consequences. DWR wants to provide the right amount of flexibility for the PWAs while also managing the overall contract and the SWP.

Jeff confirmed that the PWAs will come back with a counter offer on exchanges.

VI. Discuss Additional Key Topics

Jeff then opened up questions on DWR's Offer on Stored Water/Carry Over so that DWR could also consider these during the next caucus. He explained that the PWAs had lots of questions about this document, but they are not yet prepared to provide their position on DWR's offer.

Jeff continued, noting that the PWAs liked the first sentence, which would modify Article 56(c)(4) to allow PWAs to store and transfer Table A water in the same year. Jeff observed that Article 56(c) also refers to carry over water, and wondered if DWR's statements applied only to Table A, or if they also included carry over water?

Jeff mentioned that Ray had a question about the Water Delivery Priorities section that was relevant to the Central Coast, but Jeff also wanted clarification on whether DWR's statement, "water will not have the protection of Article 14(b)" was an interpretation of the current contract or does DWR want to amend the contract. Jeff also asked if DWR was trying to exclude carry over and other water types from the Allowable Water Types section of its offer. He voiced confusion over the language "multi-year transfers pertain only to Table A water in the year in which the water moves from one PWA to another" since it's a multi-year contract.

Ray asked if, under the Stored Water/Carry Over section, the San Luis Reservoir (SLR) could be a transfer point between two PWAs, and if it would change the name of the Agency who holds the water in the SLR? As an example, his agency treats water for San Luis Obispo County in the Central Coast water treatment plant. Central Coast is trying to execute a deal in which they treat additional water and then receive water from San Luis Obispo County in exchange. This only works if the exchange can occur in SLR. San Luis Obispo County often has a lot of carry over water and it would be beneficial to exchange that water in SLR by just changing the name from San Luis Obispo County to Central Coast Water Authority. It would also be beneficial to be allowed to use carry over water in this transaction so carry over water isn't wasted. There may be a large carry over water balance in one year and a small Table A allocation the next year. The ability to use carry over water and exchange at SLR would provide great flexibility and water management to these two coastal contractors. Ray also had a question regarding Article 14(b) and the Coastal Branch Extension. He noted that there's a two- to four-week winter shutdown period for maintenance and wondered if Article 14(b) would be applied to the transfer water that was undelivered because of winter maintenance to the Extension?

Kathy wanted clarification if the DWR statement on Stored Water/Carry Over meant that they accepted the Contractor's initial offer in Issue 1b of their presentation and white paper (Issue 1b asks for PWAs to be allowed to store and transfer water in the same year). She also wondered if there were any pieces of the PWA's initial offer in Issue 1c that DWR agreed to and noted clarification from DWR as to whether Stored Water/Carry Over referred to Table A only, or Table A plus carry over water would be helpful. (Issue 1c deals with allowing PWAs to exchange or transfer stored water outside of a PWA's service area for use within the SWP service area.) She also noted that there are other provisions in the contract that refer to storage restrictions, and wondered if this could be kept broader versus narrowing to Article 56(c)?

Dwayne asked for clarification regarding the allowable water types for transfers. He wondered if water stored in a groundwater basin or groundwater bank and transferred in a subsequent year was prohibited and asked for clarification.

Roland Sanford, Solano County Water Agency, has a question that followed-up on Ray and Kathy's comments regarding carry over and exchanging carry over. His agency is North of Delta and it would be helpful to them to be able to exchange their water stored in SLR out of SLR as any exchange they would do would be south of the Delta.

Kathy explained that the ability to exchange water in a dry, low allocation year would be the largest source of water for those PWAs without groundwater sources. From a management standpoint, this is an important tool.

Dave clarified that the current proposal put forth by DWR is focused on Table A alone, not carry over or anything otherwise stored in SLR. He also noted that the idea regarding Article 14(b) in the current proposal is that Article 14(b) protection would not apply to any transferred water. He explained that adding flexibility also comes with greater risk for the PWAs. Taking on additional responsibilities with transfer water may not have the same level of certainty that Table A water may have. He observed that maybe this is part of the negotiations between a willing buyer and seller. With regard to the other questions identified by the PWAs, Dave asserted that DWR would try to respond with more detail after the caucus.

Kathy asked DWR to consider the implications on water management from a statewide perspective should they not allow the water stored in SLR to be transferred or exchanged. She explained that in dry years, Contractors might have water available in SLR however if they cannot transfer or exchange that water, that would force Contractors to look north to rice farmers or groundwater substitution water, etc., to meet dry year needs. PWAs want to utilize their resources and share among contractors to help each other meet dry year needs before having to look north. Not all PWAs have groundwater basins and some are too far south to be able to make groundwater available to those farther north who do not have groundwater basins, which is why SLR is an important tool for contractors to use.

Ray agreed with Kathy's comment.

Dale provided an example from his agency, in which they have a large quantity of carry over water stored in SLR this year, but they are forced to buy dry year water at high prices because that water can't be moved to other Contractors who might need it. He noted that it would be nice to have a market within the Contractor group. Dale also suggested a revision to the language in DWR's Water Delivery Priorities section, so that it would read, "This water will not have protection of Article 14(b) if the delivery doesn't impact other PWAs" instead of, "This water will not have the protection of Article 14(b) and the delivery can't impact any other PWAs."

Jeff noted that he thought the PWAs had made some of their concerns clear. He stated that he saw a robust discussion on unintended consequences to come. He also felt he had a much better understanding of DWR's position and proposed caucusing through lunch. The PWAs will talk about a counter offer on exchanges and The Department can talk about clarifications on the issues the PWAs brought up.

Carl added that one thing the PWAs might come back with is a hypothetical on what carry over storage would look like if carry over was part of this whole package.

Anna clarified that the Contractors had two assignments: exchanges and carry over. She confirmed that DWR is clear on their assignments.

Curtis asked to verify the water types being discussed. He mentioned Table A, carry over, Article 21, and asked if there were any other types DWR was thinking about.

Dave noted that Article 14(b) and 12(e) are part of the same discussion.

Anna noted that DWR would be caucusing on clarifying Section 1.1 of DWR's Clarification on Transfers, considering return ratios, further clarifying Sections 3.5 and 3.6 on DWR's Offer on Exchanges, and digesting the discussion on stored water and carry over, noting the Contractors would be coming back with a counter offer.

Kathy clarified that the PWAs discussion on exchanges shouldn't be limited to ratios, but the entire exchange offer.

Both parties called for a caucus at 11:47 AM. The meeting resumed at 1:23 p.m.

Jeff resumed discussions by explaining that the PWAs began work on their counter offer on exchanges and they will be ready to present the offer at the next meeting. They pledged to make the offer available in writing to DWR in advance of the next meeting. Jeff also explained that the PWAs were considering the concept of what carry over water looks like as part of exchanges. They think it's a much more efficient use of carry over water, and that it makes it useable to virtually the entire state of California. Jeff remarked that the PWA Contractors were excited to talk more about this at the next meeting.

Joel thanked Jeff and noted that DWR will work on some new language for Section 1.1 of DWR's Clarification on Transfers. Regarding carry over water, Joel explained that DWR will work on the rationale and come back with more information. With DWR's rationale and reasoning on carry over water and the PWA's counter offer, he's optimistic that the group can figure out next steps.

Jeff emphasized that carry over water is a very, very important component for the PWAs and a key issue in these negotiations.

Carl observed that DWR frequently used the phrase "unintended consequences" and often referenced uncertainty about the future. He noted that it might be worthwhile to give some thought on how both parties would deal with these issues, particularly in the longer term, e.g. what would happen if things went poorly 10 years in the future. He noted there might be some collaboration process to assist with this.

VII. Next Steps

Anna recapped the topics to be covered at the next meeting: exchanges (with information from both the Contractors and DWR on this topic), carry over water, DWR coming back with clarification on language from Section 1.1 of DWR's Clarification on Transfers, a collaborative review of the topic of unintended consequences, North of Delta cost allocation, and a discussion of drafting AIP language.

