



**Meeting of the Metro Commission
and Metro Wastewater JPA**

AGENDA

**Thursday, DECEMBER 2, 2010
12:00 p.m.**

**9192 Topaz Way (MOC II) Auditorium
San Diego, California**

"The mission of the Metro Commission is to create an equitable partnership with the San Diego City Council on wastewater issues in the San Diego region that ensures fair rates for participating agencies, concern for the environment, and regionally balanced decisions through data analysis, collaboration among all stakeholders, and open dialogue."

Note: Any member of the Public may address the Metro Commission/Metro Wastewater JPA on any Agenda Item. Please complete a Speaker Slip and submit it to the Administrative Assistant or Chairperson prior to the start of the meeting if possible, or in advance of the specific item being called. Comments are limited to three (3) minutes per individual.

Documentation
Included

1. ROLL CALL
2. PLEDGE OF ALLEGIANCE TO THE FLAG
3. PUBLIC COMMENT
Persons speaking during Public Comment may address the Metro Commission/ Metro Wastewater JPA on any subject matter within the jurisdiction of the Metro Commission and/or Metro Wastewater JPA that is not listed as an agenda item. Comments are limited to three (3) minutes. Please complete a Speaker Slip and submit it prior to the start of the meeting.
- X 4. **ACTION** – CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE MINUTES OF [October 7, 2010](#) (**Attachment**)
- X 5. **ACTION** – CONSIDERATION FOR APPROVAL OF METRO FACILITIES CONTROL SYSTEM UPGRADE – PHASE II PROJECT (**Chisti Dadachanji**) (**Attachment**)
- X 6. **ACTION** – REVIEW AND APPROVAL OF THIRD AMENDMENT TO METRO JPA TREASURER SERVICES AGREEMENT (**Attachment**)
- X 7. **ACTION** – REVIEW AND APPROVAL OF METRO JPA 2011 MEETING CALENDAR (**Attachment**)
- X 8. PRESENTATION ON CITY OF SAN DIEGO WATER PURIFICATION DEMONSTRATION PROJECT (**Marsi Steirer**) (**Attachment to be provided at meeting**)
9. PRESENTATION ON CITY OF SAN DIEGO STAFFING CHANGES

Documentation
Included

- X 10. KEY RELATED ITEMS WE SHOULD BE TRACKING/GETTING UP TO SPEED ON
 (Attachment)
- 11. METRO TAC UPDATE
- X 12. IROC UPDATE
 - a. Report from IROC Alternate Representative Robak on Financial Planning & Rate Case Drivers
- 13. FINANCE COMMITTEE
 - a. Report from Finance Committee
- 14. REPORT OF GENERAL COUNSEL
- 15. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION/ METRO WASTEWATER JPA MEETING **January 6, 2011**.
- 16. METRO COMMISSIONERS' AND JPA BOARD MEMBERS' COMMENTS
- 17. ADJOURNMENT OF METRO COMMISSION AND METRO WASTEWATER JPA

The Metro Commission and/or Metro Wastewater JPA may take action on any item listed in this Agenda whether or not it is listed "For Action."

Materials provided to the Metro Commission and/or Metro Wastewater JPA related to any open-session item on this agenda are available for public review by contacting L. Peoples at (619) 476-2557 during normal business hours.

***In compliance with the
AMERICANS WITH DISABILITIES ACT***

The Metro Commission/Metro Wastewater JPA requests individuals who require alternative agenda format or special accommodations to access, attend, and/or participate in the Metro Commission/Metro Wastewater JPA meetings, contact E. Patino at (858) 292.6321, at least forty-eight hours in advance of the meetings.

AGENDA ITEM 4

Attachment



**Meeting of the Metro Commission
and Metro Wastewater JPA**

**9192 Topaz Way (MOC II) Auditorium
San Diego, California**

October 7, 2010

DRAFT Minutes

Chairman Ewin called the meeting to order at 12:00 p.m. A quorum of the Metro Wastewater JPA and Metro Commission was declared, and the following representatives were present:

1. ROLL CALL

<u>Agencies</u>	<u>Representatives</u>	<u>Alternate</u>
City of Chula Vista	Cheryl Cox	X
City of Coronado	Al Ovrom	X
City of Del Mar	Donald Mosier	(No representative)
City of El Cajon	Bill Wells	Dennis Davies
City of Imperial Beach	Patricia McCoy	X
City of La Mesa	Ernie Ewin	X
Lemon Grove Sanitation District	Jerry Jones	X
City of National City	Alejandra Sotelo-Solis	(No representative)
City of Poway	Merrilee Boyack	X
City of San Diego	Jerry Sanders	Roger Bailey
County of San Diego	Dianne Jacob	Daniel Brogadir
Otay Water District	Mark Robak	X
Padre Dam MWD	Augie Caires	(No representative)
Metro TAC Chair	Scott Huth	Greg Humora
IROC	Jim Peugh	(No representative)

Others present: Metro JPA General Counsel Paula de Sousa; City of San Diego Public Utilities Director Roger Bailey; City of San Diego City Attorney Tom Zeleny; Dean Gipson – PBS&J

2. PLEDGE OF ALLEGIANCE TO THE FLAG

Chairman Ewin led the Pledge.

Following the Pledge, Chairman Ewin welcomed new Director of Public Utilities for San Diego Roger Bailey. Mr. Bailey provided a brief background on his prior employment and stated he looked forward to having a good relationship with the Metro JPA.

3. PUBLIC COMMENT

There was no public comment.

4. ACTION - CONSIDERATION AND POSSIBLE ACTION TO APPROVE THE MINUTES OF September 2, 2010.

ACTION: Upon motion by Commissioner Cox seconded by Commissioner Robak, the September 2, 2010 Regular Meeting Minutes were approved with Commissioner McCoy abstaining.

5. **ACTION** – CONSIDERATION FOR APPROVAL TO AWARD A CONTRACT TO HAWTHORNE POWER SYSTEMS

MetroTAC Vice Chairman Humora stated that this item was heard and approved by the MetroTAC; was in a previously approved budget and is for performing some heavy duty maintenance on some power facilities at several metro facilities and requires Metro JPA approval prior to going to City of San Diego City Council.

Chris McKinney, Deputy Director, City of San Diego Wastewater Treatment and Disposal Division requested approval of the award of contract and explained which equipment was in need of maintenance.

ACTION: Upon motion by Vice Chairman Jones, seconded by Commissioner McCoy, the award of a contract to Hawthorne Power Systems was approved unanimously.

6. **ACTION** – REVIEW AND APPROVE METRO JPA YEAR-END FINANCIAL STATEMENTS – 6/30/10

Metro JPA Treasurer Wilson provided a brief overview of the Year-End Financial Statements which had previously been reviewed and approved by the MetroTAC and had gone to the Finance Committee who did not have a quorum but recommended it be forwarded to the Metro JPA.

ACTION: Upon motion by Commissioner Robak, seconded by Vice Chairman Jones, the Metro JPA Year-End Financial Statements were approved unanimously.

7. **REVIEW OF METRO 2011 OPERATIONS BUDGET & CIP**

Mr. Terrell Breaux, Supervising Analyst for City of San Diego, Finance and Information Technology Division stated this presentation had been made to MetroTAC several times and suggested changes received had been incorporated. He then provided an overview of the Metro Budget Summary which showed the participating agencies portion noting that the total operating budget was \$138.9 million of which \$47.3 million is from the participating agencies. City of San Diego Engineering and Program Management Deputy Director Guann Hwang stated he had previously presented the CIP program to MetroTAC and noted that not all projects are currently on schedule such as the Pt. Loma Grit Processing Improvement project which needs to be rebid due to the grant requirements of the State Revolving Fund. Most projects are on schedule. Chairman Ewin inquired as to whether the projects that had been deferred in the past due to lack of financing were being done. Ann Sasaki, City of San Diego Assistant Director of Wastewater Operations, stated that those projects are included in the budget and are being scheduled along with new projects that are being identified so that they are able to maintain their facilities and operate them efficiently. Chairman Ewin requested a chart showing staffing before and after the reorganization that would show what the PA's are paying for at a future meeting.

8. **KEY RELATED ITEMS WE SHOULD BE TRACKING/GETTING UP TO SPEED ON**

Chairman Ewin asked the members to submit any items they would like to see added.

9. **METRO TAC UPDATE**

MetroTAC Vice Chairman Humora stated that they had spoke about the California Ocean Plan which is potentially becoming more restrictive due to legislation changes and they are keeping an eye on how they will effect our system; a drug take back was held recently and was very successful and the PA's will continue working with various law enforcement agencies to continue these types of events; the notice to proceed for the Advance Water Purification Demonstration project was issued on September 2nd; held discussion on the Sewer Transportation Agreement and are working with the City Attorneys office on refining the document making changes to bring - it up to actual practice; TAC is continuing working with City of San Diego on the Recycled Water Study – a number of technical memorandums have been issued and comments from the PA's are being addressed and there has been good dialogue.

10. IROC UPDATE

a. Report from IROC Representative Caires –

IROC Alternate Representative Robak stated he had attended his first meeting last month as well as one of the subcommittee meetings and stated there was more of a divergent view on things than he had expected. Further in the context of the Metro JPA's objectives for the audit, 4 of the 5 items were to be addressed at the meeting, but the IROC Chair and Auditors did not seem to be prepared to discuss them. The majority of the meeting was spent discussing what the audit that was being done of the department would be focusing on.

b. IROC Performance Plan Update

No additional report.

11. FINANCE COMMITTEE

a. Report from Finance Committee –

Finance Committee Chairman Ovrom stated there had not been a quorum but those present did review and comment on the Metro 2011 Budget and CIP and the Metro JPA Year End Financials. They also discussed the 2009 Exhibit E Audit Report was close to completion and agreed that the way the audits have been going have clearly been good for both parties and the items have been narrowed down and the process continues to improve. They also discussed doing some kind of an audit; received an IROC report from Commissioner Caires and spoke regarding a meeting calendar.

b. Minutes from the July 28, 2010 Finance Committee Meeting

12. REPORT OF GENERAL COUNSEL

General Counsel de Sousa briefed the Board that the Legislature was going to be taking budget action today, day 99 of not having a budget. The deficit at the beginning of this process was \$17.9 billion and they are going to balance it by reducing expenditures by \$7.5 billion using Federal funds to stop some of the gaps to a tune of \$5.3 billion, raise additional revenues of \$2.5 billion, shift funds and other revenues of \$2.8 billion of which \$13 million is being shifted from water quality and water rights programs to the General Fund, alternative funding of \$.5 billion and they are also going to implement some workload adjustments that will increase the budget, so the total solution is \$18.3 billion.

13. PROPOSED AGENDA ITEMS FOR THE NEXT METRO COMMISSION METRO WASTEWATER JPA MEETING (November 4, 2010)

Metro staffing budget report and movement of personnel within that budget.

14. METRO COMMISSIONERS' and JPA BOARD MEMBERS' COMMENTS

There were none.

16. ADJOURNMENT OF METRO COMMISSION AND METRO WASTEWATER JPA

At 1:34 p.m., there being no further business, Chairman Ewin declared the meeting adjourned.

Recording Secretary

Page 3 of 3

AGENDA ITEM 5

Attachment

**METRO JPA/TAC
Staff Report**

Subject Title: Metro Facilities Control System Upgrade Project – Phase II

Requested Action: Engineering & Capital Projects Department request approval to award a contract to Emerson Process Management for the Metro Facilities Control System Upgrade at the Pt. Loma Water Treatment Plant, North City Water Reclamation Plant, Pump Station 64 and Penasquitos Pump Station. The existing control system at these Facilities is an Emerson WDPF Distributed Control System which has reached the end of its life cycle of about twelve years. Emerson will stop supporting the old WDPF technology in 2012. The new Ovation technology is also based on a twelve year life cycle period. The WDPF to Ovation migration will bring the existing control system to current industry standards. The Metro Facilities will preserve the existing control strategies, graphics and wiring through this project. Since installation, the facilities have added more plant processes and numerous Capital Improvement Projects (CIP) which have used most of the spare capacity originally available. Future critical CIP projects must be incorporated and controlled by the DCS system. A decision to upgrade was reached after a business case evaluation (BCE) and discussions with an independent consultant, peer agencies and vendors. The original vendor (now known as Emerson) was selected to upgrade the hardware and software to the latest version because they are the only qualified vendor that has the knowledge and understanding of the existing custom system configurations. They are also well aware how any software, hardware or third party changes interact and impact the system. Phase I of this project included the control systems upgrade to Ovation at the Metropolitan Biosolid Center (MBC). The project is in construction and is expected to be completed by April 2011. Upgrades at Pt. Loma are planned for calendar year 2011 and 2012; North City for calendar year 2012 and 2013; and Pump Station 64 and Penasquitos Pump Station for calendar year 2014.