All parties agreed that the next meeting will be Tuesday, April 17, 2018 at 10:00 AM, at the Holiday Inn.

Jeff mentioned that the ACWA conference would be taking place in Sacramento the second week in May, which may be a conflict for some participants. He noted there were multiple possible solutions, including meeting on Monday, May 7th instead of Wednesday, May 9th or holding a shortened session on Wednesday. He emphasized that the group did not need to make a decision today, but he wanted to bring the issue to everyone’s attention.

The group agreed to make a final decision at a later meeting, but that in the meantime, DWR would explore alternate meeting spaces closer to the ACWA conference (including Room 1131 in the Resources Building) for both May 9th and May 7th.

Anna adjourned the business part of the meeting.

VIII. Public Comment

There were no public comments.

IX. Adjourn

The meeting was adjourned at 1:37 PM.

Action List

	Action Items	Responsibility (Due Date)
1)	Post March 28 Meeting Summary online	DWR (4/11)
2)	Update Meeting Calendar to reflect possible date and/or location changes the second week of May	K&W (by 4/17)
3)	Explore alternate meeting locations for May 7 and May 9	DWR (ASAP)
4)	Counter Offer on Exchanges	PWAs (by 4/17)
5)	Clarify Sections 3.5 (Article 18(a)) and 3.6 (Table A only) of DWR’s Offer on Exchanges	DWR (by 4/17)
6)	Clarify language in Section 1.1 of DWR’s Clarification on Transfers (“Transfers much not create negative significant impact to local areas”)	DWR (by 4/17)
7)	Counter Offer on Stored Water/Carry Over	PWAs (by 4/17)
8)	Clarification on Offer on Stored Water/Carry Over	DWR (by 4/17)
9)	Prepare for collaborative review discussion (proposal or discussion points)	DWR (by 4/17)
10)	Proposal on North of Delta Cost Allocation	Technical Team members (by 4/17)



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

April 18, 2018

TO: CCWA Board of Directors

FROM: John Brady
Deputy Director, Operations and Engineering

SUBJECT: Polonio Pass Water Treatment Plant
GAC Filter Media Replacement Project

Background

The Polonio Pass Water Treatment Plant has eight filters that utilize sand and granular activated carbon (GAC) as the filter media. The last GAC filter media replacement project occurred in 2008, due to a staff recommendation to indefinitely postpone filter media replacements. This postponement was recommended by CCWA staff following a special study that indicated that the filter media replacement frequency could be reduced without compromising the ability to comply with water quality regulations. Consequently, staff indefinitely postponed filter media replacement from every 3 years to an estimated frequency of every 15 years or so.

The trigger to replace the filter media is based on annual measurements of GAC hydraulic characteristics. The filter media in Filters 7 and 8 has been in place for 11 years and has shown initial signs of reduced hydraulic conductivity. Based on CCWA's on-going filter media monitoring program, staff determined that media in Filter 7 and 8 requires replacement at this time. Staff also identified Filter #2 as needing to be replaced as well due to degradation of its hydraulic performance.

Discussion

CCWA staff prepared a Request for Bids (RFB) using the original specifications for the GAC Filter Media Replacement Project. This RFB was emailed to an established CCWA bidder's list. It was also posted on the CCWA website. An optional pre-bid job site meeting was conducted on Thursday April 5, 2018. There were no Bidders' questions that merited an addenda, so no addenda were issued.

Sealed bids were scheduled to be received and opened on Monday April 16, 2018. Staff is currently completing a review of the apparent low bids to determine if the bids are responsive to the requirements outlined in the RFB and to determine if the contractors are responsible as defined by the RFB. The results of the Bidding and staff review will be presented to the CCWA Board of Directors during its April 26, 2018 meeting.

With regard to the impact to the WTP production, the scope of work for the filter media replacement requires the contractor to only work on one filter at a time while allowing the WTP to continue operation. Consequently, staff does not anticipate any impact to the production of the WTP during the project.

Financial Considerations

This project is a budgeted project for the current fiscal year with a budget of \$420,000. During the April 16, 2018 Bid Opening, CCWA received and opened three Bids. The preliminary Bid Tabulation is shown below:

Task	Prominent Systems, Inc	Carbon Activated Corporation	Calgon Carbon Corporation
Alternative 1: Services for the removal and disposal of existing GAC filter media, and furnishing and installing new GAC filter media in filters 2 and 8, complete as shown and specified	\$210,344.50	\$267,421.00	\$316,878.00
Alternative 2: Services for the removal and disposal of existing GAC filter media, and furnishing and installing new GAC filter media in filters 2, 7, and 8, complete as shown and specified	\$285,344.50	\$401,750.00	\$462,878.00

The lowest responsive bid determination will be based on Alternative #1 and compliance to the requirements presented in the RFB. The responsible contractor determination will be based on the information provided in the Bidder's General Information Submittal. CCWA staff will provide a recommendation to the Board during their April 26, 2018 Meeting.

Recommendation

That the Board:


- Authorize the Executive Director to award the Polonio Pass Water Treatment Plant GAC Filter Media Replacement contract to the lowest responsive and responsible Bidder.



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

April 19, 2018

TO: CCWA Board of Directors
FROM: Ray A. Stokes
Executive Director 
SUBJECT: Final FY 2018/19 Budget

SUMMARY

The Preliminary FY 2018/19 Budget was presented to the CCWA Board of Directors at its regular meeting on March 22, 2018. This report will highlight the proposed changes to the FY 2018/19 Preliminary Budget and request that the Board approve the proposed final budget.

DISCUSSION

The following changes are presented for the Board's consideration and inclusion in the final FY 2018/19 Budget. The proposed final FY 2018/19 Budget is \$63,853,531 or \$2,615,370 more than the Preliminary FY 2018/19 Budget as described below and \$2.5 million more than the FY 2017/18 Budget.

- Additional \$2.6 million in estimated 2018 DWR Variable OMP&R costs due to a \$53.28/AF increase in the OMP&R unit rate over the 2018 DWR SOC unit rate.
- Increase in personnel expenses of \$52,751 due the GASB required changes in actuarial assumptions for the Authority's annual required contribution to the OPEB Trust.
- Reclassification of non-capitalized projects from the O&M section of the budget to the capital projects section of the budget. Results in a decrease of \$418,966 in other expenses and increasing capital projects by the same amount.

Proposed Final FY 2018/19 Budget

The following table shows a summary of the proposed final FY 2018/19 Budget and a comparison to the prior year budget.

Budget Item	Final FY 2017/18 Budget	Proposed Final FY 2018/19 Budget	Increase (Decrease)
<u>CCWA Expenses</u>			
CCWA Operating Expenses - Fixed	\$ 6,994,222	\$ 7,106,709	\$ 112,487
CCWA Operating Expenses - Variable	2,831,388	3,069,046	237,659
Revenue Bond Debt Service Payments	10,300,030	10,349,474	49,444
Capital/Non-Capital Projects	1,154,853	959,989	(194,864)
Total CCWA Expenses:	21,280,493	21,485,218	204,725
<u>Pass-Through Expenses</u>			
DWR Fixed Costs	34,861,511	36,819,361	1,957,850
DWR Variable Costs	4,882,292	5,723,126	840,834
Warren Act and Trust Fund Payments	750,994	732,824	(18,170)
Total Pass-Through Expenses:	40,494,796	43,275,310	2,780,514
Subtotal Gross Budget:	61,775,289	64,760,528	2,985,239
CCWA Credits	(418,358)	(906,997)	(488,639)
TOTAL:	\$ 61,356,931	\$ 63,853,531	\$ 2,496,600

As the table above shows, the proposed final FY 2018/19 gross budget (before CCWA credits) is about \$3.0 million more than the prior year budget. The increase is primarily attributed to the \$2 million increase in DWR Fixed costs due to the under collection by DWR of the Transportation Minimum OMP&R costs for prior years, coupled with an increase in 2018 DWR Variable estimated costs after DWR increased the Variable OMP&R unit rate by \$53.28/AF over the DWR 2018 SOC unit rate. The increases in CCWA Variable costs are directly related to the higher cost of chemicals needed to treat water due to reduced flows in the California aqueduct resulting in lesser water quality, along with an increase in estimated costs of electrical for pumping the water.