Recommendations:

Metro TAC:	Approved by Metro TAC on 10/20/2010
IROC:	N/A- This project is included in the approved Metro CIP budget and does not require IROC review.
Prior Actions: (Committee/Commission, Date, Result)	None

Fiscal Impact:

MetroFunds: \$5,200,000 (FY 2011); \$700,000 (FY 2012); \$2,600,000 (FY2013)

Muni Funds: \$1,700,000 (FY2014)

Is this projected budgeted? Yes X No

Cost breakdown between Metro & Muni:	\$8,500,000 – Metro \$1,700,000- - Muni
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Financial impact of this issue on the Metro JPA:	33.5% of \$8,500,000 = \$2,847,500
Capital Improvement Program:	
New Project?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Existing Project?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> upgrade/addition <input checked="" type="checkbox"/> change <input type="checkbox"/>
Comments/Analysis:	
Previous TAC/JPA Action: Approved phase I of the Control System Upgrade at MBC in 2008.	
Additional/Future Action: Present to NR&C in December 2010 prior to City Council.	
City Council Action: Present to City Council for authorization to Award in January 2011.	

AGENDA ITEM 6

Attachment

**THIRD AMENDMENT TO THE AGREEMENT
FOR TREASURER SERVICES BETWEEN METRO
WASTEWATER JOINT POWERS AUTHORITY
AND PADRE DAM MUNICIPAL WATER
DISTRICT**

THIS THIRD AMENDMENT is made and entered into this ____ day of November, 2010, by and between the Metro Wastewater Joint Powers Authority (herein referred to as "Metro JPA"), a joint powers authority organized and operating pursuant to California Government Code section 6500 *et seq.*, and the Padre Dam Municipal Water District (herein referred to as the "District"), collectively referred to herein as the "Parties."

RECITALS

A. WHEREAS, the Parties did enter into an agreement for treasurer services (hereinafter referred to as the "Agreement") on May 29, 2008 for the District to provide treasurer services to Metro JPA until June 30, 2009; and

B. WHEREAS, the Parties entered into a First Amendment to the Agreement on July 1, 2009 to extend the treasurer's service until June 30, 2010; and

C. WHEREAS, the Parties entered into a Second Amendment to the Agreement on June 3, 2010 to extend the treasurer's service until June 30, 2011; and

D. WHEREAS, Section 2 of the Agreement assigns the General Manager of the District, Douglas S. Wilson, as the treasurer to provide treasurer services outlined in the Agreement; and

E. WHEREAS, the Parties desire to change the treasurer designee in the Agreement.

NOW THEREFORE, in consideration of the mutual obligations of the Parties herein expressed, the Parties agree as follows:

1. Section 2 and Section 6 are amended as necessary to assign Karen Jassoy, Padre Dam Chief Financial Officer/Director of Finance, as the treasurer to provide the treasurer services referenced in the Agreement.

2. All other terms and conditions of the original Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, this Third Amendment to the Agreement is executed by Metro JPA and by the District on the day and year first written above.

METRO WASTEWATER JOINT
POWERS AUTHORITY

PADRE DAM MUNICIPAL WATER
DISTRICT

By: _____
Ernest Ewin
Chair

By: _____
Douglas S. Wilson
General Manager

APPROVED AS TO FORM:

BEST BEST & KRIEGER LLP

By: _____
Paula C. P. de Sousa
General Counsel
Metro Wastewater Joint Powers Authority

**SECOND AMENDMENT TO THE AGREEMENT
FOR TREASURER SERVICES BETWEEN METRO
WASTEWATER JOINT POWERS AUTHORITY
AND PADRE DAM MUNICIPAL WATER
DISTRICT**

THIS SECOND AMENDMENT is made and entered into this 3rd day of June, 2010, by and between the Metro Wastewater Joint Powers Authority (herein referred to as "Metro JPA"), a joint powers authority organized and operating pursuant to California Government Code section 6500 *et seq.*, and the Padre Dam Municipal Water District (herein referred to as the "District"), collectively referred to herein as the "Parties."

RECITALS

A. WHEREAS, the Parties did enter into an agreement for treasurer services (hereinafter referred to as "Agreement") on May 29, 2008 for the District to provide treasurer services to Metro JPA until June 30, 2009; and

B. WHEREAS, Section 4 of the Agreement provides that the treasurer services may be extended by the mutual agreement of both Parties, and

C. WHEREAS, the Parties entered into a First Amendment to the agreement on June 4, 2009 to extend the treasurer's service until June 30, 2010, and

D. WHEREAS, the Parties seek to continue the treasurer contract.

NOW THEREFORE, in consideration of the mutual obligations of the parties herein expressed, the Parties agree as follows:

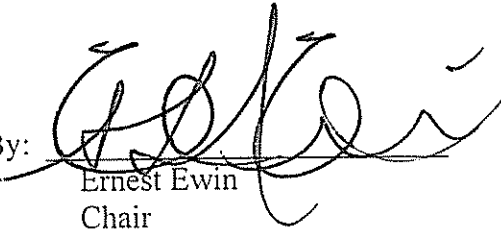
1. Section 3 of the original Agreement is amended to reflect the hourly rate of \$257 per hour (increased from \$249).

2. Section 4 of the original Agreement is amended as necessary to extend the end date of treasurer services until June 30, 2011.

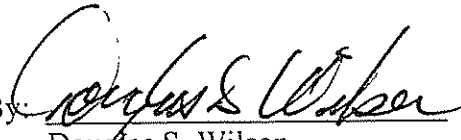
3. All other terms and conditions of the original Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, this Second Amendment to Agreement is executed by Metro JPA and by the District on the day and year first written above.

METRO WASTEWATER
JOINT POWERS
AUTHORITY

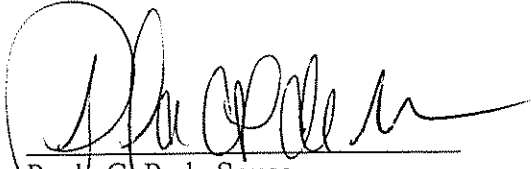
By: 
Ernest Ewin
Chair

PADRE DAM MUNICIPAL WATER
DISTRICT

By: 
Douglas S. Wilson
General Manager

APPROVED AS TO FORM:

BEST BEST & KRIEGER LLP

By: 
Paula C. P. de Sousa
General Counsel
Metro Wastewater Joint Powers Authority

**FIRST AMENDMENT TO THE AGREEMENT FOR
TREASURER SERVICES BETWEEN METRO
WASTEWATER JOINT POWERS AUTHORITY
AND PADRE DAM MUNICIPAL WATER
DISTRICT**

THIS FIRST AMENDMENT is made and entered into this 1st day of July, 2009, by and between the Metro Wastewater Joint Powers Authority (herein referred to as "Metro JPA"), a joint powers authority organized and operating pursuant to California Government Code section 6500 *et seq.*, and the Padre Dam Municipal Water District (herein referred to as the "District"), collectively referred to herein as the "Parties."

RECITALS

A. WHEREAS, the Parties did enter into an agreement for treasurer services (hereinafter referred to as "Agreement") on May 29, 2008 for the District to provide treasurer services to Metro JPA until June 30, 2009; and

B. WHEREAS, Section 4 of the Agreement provides that the treasurer services may be extended by the mutual agreement of both Parties, and

C. WHEREAS, the Parties seek to continue the treasurer contract.

NOW THEREFORE, in consideration of the mutual obligations of the parties herein expressed, the Parties agree as follows:

1. Section 4 of the original Agreement is amended as necessary to extend the end date of treasurer services until June 30, 2010.

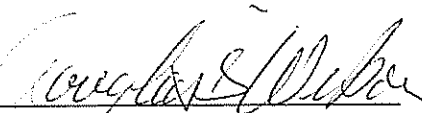
2. All other terms and conditions of the original Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, this First Amendment to Agreement is executed by Metro JPA and by the District on the day and year first written above.

METRO WASTEWATER
JOINT POWERS
AUTHORITY

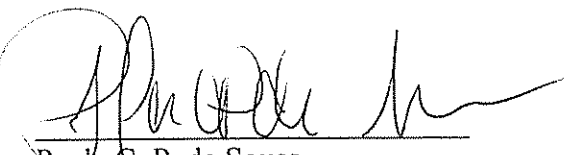
By: 
Ernest Ewin
Vice Chair

PADRE DAM MUNICIPAL WATER
DISTRICT

By: 
Douglas S. Wilson
General Manager

APPROVED AS TO FORM:

BEST BEST & KRIEGER LLP

By: 
Paula C. P. de Sousa
General Counsel
Metro Wastewater Joint Powers Authority

AGREEMENT FOR TREASURER SERVICES

This Agreement ("Agreement") is made and entered into this 29th day of May, 2008 by and between the METRO WASTEWATER JPA ("JPA") and the PADRE DAM MUNICIPAL WATER DISTRICT ("District").

RECITALS

WHEREAS, certain Participating Agencies are members of Metro Wastewater JPA; and

WHEREAS, the activities of the JPA require the services of a treasurer to keep accounts, allocate costs and process accounts payable;

WHEREAS, the JPA requires the services of a treasurer from one of its members;

WHEREAS, the District has provided services as treasurer since September 1, 2002; and

WHEREAS, the parties seek to continue the treasurer contract.

AGREEMENT

IN CONSIDERATION of the mutual promises set forth herein, the Parties agree as follows:

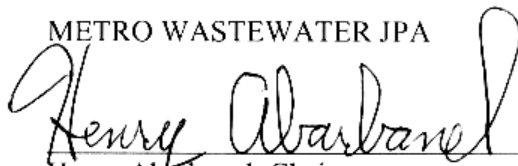
1. Padre Dam agrees to provide treasurer services to the JPA to include:
 - Open separate bank accounts to include savings and checking
 - Maintain and reconcile bank accounts
 - Prepare member agency annual billings
 - Collect and deposit member agency billings
 - Make authorized expenditures to conduct METRO/JPA business
 - Provide periodic unaudited financial reporting which reflects cash balances, outstanding receivable, payables.
 - Provide periodic unaudited income statement financial reporting.
 - Financial reporting will separately track METRO and JPA receipts and expenditures.
 - Accrual basis of accounting will be used to reveal outstanding receivables and payables to the extent known as of the financial statement date.
 - Attend staff and Board meetings as desired by METRO/JPA.
 - Consult and respond to questions from member agencies concerning finances and billings.
 - Other incidental services consistent with the Treasurer's position.
2. Padre Dam shall assign Douglas S. Wilson, General Manager of Padre Dam as the

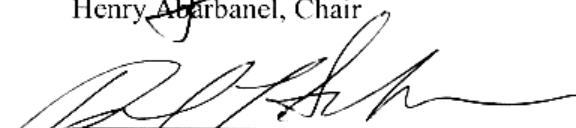
treasurer to provide the above referenced services.

3. JPA agrees to reimburse Padre Dam for labor services on an hourly basis. The hourly rate for said services is \$249 per hour. It is estimated by the parties that services will be performed for an estimated 3 to 5 hours per month with extra time spent in the beginning and end of the fiscal year for set up and year-end statements. Some of the more routine monthly tasks will be assigned to other personnel and billed at their lower rate.
4. Said treasurer services shall continue until June 30, 2009 but may be extended by mutual agreement of both parties. Either party may terminate this Agreement upon ninety (90) days notice.
5. Total charges against this Agreement shall not exceed \$14,000, unless said amount is increased by an amendment to the Agreement.
6. The JPA agrees to protect and hold harmless Padre Dam, Mr. Wilson and Padre Dam's elective, appointive Board, officers, agents and employees from any and all claims, liabilities, expenses or damages arising out of or in any way connected with the performance of this Agreement by Padre Dam or Mr. Wilson. The only exception to Padre Dam or Mr. Wilson's responsibility to protect is due to the gross negligence or willful misconduct of Padre Dam or Mr. Wilson.

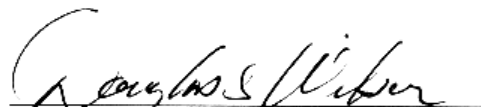
IN WITNESS WHEREOF this Agreement is executed by the Metro Wastewater JPA and by the District.

METRO WASTEWATER JPA


Henry Alarbanel, Chair


Dan Scherer, Secretary
DAVID

PADRE DAM MUNICIPAL WATER DISTRICT


Douglas S. Wilson, General Manager

AGENDA ITEM 7

Attachment

**Metro Commission/Metro JPA
and
MetroTAC Committee**

2011 Meeting Schedules

METRO COMM/METROJPA 1st Thursday of the month		METRO TAC 3rd Wednesday of the month	
December 2, 2010	12:00 – 1:00	December 15, 2010	11:00 – 1:30
January 6, 2011	12:00 – 1:00	January 19, 2011	11:00 – 1:30
February 3, 2011	12:00 – 1:00	February 16, 2011	11:00 – 1:30
March 3, 2011	12:00 – 1:00	March 16, 2011	11:00 – 1:30
April 7, 2011	12:00 – 1:00	April 20, 2011	11:00 – 1:30
May 5, 2011	12:00 – 1:00	May 18, 2011	11:00 – 1:30
June 2, 2011	12:00 – 1:00 (SANDIST meeting immediately following)	June 15, 2011	11:00 – 1:30
July 7, 2011	12:00 – 1:00	July 20, 2011	11:00 – 1:30
August 4, 2011	12:00 – 1:00	August 17, 2011	11:00 – 1:30
September 1, 2011	12:00 – 1:00	September 21, 2011	11:00 – 1:30
October 6, 2011	12:00 – 1:00	October 19, 2011	11:00 – 1:30
November 3, 2011	12:00 – 1:00	November 16, 2011	11:00 – 1:30
December 1, 2011	12:00 – 1:00	December 21, 2011	11:00 – 1:30

Meetings are held at
MWWD MOC II Auditorium, 9192 Topaz Way, SD, CA 92023
(*unless otherwise noted on the agenda*)

AGENDA ITEM 8

Attachment



THE CITY OF SAN DIEGO
PUBLIC UTILITIES
DEPARTMENT



Water Purification | Demonstration Project

December 2, 2010

Marsi Steirer

Long-Range Planning & Water Resources Deputy Director





Today we will discuss...



- San Diego's need for a local, reliable water source
- The role of the Water Purification Demonstration Project
- The process of advanced water purification
- The potential benefits of using advanced purified water

California Water Projects



Federal Water Projects

- Central Valley Project
- Coachella Canal
- All American Canal

State Water Projects

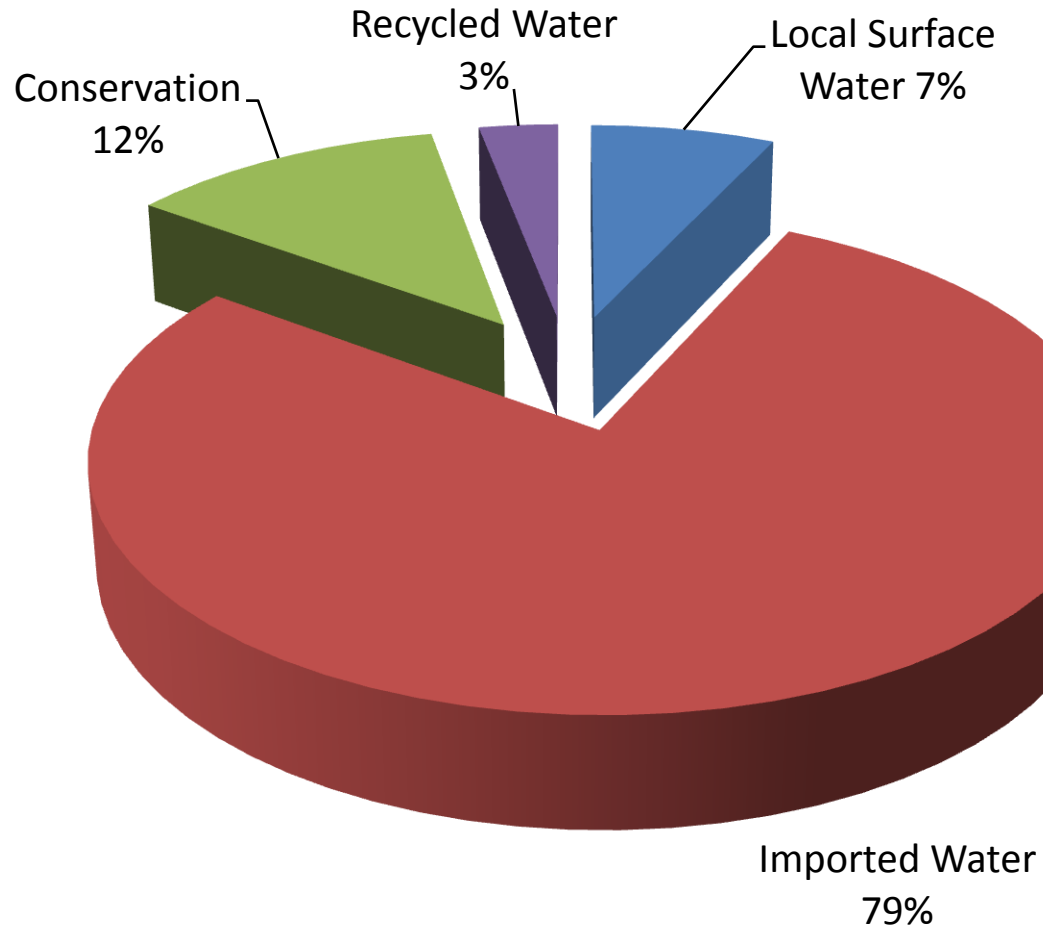
Local Water Projects

- Mokelumne Aqueduct
- Hetch Hetchy Aqueduct
- Los Angeles Aqueduct
- Colorado River Aqueduct

Bay-Delta



Water Supply

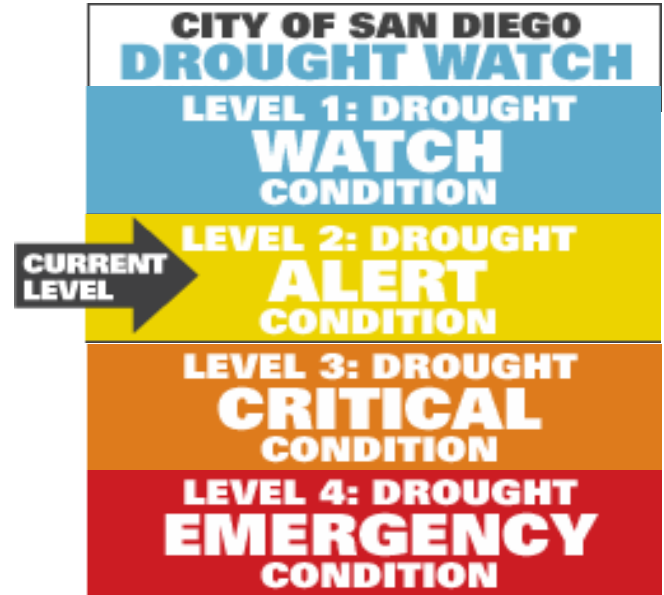


Average (2005-2010)



Water Supply Challenges

- Sustained drought conditions
- Pumping restrictions
- Cost of water increases
- Population growth
- Earthquakes



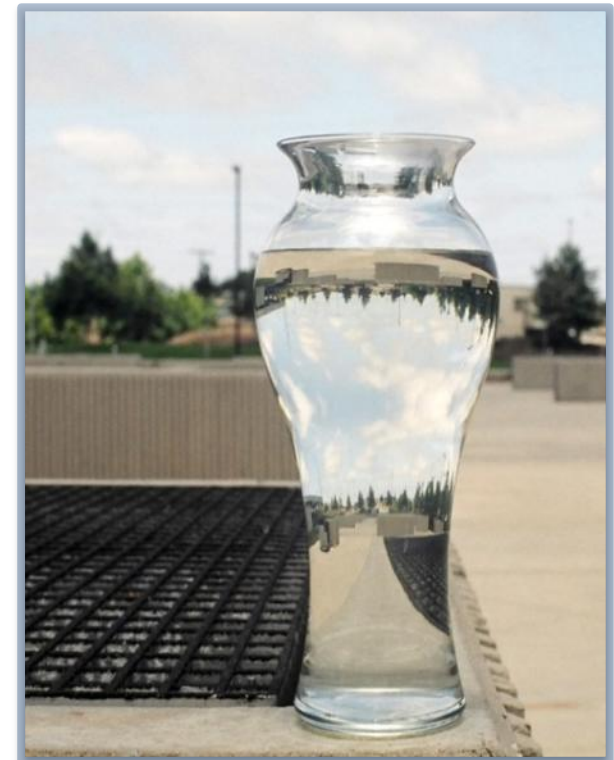
NO TIME TO WASTE
NO WATER TO WASTE



What is being done...



- Water Conservation
- Groundwater Development
- Recycled Water
- The Water Reuse Program





San Diego's Water Reuse Program



Water Reuse Study - (complete)



Study Objective

To conduct an impartial, balanced, comprehensive and science-based study of all recycled water opportunities so the City of San Diego can meet current and future water supply needs.

Water Purification Demonstration Project

Project Objective

Evaluate the feasibility of using advanced treatment technology to produce water that can be sent to San Vicente Reservoir and later distributed as potable water.

Determine if the Demonstration Project provides evidence of viability for a full-scale IPR/RA project.



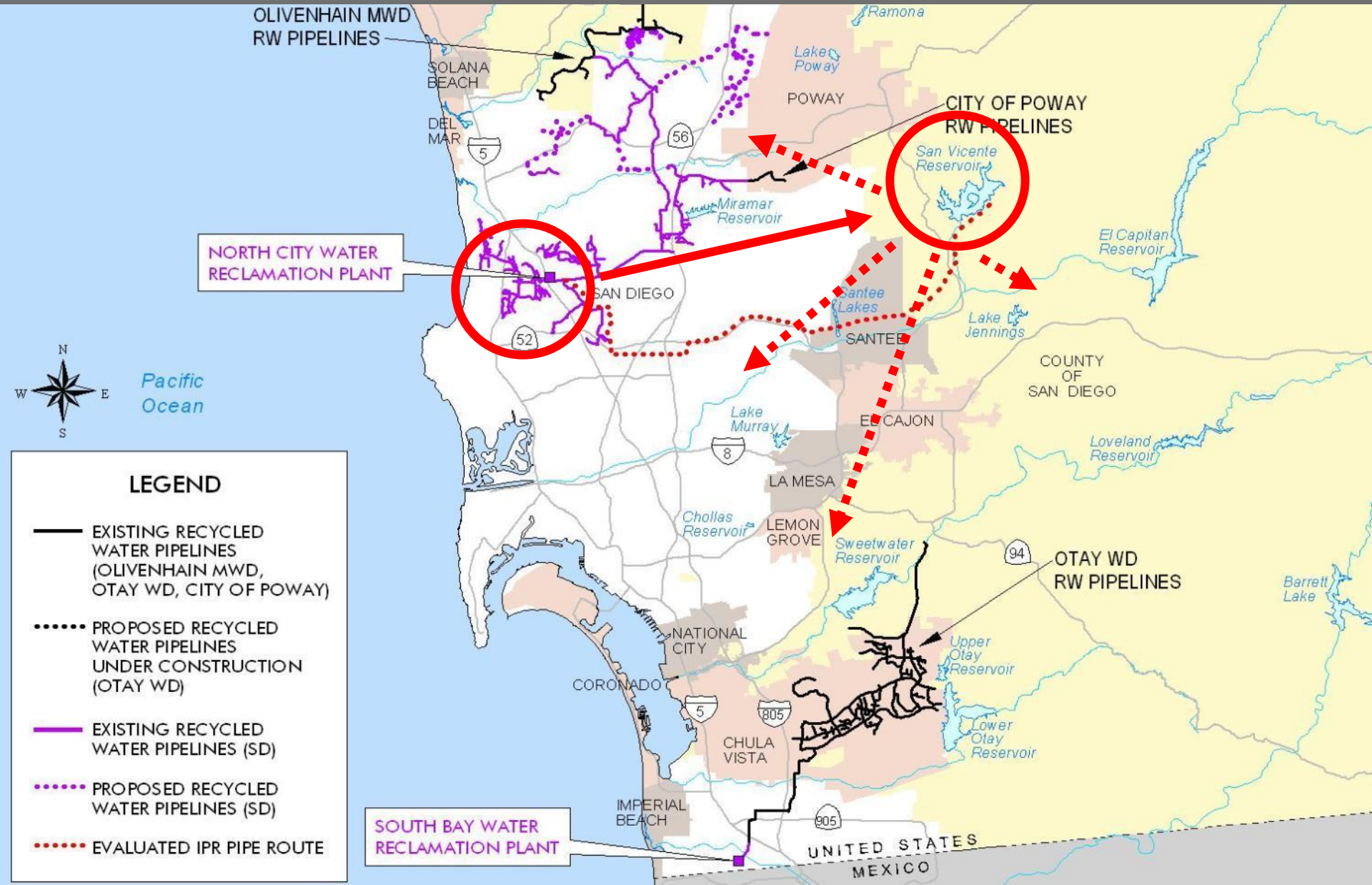


Water Purification Demonstration Project Goals

- Design, install and operate an Advanced Water Purification Facility
- Conduct a limnology and reservoir detention study of San Vicente Reservoir
- Define the regulatory requirements for a full-scale project
- Conduct an independent energy and economic analysis
- Perform pipeline alignment study
- Conduct a public education and outreach program