The attached FY 2018/19 Preliminary Budget in Brief document will provide a full overview of the preliminary budget and changes when compared to the FY 2017/18 Budget. Additionally, the attached FY 2018/19 Total Expenditures Summary provides each project participant a summary of the total expenditures by component for their agency.

Ten-Year Financial Plan Projections

The Ten-Year Financial Plan Projections for each project participant will be updated based on the Board approved Final FY 2018/19 Budget and posted on the CCWA web server in each participant's folder. These projections are estimates only, and are intended to provide a basis for anticipated future costs associated with the large DWR capital expenditures.

Approval to Obtain Bids for Projects Included in the Budget

In conjunction with the requested approval of the FY 2018/19 Budget, staff is also requesting approval to obtain bids for those projects included in the budget which require a formal bidding process. As always, CCWA staff will present the results of the bids for each project to the Board for final acceptance and approval.

RECOMMENDATION

That the Board approve the Final FY 2018/19 Budget as outlined in this report and that CCWA staff be authorized to obtain bids for those projects included in the FY 2018/19 Budget which require formal bids.

Attachments

RAS



Central Coast Water Authority FY 2018/19 Proposed Final Budget in Brief

FY 2018/19 PROPOSED FINAL BUDGET SUMMARY

	FY 2017/18 Budget	FY 2018/19 Budget	Increase (Decrease)
CCWA Operating Expenses	\$ 9,825,610	\$ 10,175,755	\$ 350,145
DWR Fixed and Variable Costs	39,743,803	42,542,487	2,798,684
Capital Improvement Projects	1,154,853	959,989	(194,864)
Warren Act Charges	750,994	732,824	(18,170)
Debt Service Payments	10,300,030	10,349,474	49,444
Subtotal	61,775,289	64,760,528	2,985,239
CCWA Credits	(418,358)	(906,997)	(488,639)
TOTAL :	\$ 61,356,931	\$ 63,853,531	\$ 2,496,600

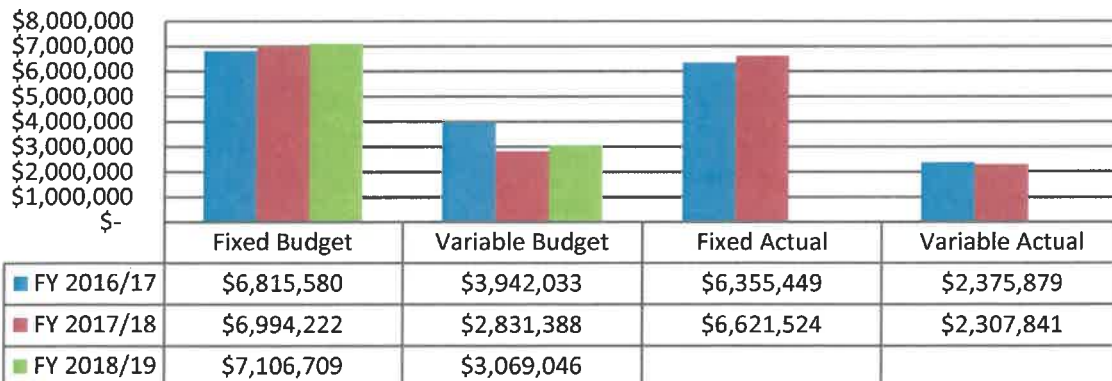
\$3.0 million increase in the gross budget, excluding CCWA credits

CCWA OPERATING EXPENSES

	FY 2017/18 Budget	FY 2018/19 Budget	Increase (Decrease)
Personnel	\$ 4,858,221	\$ 5,032,011	\$ 173,790
Office Expenses	20,500	20,500	-
Supplies & Equipment	1,926,747	2,115,202	188,456
Monitoring Expenses	107,144	113,624	6,480
Repairs & Maintenance	266,380	279,880	13,500
Professional Services	392,580	425,520	32,940
General & Administrative	267,836	275,985	8,150
Utilities	1,259,193	1,302,775	43,583
Other Expenses	727,010	610,257	(116,753)
Total Operating Expense	\$ 9,825,610	\$ 10,175,755	\$ 350,145

Total operating expense increase of \$0.35 million inclusive of the following factors: \$174K increase in personnel; \$188K increase in supplies and equipment due to increases in chemicals needed for anticipated drought related water quality changes; \$33K increase in professional services; \$44K increase in utilities due to the estimated increase in the cost of electricity per acre foot; \$143K decrease in other expenses, which includes moving non-capitalized project costs from the O&M section and including them with capital projects.

Operating Expenses Fixed and Variable Expenses



DWR FIXED AND VARIABLE CHARGES

DWR Fixed cost increase of \$2.0 million due to an under collection by DWR in the Transportation Minimum OMP&R costs for prior years, plus a combined \$0.35 million decrease in all other DWR Fixed charges

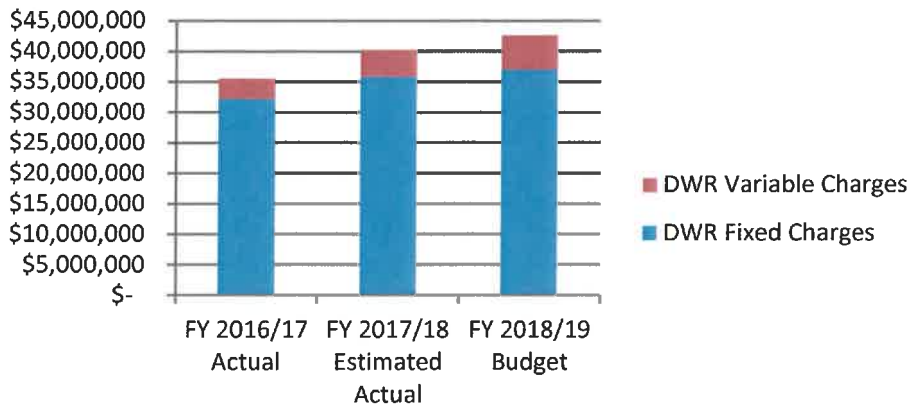
DWR Variable cost increase of \$0.8 million over FY 2017/18 is due to an increase in the estimated Variable OMP&R costs for the calendar year 2018.

Transportation Capital
Coastal Branch Phase II
Transportation Minimum OMP&R
Water System Revenue Bond
Delta Water Charge
Subtotal Fixed DWR Charges

Off-Aqueduct Charges
Variable OMP&R
Subtotal Variable DWR Charges
DWR Account Investment Income
Total DWR Charges