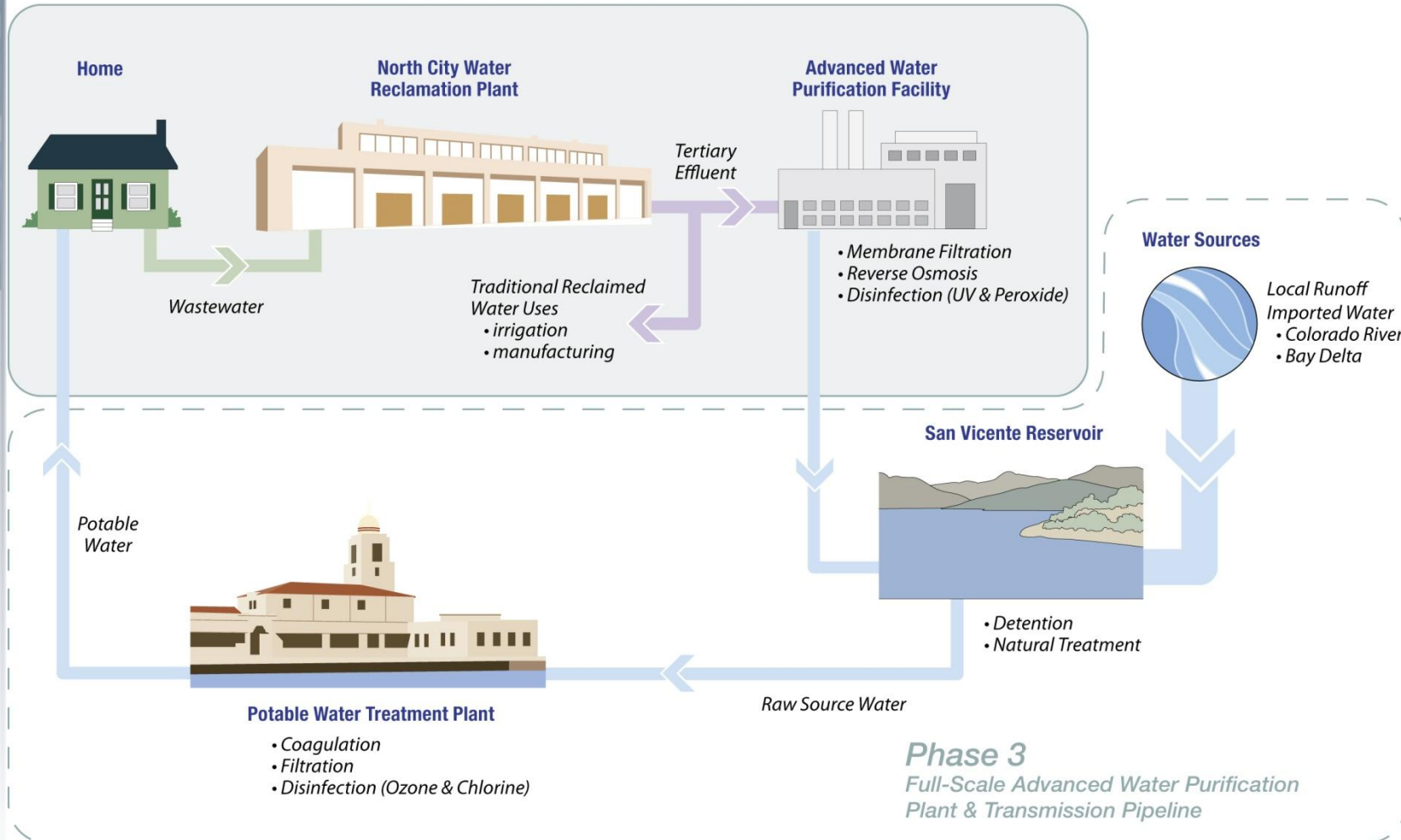
Demonstration Project Concept



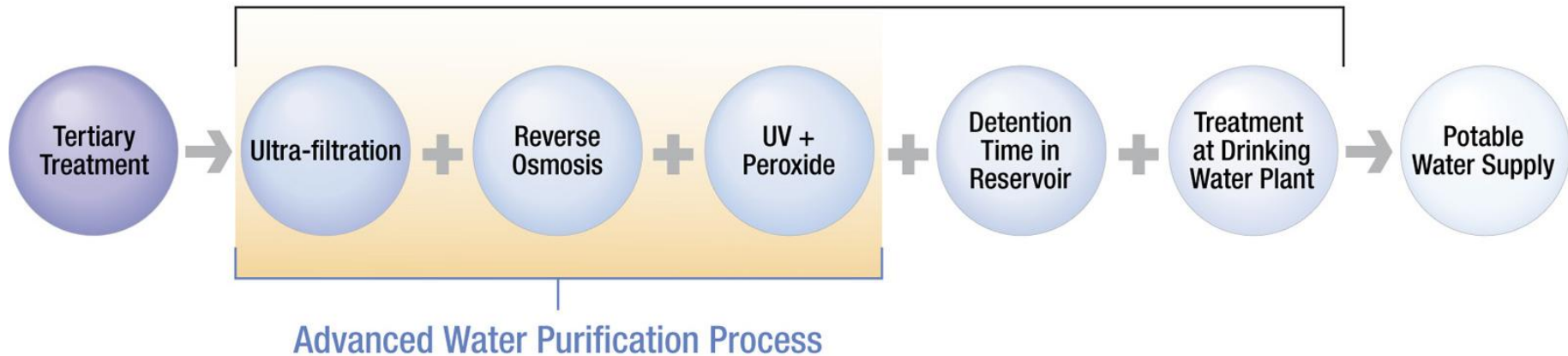


City of San Diego's **Demonstration Project** Water Purification Demonstration Process

Phase 2 Demonstration-Scale Project

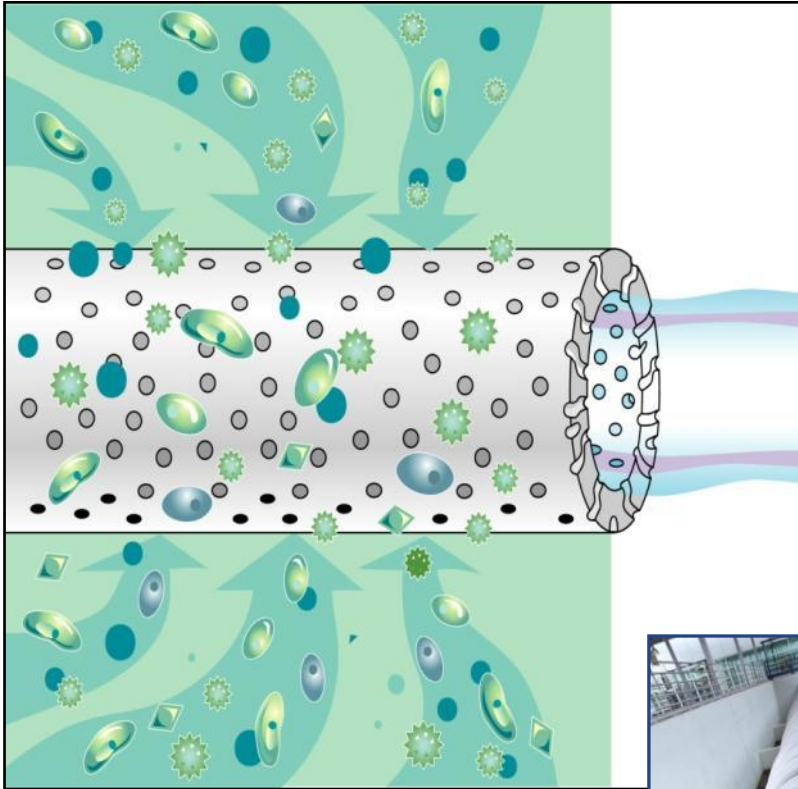


Multiple Barrier Water Treatment Steps





Micro-filtration: Step One

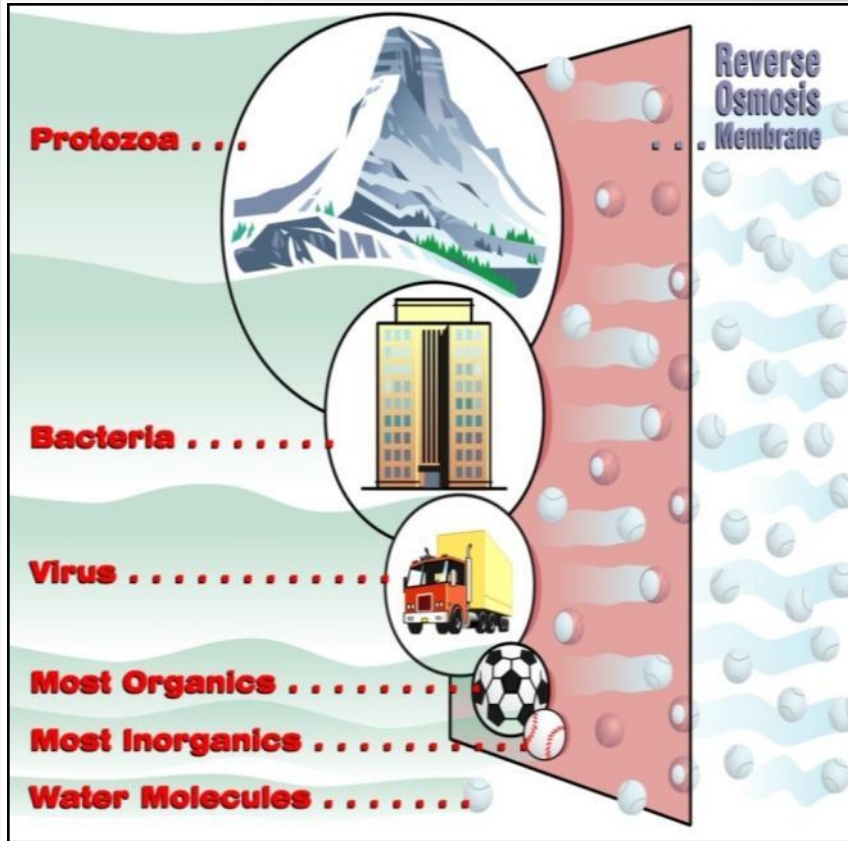


- Like a hollow straw with holes in the sides
- Used to make baby food, purify medicines, fruit juices and more
- Excellent pre-filter before reverse osmosis



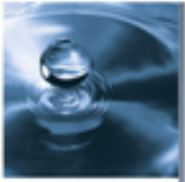


Reverse Osmosis: Step Two

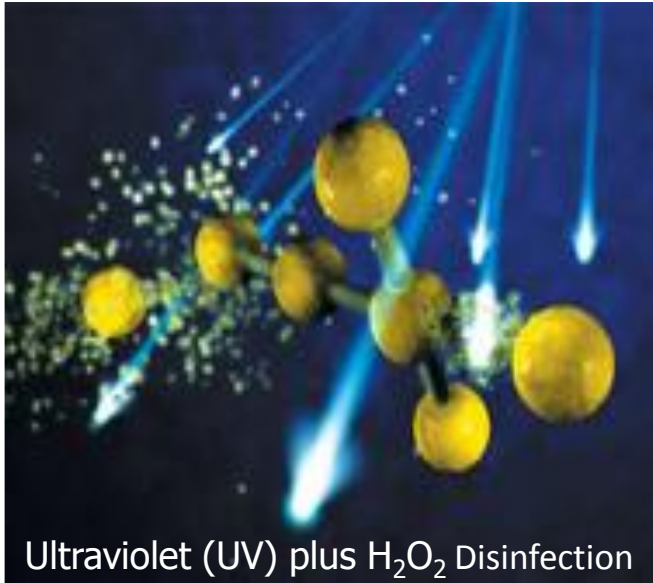


- Same technology used by bottled water companies
- Forces water under high pressure through sheets of plastic membrane
- Demineralizes and purifies water



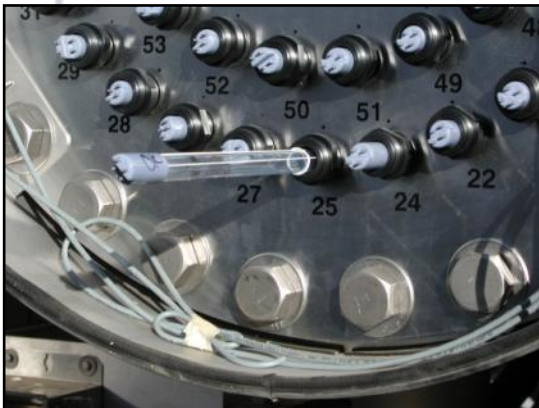


Ultraviolet Light plus H_2O_2 : Step Three



Ultraviolet (UV) plus H_2O_2 Disinfection

- High-intensity light and hydrogen peroxide (H_2O_2)
- Creates advanced oxidation reaction, essentially destroys anything in the water
- Multiple barrier, redundant approach