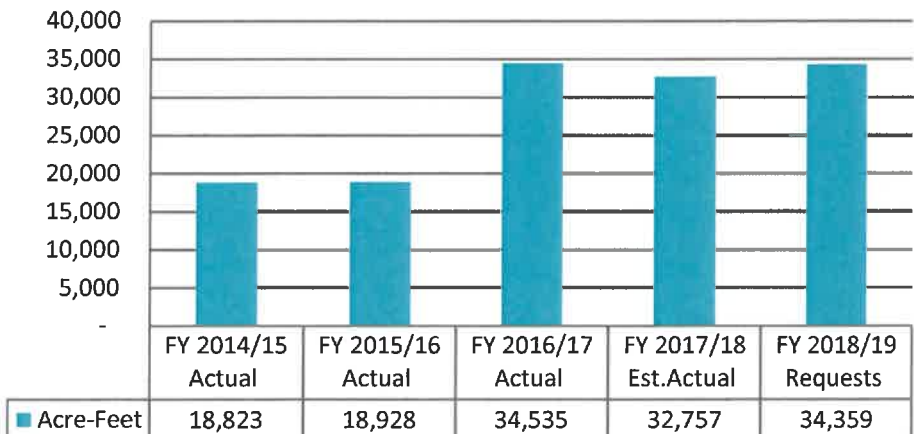
	FY 2017/18 Budget	FY 2018/19 Budget	Increase (Decrease)
Transportation Capital	\$ 19,284,405	\$ 19,887,316	\$ 602,911
Coastal Branch Phase II	3,124,356	2,121,083	(1,003,274)
Transportation Minimum OMP&R	7,558,589	9,910,270	2,351,680
Water System Revenue Bond	1,807,613	1,819,005	11,392
Delta Water Charge	3,221,405	3,259,881	38,476
Subtotal Fixed DWR Charges	34,996,369	36,997,554	2,001,185
Off-Aqueduct Charges	-	45,810	45,810
Variable OMP&R	4,882,292	5,677,316	795,024
Subtotal Variable DWR Charges	4,882,292	5,723,126	840,834
DWR Account Investment Income	(134,859)	(178,193)	(43,335)
Total DWR Charges	\$ 39,743,803	\$ 42,542,487	\$ 2,798,684

DWR Fixed and Variable Charges



DWR Delivery Allocation Percentage	
Calendar Year	Percentage
2008	35%
2009	40%
2010	50%
2011	80%
2012	65%
2013	60%
2014	5%
2015	20%
2016	60%
2017	85%

Water Deliveries and Requests

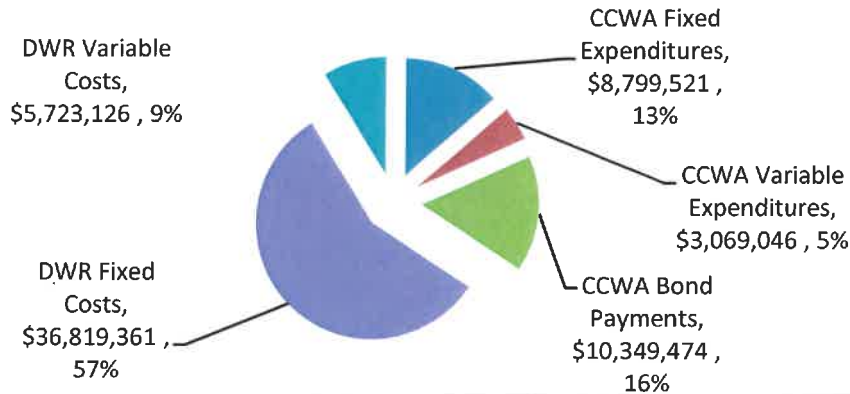


OTHER EXPENDITURES

	FY 2017/18 Budget	FY 2018/19 Budget	Increase (Decrease)
Debt Service Payments	\$ 10,300,030	\$ 10,349,474	\$ 49,444
Capital Improvement Projects	1,154,853	959,989	(194,864)
Warren Act Charges	750,994	732,824	(18,170)
Total Other Expenditures	\$ 12,205,877	\$ 12,042,287	\$ (163,590)

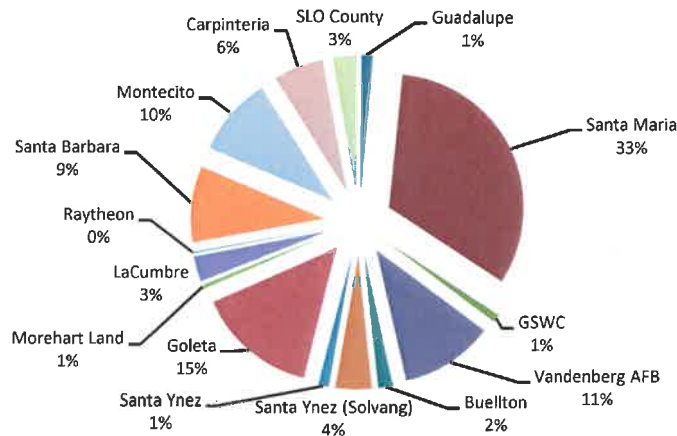
\$0.05 million increase in debt service payments; \$0.2 million decrease in Capital Improvement Projects.

FY 2018/19 Budget Components



82% of the CCWA Budget is outside of the direct control of CCWA. DWR costs comprise 66% of the total CCWA Budget with another 18% representing the CCWA revenue bond debt service payments

FY 2018/19 Percent of Total Payments by Project Participant



FY 2018/19 Variable Cost Per Acre-Foot

Table A Water

North Santa Barbara County	\$ 265.90
South Santa Barbara County	\$ 348.03

Santa Ynez Exchange Water

Santa Ynez ID#1	\$ 211.19
South Coast Exchange Participants	\$ 183.03

For more information, please contact the Central Coast Water Authority at (805) 688-2292 or visit our website at: ccwa.com

**Central Coast Water Authority
Total Expenditures Summary
Fiscal Year 2018/19 Budget**

Project Participant	Unadjusted Fixed CCWA Operating Expense (1)	Unadjusted Variable CCWA Operating Expense	Exchange Agreement Adjustment Cap. & Fixed	Exchange Agreement Adjustment Variable	Regional WTP Allocation	Regional WTP Allocation Credit	Warren Act Charges	2016A Revenue Bond Debt Service	Subtotal FY 2018/19 CCWA	Non-Annual Recurring Expenses	CCWA (Credits)/ Amount Due	Total FY 2018/19 CCWA
Guadalupe	\$ 82,288	\$ 31,000	\$ -	\$ -	\$ 38,781	\$ -	\$ -	\$ 147,451	\$ 300,520	\$ -	\$ (3,410)	\$ 297,111
Santa Maria	2,385,640	708,283	-	-	\$1,068,002	-	4,181,925	-	4,181,925	-	(317,035)	3,864,889
Golden Slate Water	82,445	19,706	-	-	\$32,699	-	134,850	-	134,850	-	(9,666)	125,184
Vandenberg AFB	917,369	152,586	-	-	\$333,448	-	1,403,422	-	1,403,422	-	-	1,403,422
Buellton	120,668	32,470	-	-	\$41,763	-	194,901	261,085	455,987	-	(11,799)	444,187
Santa Ynez (Solvang)	301,561	56,764	-	-	\$97,135	-	455,460	802,069	1,257,528	-	(32,894)	1,224,534
Santa Ynez	104,531	8,235	169,122	65,293	\$109,411	-	456,593	301,220	757,813	-	(448,890)	308,923
Goleta	1,172,709	619,231	(60,884)	(23,506)	\$303,154	(\$871,930)	1,138,774	2,528,216	3,910,716	-	(2,004)	3,908,712
Morehart Land	52,120	6,947	-	-	\$11,035	(\$33,355)	36,747	116,100	155,890	-	(3,538)	152,151
La Cumbre	260,602	122,770	-	-	\$70,113	(\$203,303)	250,181	50,228	856,239	-	(4,363)	851,875
Raytheon	13,030	4,537	-	-	\$3,234	(\$9,500)	11,300	24,292	37,448	-	(871)	36,577
Santa Barbara	781,806	420,949	(40,589)	(15,670)	\$203,482	(\$584,659)	765,317	165,809	2,485,376	-	(1,363)	2,484,013
Montecito	781,806	416,521	(40,589)	(15,670)	\$202,730	(\$582,822)	761,975	163,997	2,752,748	-	(15,386)	2,737,361
Carpinteria	521,204	265,541	(27,060)	(10,447)	\$133,094	(\$383,511)	498,821	1,044,360	1,647,547	-	(5,643)	1,641,903
Shandon	11,674	5,882	-	-	-	-	17,557	934,464	29,287	-	(356)	28,932
Chorro Valley	231,360	130,851	-	-	-	-	362,211	1,296,675	1,296,675	-	(25,174)	1,271,501
Lopez	245,864	66,775	-	-	-	-	312,640	241,633	554,273	-	(24,505)	529,768
TOTAL:	\$ 8,066,697	\$ 3,069,046	\$ 0	\$ (0)	\$ 2,669,080	\$ (2,669,080)	\$ 11,135,744	\$ 732,824	\$ 22,218,042	\$ -	\$ (906,997)	\$ 21,311,044

(1) Includes Capital and Non-Capital Projects.

Project Participant	DWR FIXED CHARGES				DWR VARIABLE CHARGES				TOTAL DWR and CCWA			
	Transportation Capital Through Reach 35	Transportation Capital Reach 37	Transportation Capital Reach 38	Transportation Minimum OMP&R	Water System Revenue Bond	Delta Water Charges	Total Fixed	Off-Aqueduct Charges		Variable OMP&R	Total Variable	DWR Interest Income
Guadalupe	\$ 279,473	\$ -	\$ -	\$ 137,626	\$ 25,187	\$ 43,213	\$ 485,489	\$ 133	\$ 121,808	\$ 121,941	\$ (2,545)	\$ 604,895
Santa Maria	8,231,750	462,340	-	4,053,712	740,797	1,280,807	14,769,406	17,421	2,376,006	2,393,427	(78,307)	17,084,525
Golden Slate Water	254,066	14,270	-	125,115	22,834	39,284	455,570	-	43,433	43,433	(2,539)	496,463
Vandenberg AFB	2,794,730	156,967	257,391	1,376,260	251,589	432,129	5,269,066	-	530,118	530,118	-	5,799,183
Buellton	293,701	16,496	27,049	144,632	26,466	45,427	553,772	-	105,451	105,451	(3,511)	655,712
Santa Ynez (Solvang)	754,825	42,809	70,197	364,779	66,183	107,735	1,406,528	1,313	159,392	160,705	(7,818)	1,559,414
Santa Ynez	261,441	14,270	23,399	135,680	25,090	49,082	508,962	-	731,992	743,275	(3,267)	505,695
Goleta	2,286,845	128,428	210,592	1,126,031	203,642	353,939	4,309,476	11,283	-	-	(28,130)	5,024,622
Morehart Land	101,627	5,708	9,360	50,046	9,267	15,714	191,721	-	155,342	158,770	(1,120)	190,602
La Cumbre	508,133	28,539	46,798	250,229	45,737	78,569	968,006	1,428	50,177	50,177	(5,580)	1,109,196
Raytheon	25,407	1,427	2,340	12,511	2,283	3,928	47,896	-	565,179	570,530	(367)	52,546
Santa Barbara	1,824,398	85,618	140,395	750,687	137,278	237,188	2,875,565	5,351	566,856	562,331	(16,702)	3,429,392
Montecito	1,524,398	85,618	140,395	750,687	137,278	237,188	2,875,565	5,475	566,856	562,331	(17,073)	3,420,823
Carpinteria	1,016,265	57,079	93,597	500,458	90,752	157,138	1,915,289	3,405	326,723	330,129	(11,233)	2,234,184
Goleta 2500 AF	30,258	-	-	131,816	34,622	178,539	375,235	-	-	-	-	375,235
Shandon	-	-	-	-	-	-	-	-	-	-	-	-
Chorro Valley	-	-	-	-	-	-	-	-	-	-	-	-
Lopez	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL:	\$ 19,887,316	\$ 1,099,569	\$ 1,021,513	\$ 9,910,270	\$ 1,819,005	\$ 3,259,881	\$ 36,997,554	\$ 45,810	\$ 5,677,316	\$ 5,723,126	\$ (178,193)	\$ 42,542,487
												\$ 63,853,531

Central Coast Water Authority
ALL PROJECT PARTICIPANTS
 State Water Cost Ten-Year Projections
 Fiscal Year 2018/19 Final Budget

Water Deliveries-Fiscal Year Basis (AF) ⁽¹⁾	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28
Table A Water Deliveries-1st Quarter	9,629	9,629	9,629	9,629	9,629	9,629	9,629	9,629	9,629	9,629
Table A Water Deliveries-2nd Quarter	7,416	7,416	7,416	7,416	7,416	7,416	7,416	7,416	7,416	7,416
Table A Water Deliveries-3rd Quarter	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Table A Water Deliveries-4th Quarter	8,704	8,704	8,704	8,704	8,704	8,704	8,704	8,704	8,704	8,704
Total FY Table A Deliveries (acre-feet)	33,249	33,249	33,248	33,248	33,248	33,248	33,248	33,248	33,248	33,248

Exchange Deliveries-1st Quarter	555	555	555	555	555	555	555	555	555	555
Exchange Deliveries-2nd Quarter	75	75	75	75	75	75	75	75	75	75
Exchange Deliveries-3rd Quarter	75	75	75	75	75	75	75	75	75	75
Exchange Deliveries-4th Quarter	405	405	405	405	405	405	405	405	405	405
Total FY Exchange Deliveries (acre-feet)	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110

CCWA Variable Cost per AF Assumptions	\$ 104	\$ 110	\$ 115	\$ 121	\$ 127	\$ 133	\$ 140	\$ 147	\$ 154	\$ 162
DWR Variable Cost per AF Assumptions	\$ 181	\$ 190	\$ 200	\$ 210	\$ 220	\$ 231	\$ 243	\$ 255	\$ 268	\$ 281

CCWA Costs										
CCWA Fixed O&M Costs ⁽²⁾	\$ 8,066,697	\$ 8,308,698	\$ 8,557,959	\$ 8,814,698	\$ 9,079,139	\$ 9,351,513	\$ 9,632,058	\$ 9,921,020	\$ 10,218,651	\$ 10,537,702
CCWA Variable O&M Costs ⁽⁵⁾	3,069,046	3,127,495	3,283,864	3,448,057	3,620,460	3,801,483	3,991,558	4,191,135	4,400,692	4,620,727
CCWA Revenue Bond Payments ⁽⁹⁾	9,442,477	10,796,500	10,804,500	10,815,125	-	-	-	-	-	-
Warren Act and Trust Fund Charges ⁽⁸⁾	732,824	732,830	732,818	732,818	732,818	732,818	732,818	732,818	732,818	732,818
Subtotal: CCWA Costs	21,311,044	22,965,523	23,379,141	23,810,698	13,432,417	13,885,814	14,356,434	14,844,973	15,352,161	15,891,247

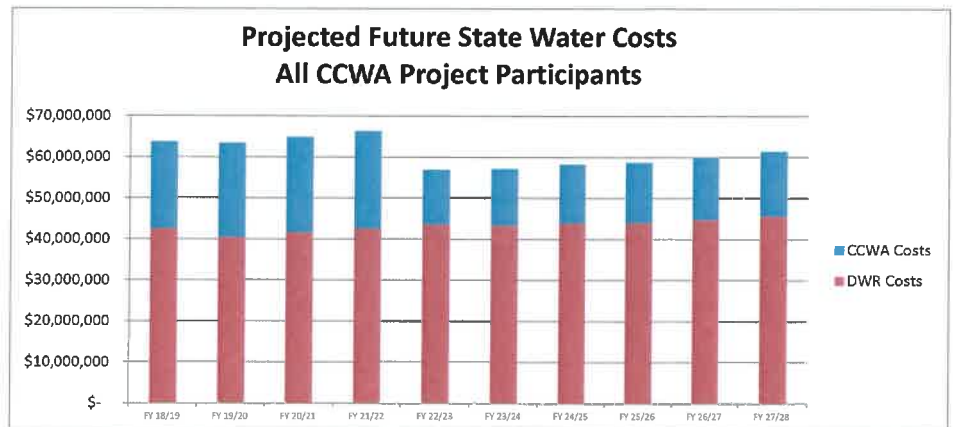
DWR Costs ⁽⁷⁾										
Transportation Capital	19,887,316	19,589,960	19,671,318	19,895,829	19,891,728	19,889,160	19,886,299	19,883,173	19,880,044	19,873,401
Coastal Branch Extension	2,121,083	2,029,784	2,906,756	2,995,766	3,553,303	2,576,221	2,621,444	2,113,152	2,167,705	2,197,795
Water System Revenue Bond Surcharge	1,819,005	1,984,965	1,825,251	1,935,885	1,805,739	1,880,002	1,790,905	1,663,938	1,580,012	1,815,762
Transportation Minimum OMP&R	9,910,270	7,619,430	7,450,714	7,525,221	7,600,473	7,676,478	7,753,243	7,830,775	7,909,083	7,988,174
Delta Water Charge	3,259,881	3,417,780	3,595,617	3,782,345	3,978,410	4,184,278	4,400,440	4,627,409	4,865,727	5,115,961
DWR Variable Costs ⁽⁵⁾	5,544,933	5,883,226	6,177,388	6,486,257	6,810,570	7,151,098	7,508,653	7,884,086	8,278,290	8,692,205
Subtotal: DWR Costs	\$ 42,542,487	\$ 40,525,144	\$ 41,627,042	\$ 42,621,302	\$ 43,640,223	\$ 43,357,237	\$ 43,960,983	\$ 44,002,533	\$ 44,680,861	\$ 45,683,298