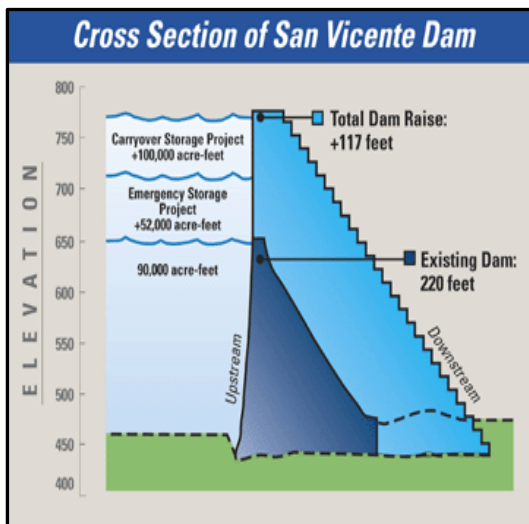
San Vicente Limnology and Reservoir Detention Study



San Vicente Reservoir - 2004



San Vicente Reservoir - 2010



Reservoir Enlargement

- Dam will be raised 117 feet
- Currently 90,000 acre-feet
- After dam raise 242,000 acre-feet
- Construction duration 2009 – 2012
- Refilling reservoir will take 2 to 5 years
- Construction drawdown means no access to reservoir for field tests (tracer studies)



Independent Advisory Panel

- George Tchobanoglous, Ph.D., P.E., Civil & Environmental Engineering (*Panel Chair*), University of California, Davis
- David R. Schubert, Ph.D.
Salk Institute for Biological Studies
- Richard J. Bull, Ph.D., Consulting Toxicologist
Mobull Consulting
- Joseph A. Cotruvo, Ph.D., Joseph Cotruvo Associates
- James Crook, Ph.D., P.E., Water Reuse Consultant
- Richard Gersberg, Ph.D., Occupational & Environmental Health,
Graduate School of Public Health, San Diego State University
- Sunny Jiang, Ph.D., Associate Professor, Civil and Environmental Engineering
University of California, Irvine
- Michael A. Anderson, Ph.D. , Applied Limnology & Environmental Chemistry
University of California, Riverside
- Audrey D. Levine, Ph.D., P.E., DEE, National Program Director, Drinking Water Research
U.S. Environmental Protection Agency
- Michael P. Wehner, Assistant General Manager, Orange County Water District





Advanced Water Purification: a proven technology



Orange County, California

Upper Occoquan Service Authority

Leader in Water Reclamation and Reuse



Fairfax County, Virginia

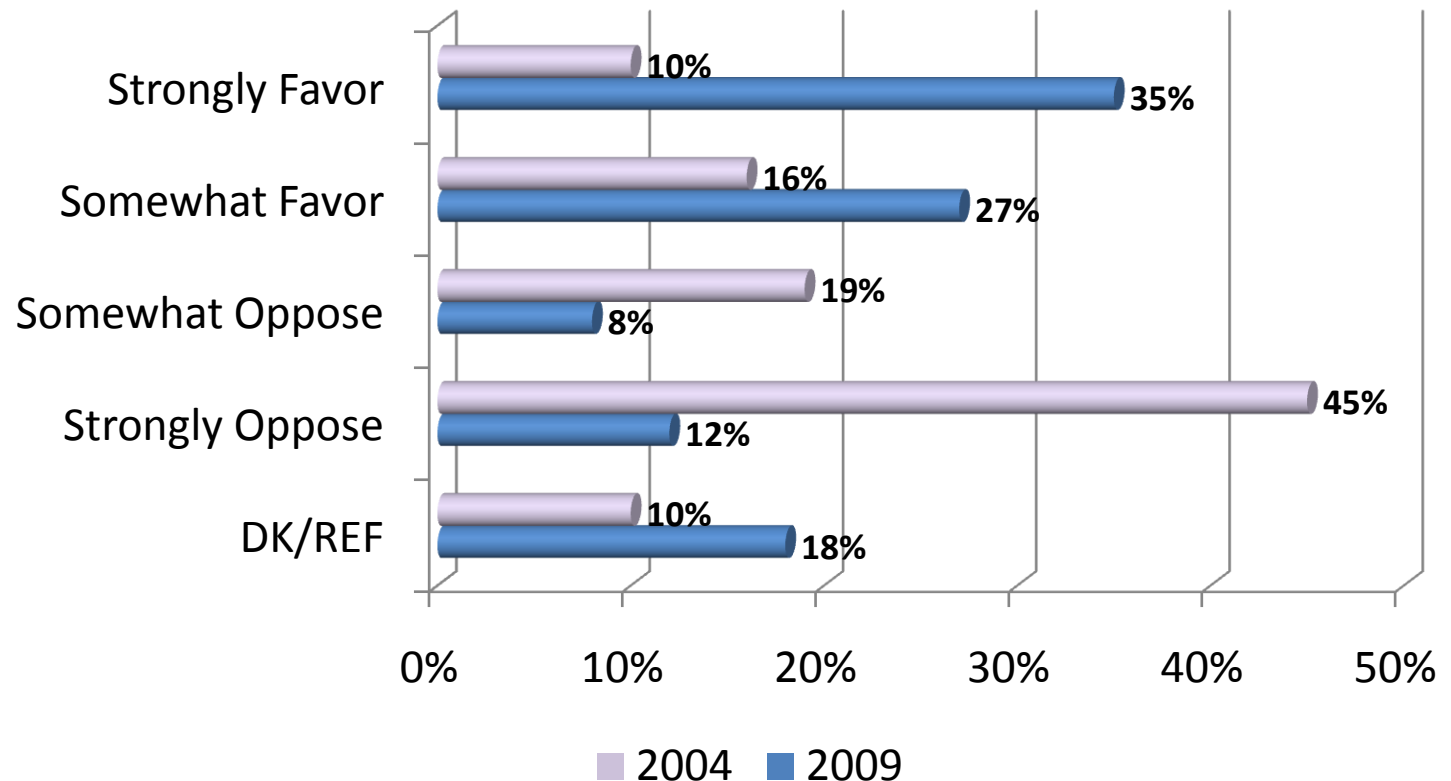




Public Opinion Survey Results

San Diego County Water Authority Survey Comparisons

Using Advanced Treated Recycled Water as an Addition to Drinking Water Supplies



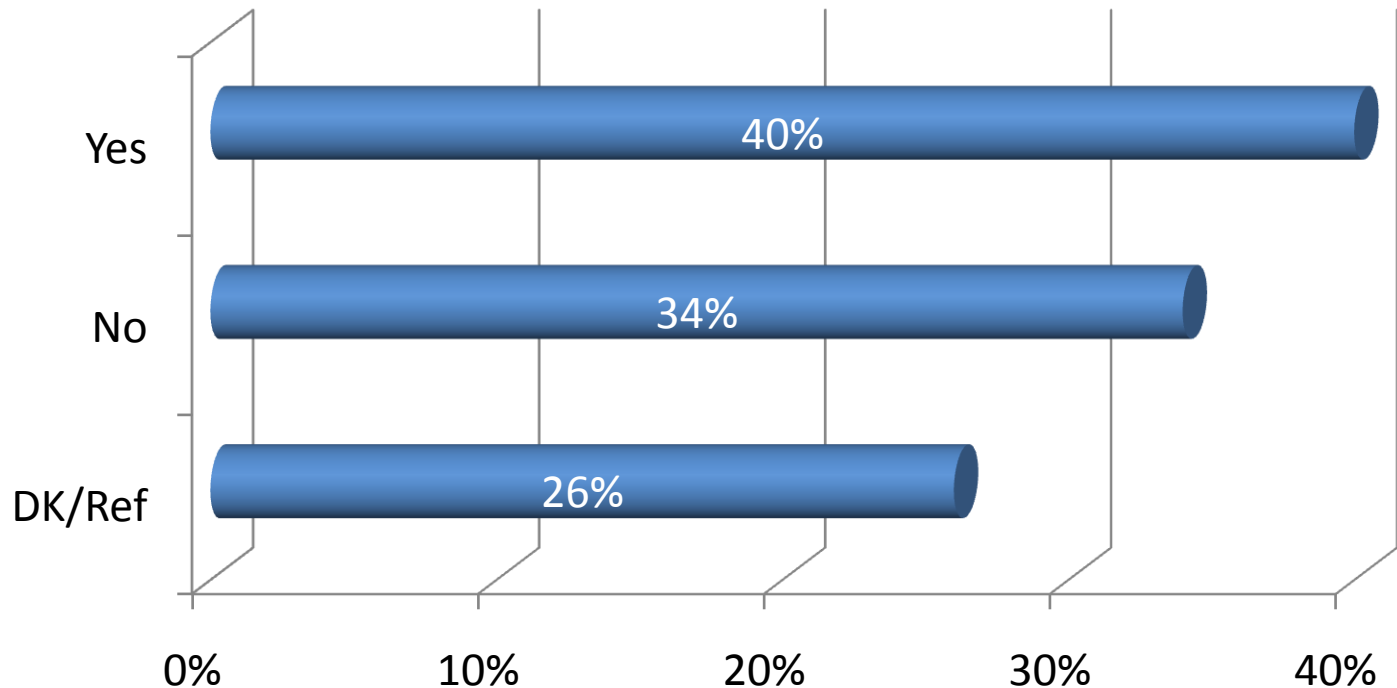


Public Opinion Survey Results

San Diego County Water Authority Survey

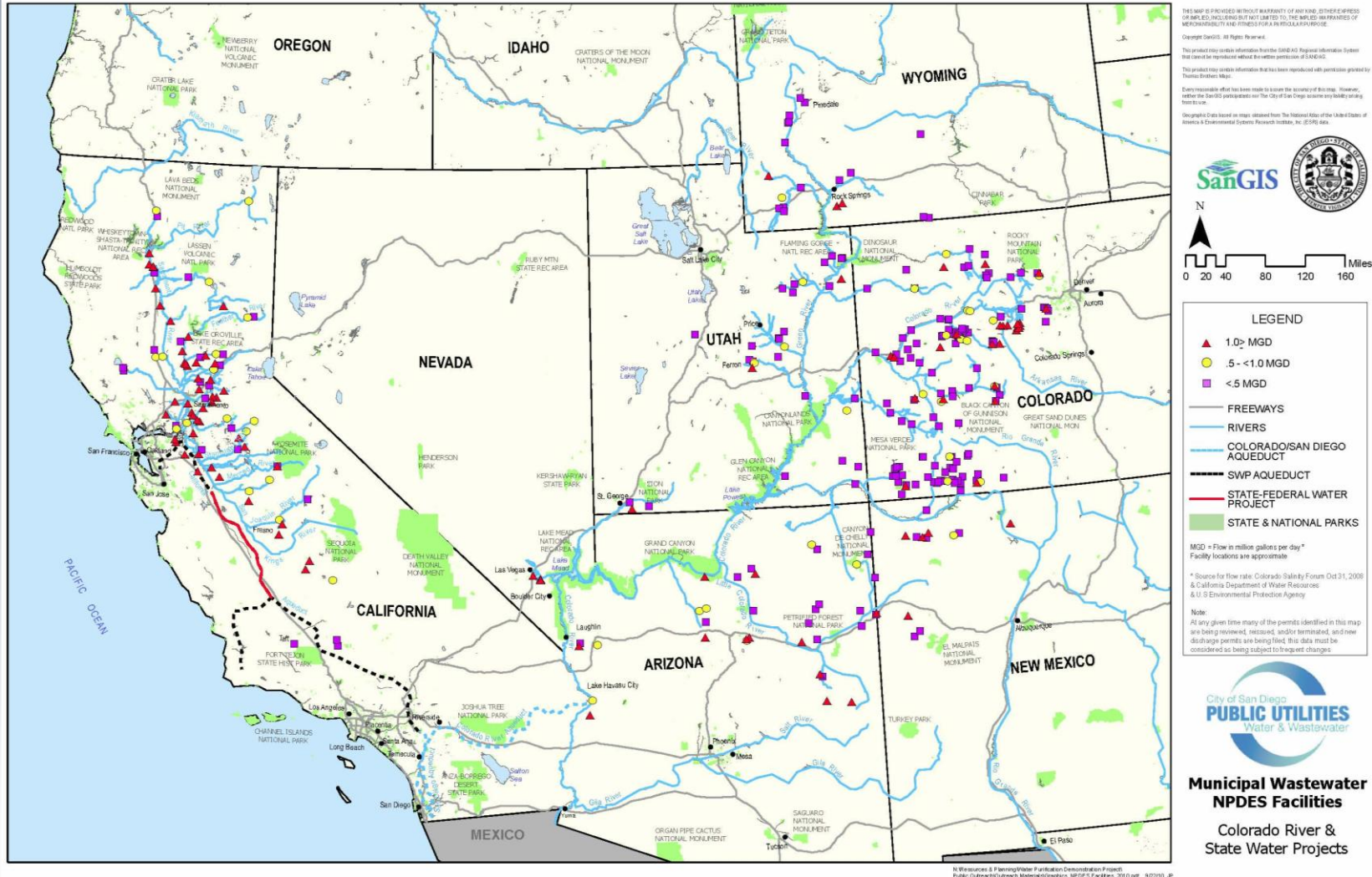
Do You Think Our Drinking Water Already Contains Recycled Water?

2009



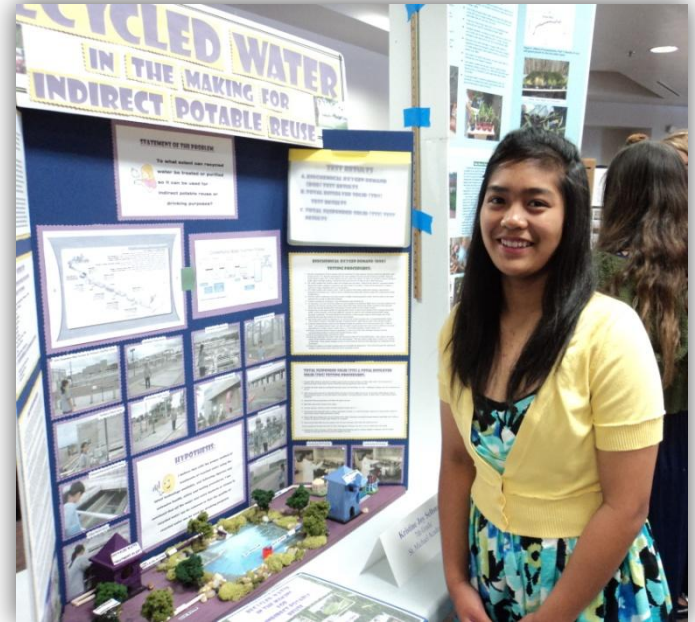


Upstream Wastewater Discharges





Public Outreach & Education





Benefits of Reservoir Augmentation

- Provide a local and sustainable supply of drinking water
- Increase utilization of recycled water
- Decrease dependence on imported water
- Use less energy than imported water
- Improve quality of reservoir water
- Have a positive impact on the environment



Water Reliability Coalition



- BIOCOM
- Building Industry Association
- Building Owners and Managers Association
- Citizens Coordinate for Century 3
- Coastal Environmental Rights Foundation
- Endangered Habitats League
- Environmental Health Coalition
- Empower San Diego
- Friends of Infrastructure
- Industrial Environmental Association
- National Association of Industrial and Office Properties
- San Diego and Imperial Counties Labor Council
- San Diego Audubon Society
- San Diego Coastkeeper
- San Diego County Taxpayers Association
- San Diego Regional Chamber of Commerce
- San Diego Regional Economic Development Corporation
- San Diego River Parks Foundation
- Surfrider Foundation, San Diego Chapter
- Sustainability Alliance of Southern California
- Utility Consumers' Action Network



What you should know...



- San Diego needs to develop local, reliable sources of water.
- The Water Purification Demonstration Project is examining the use of advanced purified water.
- The purified water goes through multiple advanced treatment steps.
- No purified water will be added to the drinking water system during the Demonstration Project.



For More Information

Visit: www.purewatersd.org

Email: purewatersd@sandiego.gov

Call: (619) 533-7572

Water Purification Demonstration Project

Water Purification Demonstration Project Home

News & Publications

General Information

Public Involvement

Independent Advisory Panel

Members

Links & Resources

Project Objective

Evaluate the feasibility of using advanced treatment technology to produce water that can be sent to San Vicente Reservoir and later distributed as potable water.

Water Purification Demonstration Project (In progress)

As part of the City's effort to provide a local and sustainable water supply, the Water Purification Demonstration Project is examining the use of advanced water purification technology to provide safe and reliable water for San Diego's future.

The Demonstration Project is the second phase of a process evaluating ways for the City to increase its use of recycled water. The first phase was the City's 2005 Water Reuse Study that identified reservoir augmentation as the preferred option for developing recycled water sources. The Demonstration Project will determine if reservoir augmentation is a feasible option for San Diego.

Funding for the Project was derived in part from the City's 2005 Water Reuse Study.

PureWaterSD.org

Receive Email Updates:

Enter email address

☐ Subscribe ☐ Unsubscribe

Diagram of Demonstration Project

View larger image

Water Purification Demonstration Project INFORMATION CARD

Please check all that apply:

- ☐ I am interested in the Water Purification Demonstration Project as a reliable local water source.
- ☐ I would like a project representative to make a presentation to my organization.
- ☐ I would like to receive periodic updates about the Demonstration Project.
- ☐ I support the City of San Diego pursuing the Demonstration Project.

Please send information to:

Name: _____ Organization: _____
Address: _____ State: _____ Zip: _____
City: _____ E-mail: _____
Phone: _____
purewatersd@sandiego.gov • (619) 533-7572 • www.purewatersd.org

Fact Sheet

Water Purification Demonstration Project

The City of San Diego • Public Utilities Department

The City of San Diego has limited local water sources and relies on importing approximately 85 to 90 percent of its water supply. In the past, importing water from the Colorado River and Northern California has been a low-cost, reliable option, but environmental stresses and court-ordered pumping restrictions have continued to reduce the amount of water that can be delivered to San Diego. These circumstances and the threat of further limitations on our water supplies have intensified the need for new sources of water. As part of the City's effort to provide a local and sustainable water supply, the Water Purification Demonstration Project is examining the use of advanced water purification technology to provide safe and reliable water for San Diego's future.

The Demonstration Project is the second phase of a process evaluating ways for the City to increase its use of recycled water. The first phase was the City's 2005 Water Reuse Study that identified reservoir augmentation as the preferred option for developing recycled water sources. The Demonstration Project will determine if reservoir augmentation is a feasible option for San Diego.

FAQs

Water Purification Demonstration Project

The City of San Diego • Public Utilities Department

Does San Diego need more water?

Water is essential to our quality of life. The City of San Diego imports approximately 85 to 90 percent of its water supply from Northern California and the Colorado River. For the past few years, California has been affected by a historic dry period and a drought on the Colorado River. In addition, legal and regulatory decisions to protect endangered species in the Sacramento-San Joaquin Delta have resulted in restrictions on the amount of water that can be imported from Northern California. Population projections predict the City will need more water in the future than it is used today. Since San Diego is at the end of the imported water pipeline, and reserves an average of 10 inches of rain each year, we need to develop all possible local water supplies to secure a reliable supply of water for present and future residents and businesses in San Diego.

Why can't we just conserve more water?

Using less water through conservation should always be the first step in protecting our local water supply. The City's conservation programs have helped reduce our dependence on imported water by saving more than 33,000 acre-feet of drinking water a year, which is enough to meet the needs of around 66,000 typical families for a year. However, while conservation is important, efforts to save water need to be combined with other sustainable strategies to meet San Diego's water needs in the future.

Doesn't the City already recycle water?

Yes, the City of San Diego operates two state-of-the-art water recycling facilities capable of producing close to 48 million gallons a day of recycled water for irrigation and industrial purposes. Recycled water distribution requires a separate pipeline system of purple pipes to distinguish them from drinking water pipelines. The city's recycled water distribution system continues to expand, even during rainy periods. Constructing the purple pipe distribution system is also costly, so the City is examining other ways to use more recycled water including reservoir augmentation.

Does the City have a recycled water use plan?

Yes, the City has a recycled water master plan and is always looking for ways to reuse existing water supplies. In 2003 the City conducted a comprehensive, balanced, impartial and objective Water Reuse Study of all recycled water opportunities. The study included a public participation component and concluded that Indirect Potable Reuse or Reservoir Augmentation was the preferred method of implementing the expanded use of recycled water in San Diego.

What has been done since the 2005 Water Reuse Study?

The Water Reuse Study was the first phase of the City's plan to expand the use of recycled water. The second phase is now underway to examine the feasibility of reservoir augmentation through a demonstration project.

What is Reservoir Augmentation?

Reservoir augmentation is a multi-step process that is being examined by the Water Purification Demonstration Project. It includes using advanced water purification processes on recycled water which can be blended with existing "raw" water supplies. The Demonstration project will treat and purify recycled water to a local reservoir. The concept of Reservoir Augmentation is to add purified recycled water to a local reservoir which can be treated to drinking water standards and distributed to the public.

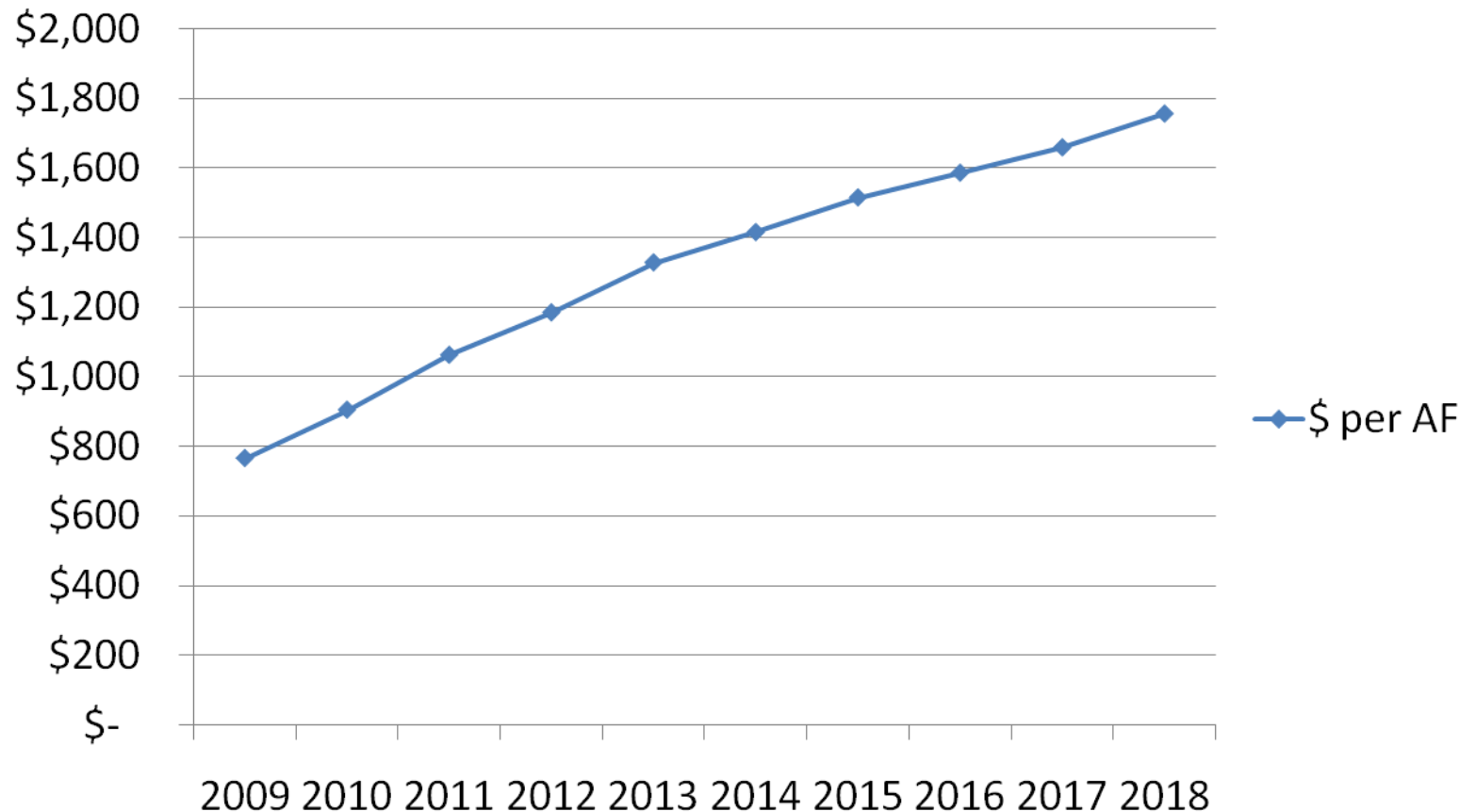
City of San Diego Public Utilities Department • Long Range Planning & Water Resources Division
600 B Street, Suite 600, San Diego, CA 92101 • (619) 533-7572 • www.purewatersd.org