Total Projected State Water Costs	\$ 63,853,531	\$ 63,490,667	\$ 65,006,184	\$ 66,432,001	\$ 57,072,640	\$ 57,243,051	\$ 58,317,417	\$ 58,847,507	\$ 60,033,022	\$ 61,574,544
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Projected Payments by Due Date										
June 1st Fixed Payment ⁽³⁾	\$ 54,506,728	\$ 53,747,116	\$ 54,812,114	\$ 55,764,868	\$ 45,908,792	\$ 45,557,652	\$ 46,084,388	\$ 46,039,468	\$ 46,621,222	\$ 47,528,795
April 1st Variable Payment ⁽⁴⁾	2,749,006	2,862,705	2,996,460	3,136,912	3,284,386	3,439,234	3,601,825	3,772,545	3,951,801	4,140,020
July 1st Variable Payment	1,993,878	2,076,162	2,171,801	2,272,211	2,377,642	2,488,344	2,604,581	2,726,630	2,854,781	2,989,341
October 1st Variable Payment	2,108,869	2,203,194	2,303,578	2,408,991	2,519,675	2,635,893	2,757,922	2,886,052	3,020,589	3,161,853
January 1st Variable Payment	2,495,049	2,601,490	2,722,231	2,849,019	2,982,145	3,121,929	3,268,701	3,422,812	3,584,628	3,754,536

NOTES

- (1) Actual water delivery requests for the first four years and delivery estimates thereafter.
- (2) CCWA fixed costs are based on a 3% inflation factor. There is a change in Fixed Costs reflected in fiscal years 2022/23 thru 2027/28 due to the payoff of CCWA Revenue Bond Debt, thereby changing the Retreatment Fixed and Capital Charges.
- (3) June 1st fixed cost payment is paid in June BEFORE the beginning of the fiscal year shown (i.e., the FY 2018/19 fixed payment is paid on June 1, 2018).
- (4) April 1st quarterly variable payment is paid in April BEFORE the beginning of the fiscal year shown.
- (5) DWR and CCWA variable O&M costs are based on a 5% inflation factor. CCWA variable costs include WTP Variable Retreatment charges and credits.
- (6) Current fiscal year DWR Variable costs net of DWR account interest income credits and credits or additional charges due from prior periods.
- (7) The source for DWR costs is DWR's 2018 Statement of Charges dated July 1, 2017.
- (8) Warren Act Charges are \$58/AF and are based on water wheeled through Cachuma Project facilities. There are two components to these charges: Warren Act Charges at \$15/AF and Trust Fund payments at \$43/AF.
- (9) CCWA Bond payments reflect Series 2016A Bond Debt Service Schedule after the refinancing of CCWA's 2006A Revenue Bond.



**SWC Report
4/18/2018**

Agenda Item IV.J.
Board of Directors
April 26, 2018

AB 813 (Holden D) Multistate regional transmission system organization: membership.

Current Text: Amended: 3/8/2018 [html](#) [pdf](#)

Introduced: 2/15/2017

Last Amended: 3/8/2018

Status: 3/8/2018-From committee chair, with author's amendments: Amend, and re-refer to committee. Read second time, amended, and re-referred to Com. on RLS.

Location: 8/31/2017-S. RLS.

Summary:

Would prohibit a California electrical transmission facility owner, a retail seller of electricity, or a local publicly owned electric utility from participating in a multistate regional transmission system organization, as defined, unless the bylaws or other organizational documents that govern the organization, and the organization's operations, meet Federal Energy Regulatory Commission requirements and other specified requirements. The bill would require a California transmission owner, retail seller, or local publicly owned electric utility, before joining a multistate regional transmission system organization, to submit the bylaws and other organizational documents that govern the multistate regional transmission system organization to the State Energy Resources Conservation and Development Commission for review.

Other Positions: CMUA-W, SWC-Watch

AB 1876 (Frazier D) Sacramento-San Joaquin Delta: Delta Plan: administration.

Current Text: Amended: 4/3/2018 [html](#) [pdf](#)

Introduced: 1/16/2018

Last Amended: 4/3/2018

Status: 4/4/2018-Re-referred to Com. on W.,P., & W.

Location: 1/29/2018-A. W.,P. & W.

Calendar:

4/24/2018 9 a.m. - State Capitol, Room 444 ASSEMBLY WATER, PARKS AND WILDLIFE, GARCIA, Chair

Summary:

The Sacramento-San Joaquin Delta Reform Act of 2009 establishes the Delta Stewardship Council, which consists of 7 members, and requires the council to develop, adopt, and commence implementation of a comprehensive management plan for the Delta, known as the Delta Plan. This bill would make the provisions establishing the Delta Stewardship Council inoperative on July 1, 2020. The bill would provide for the Delta Protection Commission, on that date, to succeed to, and to be vested with, the duties, powers, purposes, responsibilities, and jurisdiction vested in the council as of June 30, 2020.

Other Positions: SCWC-Oppose, SWC-O

AB 1912 (Rodriguez D) Public employees' retirement: joint powers agreements: liability.

Current Text: Amended: 3/19/2018 [html](#) [pdf](#)

Introduced: 1/23/2018

Last Amended: 3/19/2018

Status: 3/20/2018-Re-referred to Com. on P.E., R., & S.S.

Location: 3/15/2018-A. P.E.,R. & S.S.

Calendar:

4/18/2018 9 a.m. - State Capitol, Room 444 ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT, AND SOCIAL SECURITY, RODRIGUEZ, Chair

Summary:

Under the Joint Exercise of Powers Act, if the agency is not one or more of the parties to the agreement but is a public entity, commission, or board constituted pursuant to the agreement, the debts, liabilities, and obligations of the agency are the debts, liabilities, and obligations of the parties to the agreement, unless the agreement specifies otherwise. Current law also permits a party to an agreement to separately contract for, or assume responsibilities for, specific debts, liabilities, or obligations of the agency. Current law, with respect to electrical loads, permits entities authorized to be community

choice aggregators to participate as a group through a joint powers agency and to also specify in their joint powers agreement that the debts, liabilities, and obligations of the agency shall not be those of the members of the agency. This bill would eliminate the above provisions within the Joint Exercise of Powers Act and those related provisions for community choice aggregators that permit an agreement between one or more parties to specify otherwise as to their debts, liabilities, and obligations and that permit a party to separately contract for those debts, liabilities, or obligations.

Other Positions: SWC-Watch

AB 2208 (Aguiar-Curry D) California Renewables Portfolio Standard Program: local publicly owned electric and gas utilities: electrical and gas corporations.