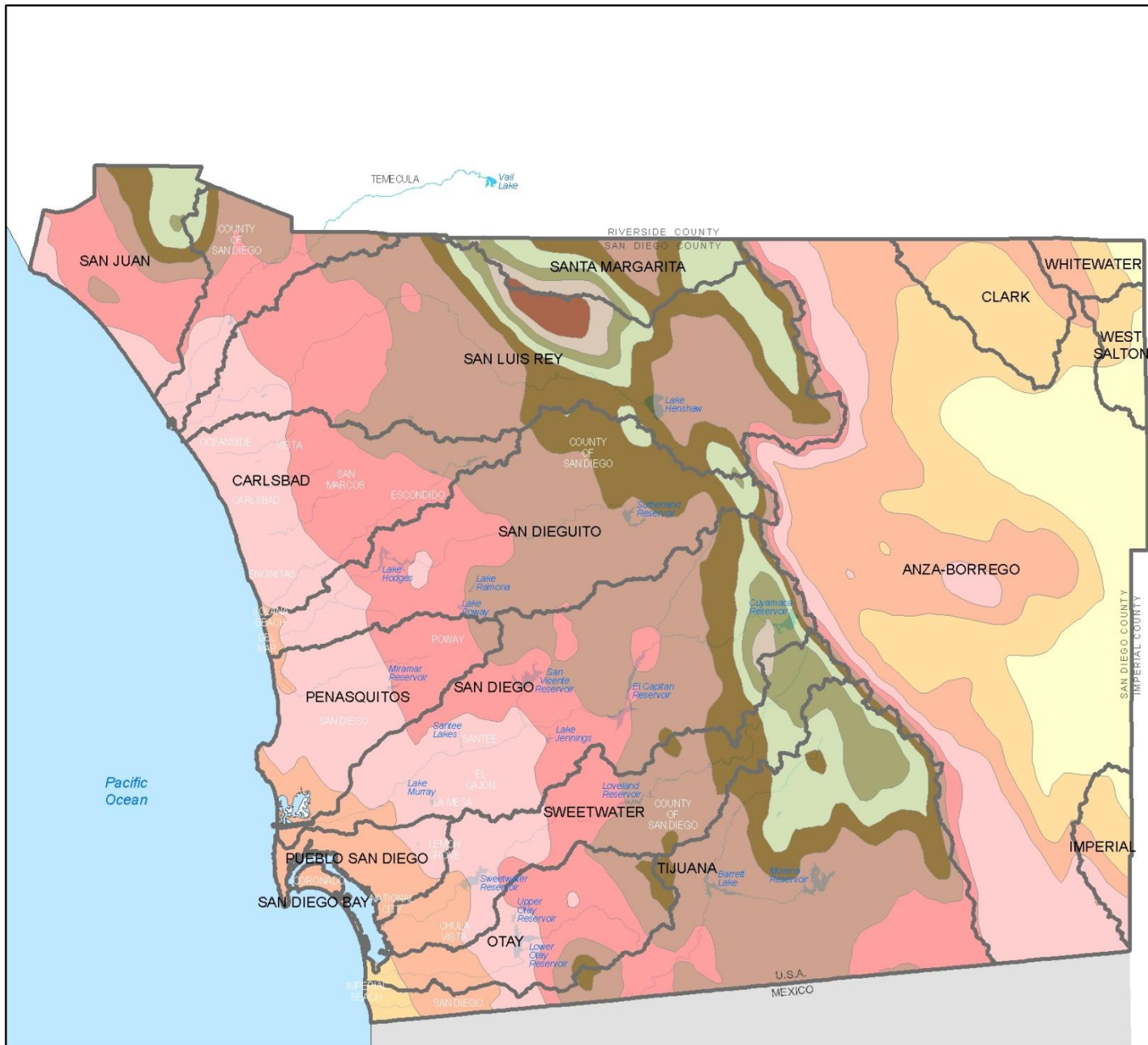




SDCWA's Projected Rate Increases

"All-In" \$ per AF of Treated Water



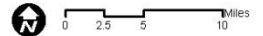


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LEGEND	
	Rivers
	Watershed

LEGEND	
RAINFALL RANGE	
	3 to 6
	6 to 9
	9 to 12
	12 to 15
	15 to 18
	18 to 21
	21 to 24
	24 to 27
	27 to 30
	30 to 33
	33 to 35

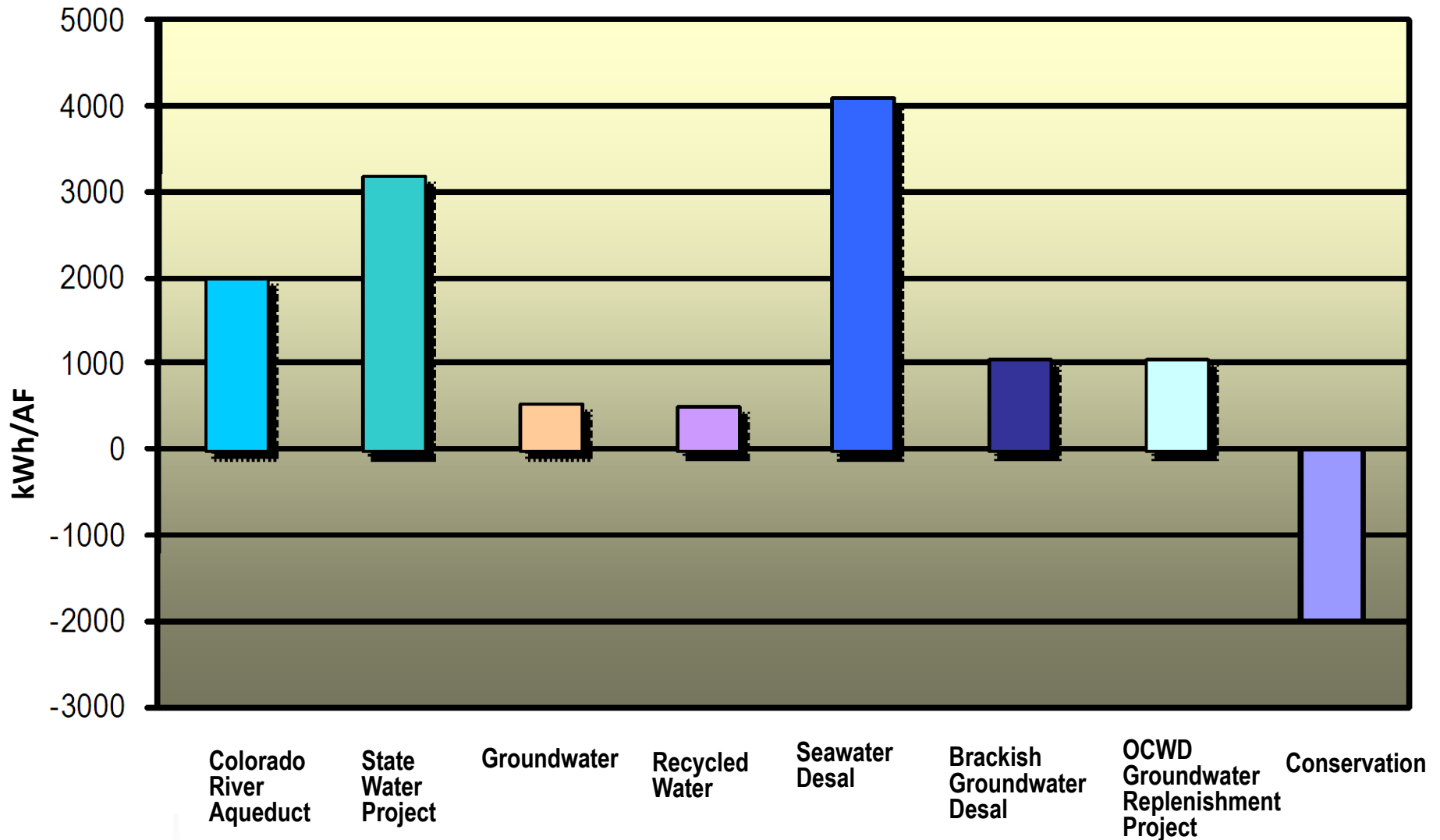


Long Range Planning & Water Resources Division

San Diego County Watershed and Rainfall



Carbon Footprint by Water Source



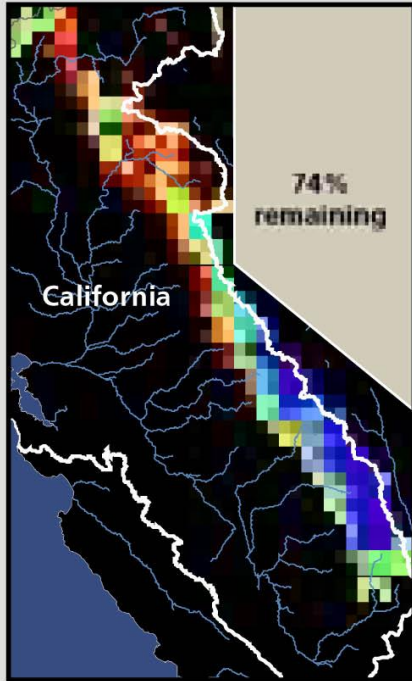


Diminishing Sierra Snowpack

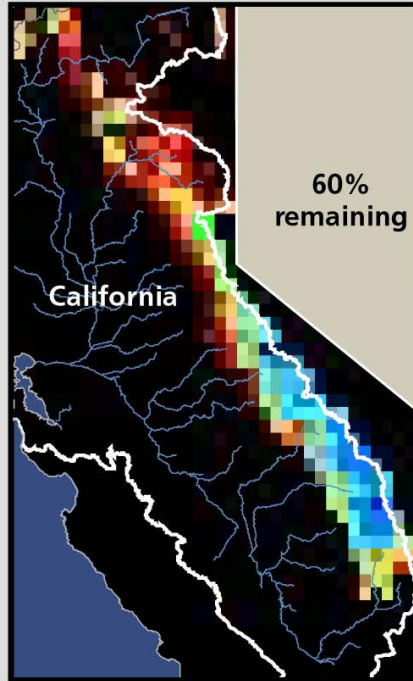
% Remaining, Relative to 1961-1990

2020–2049

Lower Emissions

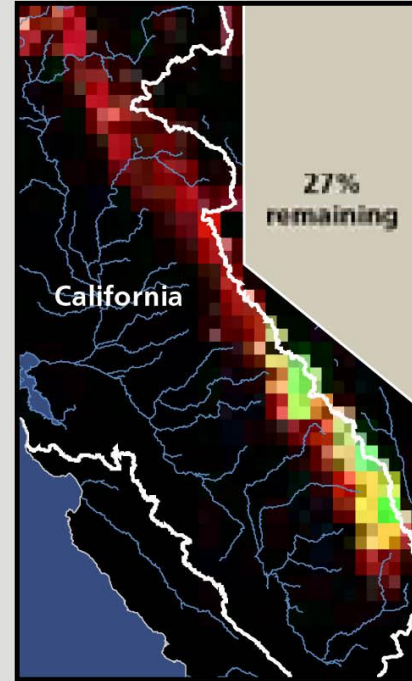


Higher Emissions

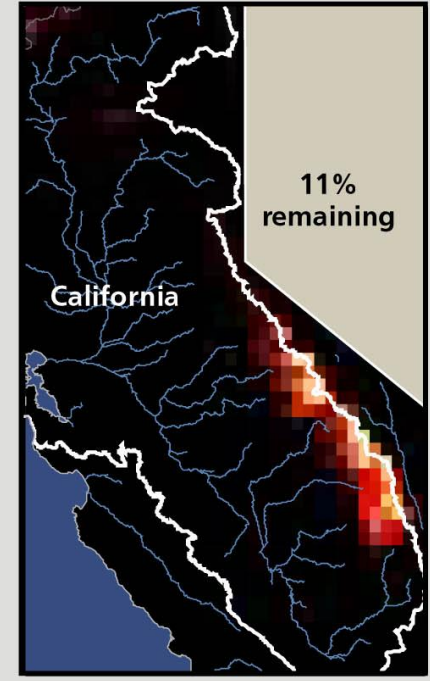


2070–2099

Lower Emissions

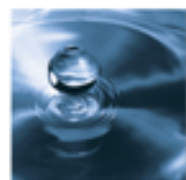


Higher Emissions



Remaining Snowpack (%)