Current Text: Amended: 3/23/2018 [html](#) [pdf](#)

Introduced: 2/12/2018

Last Amended: 3/23/2018

Status: 4/16/2018-Assembly Rule 56 suspended. (pending re-referral to Com. on NAT. RES.)

Location: 4/16/2018-A. NAT. RES.

Calendar:

4/18/2018 1:30 p.m. - State Capitol, Room 437 ASSEMBLY UTILITIES AND ENERGY, HOLDEN, Chair

4/23/2018 2:30 p.m. - State Capitol, Room 447 ASSEMBLY NATURAL RESOURCES, MURATSUCHI, Chair

Summary:

The California Renewables Portfolio Standard Program requires the Public Utilities Commission to establish a renewables portfolio standard requiring all retail sellers, as defined, to procure a minimum quantity of electricity products from eligible renewable energy resources, as defined, so that the total number of kilowatthours of those products sold to their retail end-use customers achieves 25% of retail sales by December 31, 2016, then incrementally increases for specified compliance periods to 33% of retail sales by December 31, 2020, 40% by December 31, 2024, 45% by December 31, 2027, and 50% by December 31, 2030. This bill would require that not less than 25% of the incremental procurement requirements for each compliance period be satisfied with renewable grid-balancing generation, as defined subject to certain unspecified parameters, procured on or after July 1, 2017, until either 20% of the total electricity products procured to satisfy the overall procurement requirements are from renewable grid-balancing generation or December 31, 2030, whichever occurs first.

Other Positions: CMUA-O, SWC-Watch

AB 2516 (Eggman D) Dams: reservoir restrictions.

Current Text: Introduced: 2/14/2018 [html](#) [pdf](#)

Introduced: 2/14/2018

Status: 4/10/2018-From committee: Do pass and re-refer to Com. on APPR. (Ayes 15. Noes 0.) (April 10). Re-referred to Com. on APPR.

Location: 4/10/2018-A. APPR.

Calendar:

4/18/2018 9 a.m. - State Capitol, Room 4202 ASSEMBLY APPROPRIATIONS, GONZALEZ FLETCHER, Chair

Summary:

Would require the Department of Water Resources to post, and update quarterly, on its Internet Web site a report containing the name of each reservoir subject to a restriction, the effective date of the reservoir restriction, the reason for the restriction, and actions that would allow the restriction to be removed. The bill, if no reservoir restrictions are in effect, would require the department to post this fact on its Internet Web site.

Other Positions: ACWA-NF/A, SCWC-Watch, SWC-Watch

AB 2528 (Bloom D) Climate adaptation.

Current Text: Amended: 4/4/2018 [html](#) [pdf](#)

Introduced: 2/14/2018

Last Amended: 4/4/2018

Status: 4/16/2018-VOTE: Do pass as amended and be re-referred to the Committee on [Appropriations]

Location: 4/16/2018-A. APPR.

Summary:

Current law requires the Natural Resources Agency, by July 1, 2017, and every 3 years thereafter, to update the state's climate adaptation strategy to identify vulnerabilities to climate change by sectors, including the biodiversity and habitat sector, and priority actions needed to reduce the risks in those sectors. This bill would specify that the biodiversity and habitat sector includes habitat resilience areas, as defined. The bill would also require state agencies to maximize the objective of protecting and enhancing habitat resilience areas.

Other Positions: SCWC-Watch, SWC-Watch

AB 2543 (Eggman D) State agencies: infrastructure project budget and schedule: Internet Web site information.

Current Text: Amended: 3/13/2018 [html](#) [pdf](#)

Introduced: 2/15/2018

Last Amended: 3/13/2018

Status: 3/21/2018-From committee: Do pass and re-refer to Com. on APPR. (Ayes 6. Noes 0.) (March 21). Re-referred to Com. on APPR.

Location: 3/21/2018-A. APPR.

Calendar:

4/18/2018 9 a.m. - State Capitol, Room 4202 ASSEMBLY APPROPRIATIONS, GONZALEZ FLETCHER, Chair

Summary:

Would require each state agency or department authorized to undertake any infrastructure project costing \$100,000,000 or more to publicly post on its Internet Web site any change in the cost or schedule of the project that would result in the project exceeding its established budget by 10 percent or more or being delayed by 12 months or longer. The bill would require that the posted information describe how much the project is expected to exceed its established budget or delay its construction schedule.

Other Positions: SWC-Watch

AB 2545 (Gallagher R) Department of Fish and Wildlife: lake or streambed alteration agreements: definitions.

Current Text: Amended: 4/17/2018 [html](#) [pdf](#)

Introduced: 2/15/2018

Last Amended: 4/17/2018

Status: 4/17/2018-From committee chair, with author's amendments: Amend, and re-refer to Com. on W.,P., & W. Read second time and amended.

Location: 3/5/2018-A. W.,P. & W.

Calendar:

4/24/2018 9 a.m. - State Capitol, Room 444 ASSEMBLY WATER, PARKS AND WILDLIFE, GARCIA, Chair

Summary:

Current law prohibits an entity from substantially diverting or obstructing the natural flow of, or substantially changing or using any material from the bed, channel, or bank of, any river, stream, or lake, or from depositing certain material where it may pass into any river, stream, or lake, without first notifying the Department of Fish and Wildlife of that activity, and entering into a lake or streambed alteration agreement if required by the department to protect fish and wildlife resources. This bill would define "river" and "stream" for purposes of these provisions.

Other Positions: ACWA-SifA, SCWC-Watch, SWC-Watch

AB 2649 (Arambula D) Water rights: water management.

Current Text: Amended: 4/4/2018 [html](#) [pdf](#)

Introduced: 2/15/2018

Last Amended: 4/4/2018

Status: 4/5/2018-Re-referred to Com. on W.,P., & W.

Location: 3/22/2018-A. W.,P. & W.

Calendar:

4/24/2018 9 a.m. - State Capitol, Room 444 ASSEMBLY WATER, PARKS AND WILDLIFE, GARCIA, Chair

Summary:

Would require the State Water Resources Control Board to prioritize a temporary permit for a project that enhances the ability of a local or state agency to capture high precipitation events for local storage or recharge, consistent with water rights priorities and protections for fish and wildlife. The bill would exempt temporary permits for these projects from the California Environmental Quality Act. The bill would require the board to set a reduced application fee for an applicant for a temporary permit for these projects.

Other Positions: ACWA-W, SCWC-Watch, SWC-Watch

AB 2693 (Quirk D) Natural gas-fired generating units.

Current Text: Amended: 4/11/2018 [html](#) [pdf](#)

Introduced: 2/15/2018

Last Amended: 4/11/2018

Status: 4/12/2018-Re-referred to Com. on U. & E.

Location: 3/8/2018-A. U. & E.

Calendar:

4/18/2018 1:30 p.m. - State Capitol, Room 437 ASSEMBLY UTILITIES AND ENERGY, HOLDEN, Chair

Summary:

Would require the Public Utilities Commission, before January 1, 2020, and every 2 years thereafter, in consultation with the Independent System Operator, to analyze and determine for specified years which natural gas-fired electric generating units in existence at the time of the analysis are needed to ensure short-term and long-term local and system electrical reliability in the state. The bill would, after that analysis and determination, require the commission, in consultation with the State Air Resources Board, to identify from among those generating units preferred generating units.

Other Positions: CMUA-W, SWC-Watch

AB 2697 (Gallagher R) Wildlife, bird, and waterfowl habitat: idled agricultural lands.

Current Text: Amended: 4/17/2018 [html](#) [pdf](#)

Introduced: 2/15/2018

Last Amended: 4/17/2018

Status: 4/17/2018-From committee chair, with author's amendments: Amend, and re-refer to Com. on W.,P., & W. Read second time and amended.

Location: 3/8/2018-A. W.,P. & W.

Calendar:

4/24/2018 9 a.m. - State Capitol, Room 444 ASSEMBLY WATER, PARKS AND WILDLIFE, GARCIA, Chair

Summary:

Would require the Wildlife Conservation Board to establish a program, which may include direct payments or other incentives, to encourage landowners to voluntarily cultivate or retain cover crops or other upland vegetation on idled lands to provide waterfowl, upland game bird, and other wildlife habitat cover for purposes, including, but not limited to, encouraging the use of idle agricultural lands for wildlife habitat. The bill would also authorize the department to provide incentives pursuant to the program for the creation or enhancement of waterfowl brood habitat, and to develop guidelines and criteria for the program as it deems appropriate.

Other Positions: SCWC-Watch, SWC-Watch

AB 2975 (Friedman D) Wild and scenic rivers.

Current Text: Amended: 4/2/2018 [html](#) [pdf](#)

Introduced: 2/16/2018

Last Amended: 4/2/2018

Status: 4/10/2018-From committee: Do pass and re-refer to Com. on APPR. (Ayes 6. Noes 3.) (April 9). Re-referred to Com. on APPR.

Location: 4/10/2018-A. APPR.

Summary:

Would, if the federal government takes action to remove or delist any river or segment of a river in California that is included in the national wild and scenic rivers system and not in the state wild and scenic rivers system, or if the secretary determines that the federal government has exempted a river or segment of a river in California that is not in the state wild and scenic river system from the

protection of certain federal provisions governing restrictions on water resources projects, require the secretary, after holding a public hearing on the issue, to take any necessary action to add the river or segment of a river to the state wild and scenic rivers system and to classify that river or segment of a river.

Other Positions: ACWA-NF, SCWC-Watch, SWC-Watch

AB 3045 (Gallagher R) Natural Resources Agency: Division of Safety of Dams.

Current Text: Introduced: 2/16/2018 [html](#) [pdf](#)

Introduced: 2/16/2018

Status: 3/12/2018-Referred to Com. on W.,P., & W.

Location: 3/12/2018-A. W.,P. & W.

Calendar:

4/24/2018 9 a.m. - State Capitol, Room 444 ASSEMBLY WATER, PARKS AND WILDLIFE, GARCIA, Chair

Summary:

Would establish within the Natural Resources Agency the Division of Safety of Dams. The bill would transfer authority over dams and reservoirs from the department to the division.

Other Positions: ACWA-W, SCWC-Watch, SWC-Watch

AB 3116 (Cooley D) Ballast water.

Current Text: Introduced: 2/16/2018 [html](#) [pdf](#)

Introduced: 2/16/2018

Status: 3/12/2018-Referred to Com. on E.S. & T.M.

Location: 3/12/2018-A. E.S. & T.M.

Summary:

The Marine Invasive Species Act, which is administered by the State Lands Commission and generally applies to all vessels carrying or capable of carrying ballast water into the coastal waters of the state after operating outside of the coastal waters of the state and to all ballast water and associated sediments taken on a vessel, imposes specified requirements on the master, owner, operator, or person in charge of one of those vessels to minimize the uptake and release of nonindigenous species, including minimizing the uptake of ballast water in specified areas and under certain circumstances. This bill would also require those persons to minimize the uptake of ballast water in areas designated by the State Lands Commission.

Other Positions: SWC-Watch

SB 100 (De León D) California Renewables Portfolio Standard Program: emissions of greenhouse gases.

Current Text: Amended: 9/11/2017 [html](#) [pdf](#)

Introduced: 1/11/2017

Last Amended: 9/11/2017

Status: 9/11/2017-September 11 hearing postponed by committee. From committee with author's amendments. Read second time and amended. Re-referred to Com. on U. & E.

Location: 9/8/2017-A. U. & E.

Summary:

The Legislature has found and declared that its intent in implementing the California Renewables Portfolio Standard Program requires the PUC is to attain, among other targets for sale of eligible renewable resources, the target of 50% of total retail sales of electricity by December 31, 2030. This bill would revise the above-described legislative findings and declarations to state that the goal of the program is to achieve that 50% renewable resources target by December 31, 2026, and to achieve a 60% target by December 31, 2030.

Other Positions: ACWA-O/A, CMUA-S/A, SWC-O/A

SB 919 (Dodd D) Water resources: stream gages.

Current Text: Amended: 3/15/2018 [html](#) [pdf](#)

Introduced: 1/22/2018

Last Amended: 3/15/2018

Status: 4/16/2018-April 16 hearing: Placed on APPR. suspense file.

Location: 4/16/2018-S. APPR. SUSPENSE FILE

Summary:

Would require the Department of Water Resources, upon appropriation by the Legislature, to develop a plan to deploy a network of stream gages that includes a determination of funding needs and opportunities for reactivating existing gages. The bill would require the department, in consultation with the board, the Department of Fish and Wildlife, the Central Valley Flood Protection Board, interested stakeholders, and, to the extent they wish to consult, local agencies, to develop the plan to address significant gaps in information necessary for water management.

Other Positions: ACWA-S, SCWC-Watch, SWC-Watch

SB 955 (Nielsen R) Oroville Dam: Citizens Advisory Commission.

Current Text: Amended: 3/14/2018 [html](#) [pdf](#)

Introduced: 1/30/2018

Last Amended: 3/14/2018

Status: 4/17/2018-From committee: Do pass as amended and re-refer to Com. on JUD. (Ayes 9. Noes 0.) (April 16).

Location: 4/17/2018-S. JUD.

Calendar:

4/19/2018 #2 SENATE SEN SECOND READING FILE - SENATE BILLS

Summary:

Would create the Citizens Advisory Commission for Oroville Dam as an independent entity within the Department of Water Resources. The bill would require the commission to consist of 27 members, appointed as prescribed to 3-year terms of office, and including 7 members appointed by specified cities and 3 members representing specified counties. By imposing new duties on cities and counties in connection with the appointment of members to the commission, this bill would impose a state-mandated local program.

Other Positions: ACWA-W, SCWC-Watch, SWC-Watch

SB 1073 (Dodd D) Flood control: Napa River.

Current Text: Amended: 3/15/2018 [html](#) [pdf](#)

Introduced: 2/12/2018

Last Amended: 3/15/2018

Status: 4/10/2018-Set for hearing April 24.

Location: 4/4/2018-S. N.R. & W.

Calendar:

4/24/2018 9:30 a.m. - Room 112 SENATE NATURAL RESOURCES AND WATER, HERTZBERG, Chair

Summary:

Current law authorizes a plan of improvement for flood control and other purposes on the Napa River in Napa County, known as the Napa River Flood Control Project, in accordance with specified recommendations adopted by a specified federal act, at an estimated cost to the state of the sum that may be appropriated for state cooperation by the Legislature upon the recommendation and advice of the Department of Water Resources. This bill would require the state share of the nonfederal costs of that project to be only for those project costs incurred on or after the date on which the project was authorized by Congress.

Other Positions: SWC-Watch

SB 1301 (Beall D) State permitting: environment: processing procedures.

Current Text: Amended: 4/9/2018 [html](#) [pdf](#)

Introduced: 2/16/2018

Last Amended: 4/9/2018

Status: 4/17/2018-From committee: Do pass and re-refer to Com. on EQ. (Ayes 8. Noes 0.) (April 16). Re-referred to Com. on EQ.

Location: 4/17/2018-S. E.Q.

Calendar:

4/18/2018 9:30 a.m. - Room 3191 SENATE ENVIRONMENTAL QUALITY, WIECKOWSKI, Chair

Summary:

Would require the Department of Fish and Wildlife, the San Francisco Bay Conservation and Development Commission, the California Coastal Commission, the State Water Resources Control Board, and a California regional water quality control board, for certain permits that each agency issues

for a dam safety project or flood risk reduction project, beginning July 1, 2020, to keep an accurate record of permit processing times. The bill would require these agencies to issue a report that discloses any legally mandated permit processing times and the average permit processing times for all dam safety projects and flood risk reduction projects, as specified.

Other Positions: ACWA-W, SWC-Watch