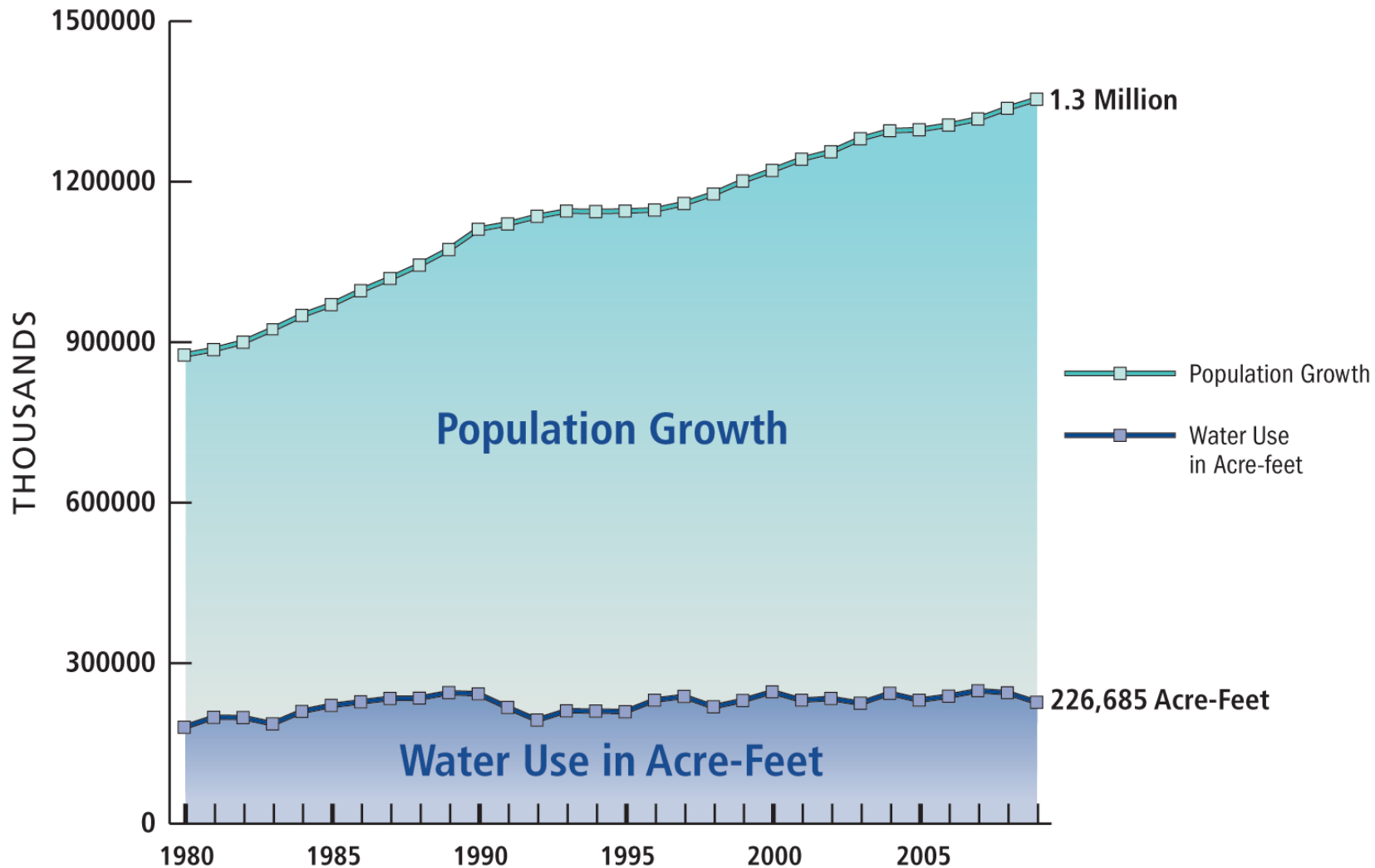
Change in water use by agency Fiscal year 2009 to 2010

No.	Agency	2009	2010	Percentage change
—Acre-feet—				
1.	Ramona	7,810	6,120	-21.6%
2.	Poway	13,680	11,440	-16.4%
3.	Rincon Del Diablo	7,470	6,280	-15.9%
4.	Lakeside	4,810	4,050	-15.8%
5.	Rainbow	26,420	22,360	-15.4%
6.	Santa Fe	13,430	11,390	-15.2%
7.	Valley Center	34,780	29,520	-15.1%
8.	Camp Pendleton	9,730	8,280	-14.9%
9.	Oliverhain	23,460	19,990	-14.8%
10.	Padre Dam	14,660	12,510	-14.7%
11.	Vallecitos	19,050	16,470	-13.5%
12.	Vista	21,960	19,230	-12.4%
13.	Fallbrook	15,210	13,320	-12.4%
14.	Carlsbad	19,620	17,230	-12.2%
15.	Helix	37,660	33,210	-11.8%
16.	San Diego	218,940	193,470	-11.6%
17.	Otay	34,970	31,190	-10.8%
18.	Oceanside	32,050	28,610	-10.7%
19.	Escondido	27,370	24,440	-10.7%
20.	San Dieguito	7,240	6,550	-9.5%
21.	Sweetwater	22,690	20,790	-8.4%
22.	Del Mar	1,200	1,130	-5.8%
23.	Yuima	3,380	3,300	-2.4%
Total		617,590	540,880	-12.4%

Excludes
recycled
water



Conservation's Impact on San Diego's Water Use 1980 – 2009



AGENDA ITEM 10

Attachment

**MetroTAC
2010/2011 Work Plan**

MetroTAC Items	Description	Subcommittee Member(s)
Lateral Issues	Sewer laterals are owned by the property owners they serve, yet laterals often allow infiltration and roots to the main lines causing maintenance issues. As this is a common problem among PAs, the MetroTAC will gather statistics from national studies and develop solutions.	Tom Howard Joe Smith
Advanced Water Purification Demonstration Project	San Diego engaged CDM to design/build/operate the project for the water repurification pilot program. The MetroTAC will monitor and participate in the process as it moves forward. <i>9/2010: NTP issued on 9/2/2010; operation is scheduled for April 2011 followed by one year of testing and monitoring.</i>	
Fiscal Items	The Finance committee will continue to monitor and report on the financial issues affecting the Metro System and the charges to the PAs. The debt finance and reserve coverage issues have been resolved. Refunds totaling \$12.3 million were sent to most of the PA's.	Greg Humora Scott Huth Doug Wilson Karyn Keese
Recycled Water Fiscal Issues	The recycled water credits issue will be taken up starting in September 2010.	Scott Huth Doug Wilson Karyn Keese
Water Reduction - Impacts on Sewer Rates	The MetroTAC wants to evaluate the possible impact to sewer rates and options as water use goes down, and consequently the sewer flows go down, reducing sewer revenues. Sewer strengths are also increasing because of less water to dilute the waste. We are currently monitoring the effects of this.	David Scherer Manny Magaña Karyn Keese
"No Drugs Down the Drain"	The state has initiated a program to reduce pharmaceuticals entering the wastewater flows. There have been a number of collection events within the region. The MetroTAC, working in association with the Southern California Alliance of Publicly-owned Treatment Works (SCAP), will continue to monitor proposed legislation and develop educational tools to be used to further reduce the amount of drugs disposed of into the sanitary sewer system. County Sheriff and Chula Vista have set up locations for people to drop off unwanted medications and drugs. <i>9/2010: A national prescription drug take back event has been planned for 9/25/10 at locations throughout the county. The event is being coordinated by local law enforcement agencies. The county sheriff also has permanent drop off locations for prescription drugs.</i>	Greg Humora
Flushable Items that do not Degrade	Several PAs have problems with flushable products, such as personal wipes, that do not degrade and cause blockages. MetroTAC is investigating solutions by other agencies, and a public affairs campaign to raise awareness of the problems caused by flushable products. We are also working with SCAP in their efforts to help formulate state legislation to require manufacturers of products to meet certain criteria prior to labeling them as "flushable." Follow AB2256 and offer support.	David Scherer Dean Gipson
Grease Recycling	To reduce fats, oils, and grease (FOG) in the sewer systems, more and more restaurants are being required to collect and dispose of cooking grease. Companies exist that will collect the grease and turn it into energy. MetroTAC is exploring if a regional facility offers cost savings for the PAs. The PAs are also sharing information amongst each other for use in our individual programs. <i>9/2010: Liquid Environmental Solutions is actively working on agreements with various cities; David Scherer will share the draft franchise agreement when it is ready</i>	David Scherer Dean Gipson

MetroTAC Items	Description	Subcommittee Member(s)
"Power Tariff"	Power companies are moving to a peak demand pricing scheme which negatively impacts PAs with pump stations and other high energy uses. MetroTAC wants to evaluate the new legislation and regulations, and to identify and implement cost savings efforts for the PAs. John Helminski at the City of San Diego is working on a sustainability project for CoSD	Tom Howard Paula de Sousa
Recycled Water Study	As part of the secondary waiver process, San Diego agreed to perform a recycled water study within the Metro service area. That study is currently underway, and MetroTAC has representatives participating in the working groups. Al Lau and Dean Gipson attended the Coarse Screening Workshop in August 2010. The next Status Update Meeting is 9/7/10.	Scott Huth Al Lau Dean Gipson
Recycled Water Rate Study	San Diego is working on a rate study for pricing recycled water from the South Bay plant and the North City plant. MetroTAC, in addition to individual PAs, have been engaged in this process and have provided comments on drafts San Diego has produced. We are currently waiting for San Diego to promulgate a new draft which addresses the changes we have requested. Draft study is expected in September 2010.	Karyn Keese
Metro JPA Strategic Initiatives	MetroTAC to develop success measures for the JPA strategic initiatives and suggest a schedule to complete certain items	Scott Huth Dan Brogadir Dean Gipson
California Ocean Plan	<i>9/2010: The Ocean Plan may become more restrictive due to changes in brine discharges, thereby reducing the ability to install desalination plans</i>	
Board Members' Items		
Rate Case Items	San Diego is starting the process for their next five-year rate case. As part of that process, MetroTAC and the Finance Committee will be monitoring the City's proposals as we move forward.	
Schedule E	MetroTAC and the Finance Committee are active and will monitor this process. Individual items related to Schedule E will come directly to the Board as they develop.	
Future bonding	MetroTAC and the Finance Committee are active and will monitor this process. Individual items related to bonding efforts will come directly to the Board as they develop.	
Changes in water legislation	MetroTAC and the Board should monitor and report on proposed and new legislation or changes in existing legislation that impact wastewater conveyance, treatment, and disposal, including recycled water issues	
Role of Metro JPA regarding Recycled Water	As plans for water reuse unfold and projects are identified, Metro JPA's role must be defined with respect to water reuse and impacts to the various regional sewer treatment and conveyance facilities	
Border Region	Impacts of sewer treatment and disposal along the international border should be monitored and reported to the Board. These issues would directly affect the South Bay plants on both sides of the border.	
IROC Performance Audits	Work with IROC to identify areas to be audited; participate in audit process. Provide the top 5 areas to audit by September IROC meeting. <i>9/2010: JPA has completed the list of 5 items for IROC to evaluate for its performance audit</i>	Augie Caries

MetroTAC Items	Description	Subcommittee Member(s)
"Power Tariff"	Power companies are moving to a peak demand pricing scheme which negatively impacts PAs with pump stations and other high energy uses. MetroTAC wants to evaluate the new legislation and regulations, and to identify and implement cost savings efforts for the PAs. John Helminski at the City of San Diego is working on a sustainability project for CoSD	Tom Howard Paula de Sousa
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Metro JPA Strategic Initiatives	MetroTAC to develop success measures for the JPA strategic initiatives and suggest a schedule to complete certain items	Scott Huth Dan Brogadir Dean Gipson
California Ocean Plan	<i>9/2010: The Ocean Plan may become more restrictive due to changes in brine discharges, thereby reducing the ability to install desalination plans</i>	
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AGENDA ITEM 12

Attachment



MEMO

To: Metro JPA

From: Augie Caires, IROC Representative

Subject: IROC Workshop Report: Financial Planning and Rate Case Drivers (Attached)

The Independent Rates Oversight Committee conducted a special workshop on November 8, providing a strategic overview of financial planning in the Public Utilities Department and the various key drivers associated with the upcoming rate cases (water and wastewater). Workshop materials are attached for your review. This memo will summarize the workshop with particular emphasis on Metro Wastewater operations.

The next rate case for wastewater is expected to run five years. IROC input is considered integral to the rate setting process. The decision framework for setting the rate case will include the Metro JPA and the Metro Technical Advisory Committee.

The rate case is based on the needs of Metro Wastewater on a cost recovery basis to ensure:

1. Funds sufficiency to meet capital and O&M needs
2. Revenue stability
3. Maintain investment grade financial ratings
4. Provide for user (category) charges

RATE CASE DRIVERS: Rate case drivers (need related factors) fall into several categories:

1. CIP Program Needs
2. CIP Financing
3. Rate Affordability
4. Public Confidence
5. Operations and Maintenance Needs
6. Other

Metro Wastewater CIP program needs are based on City/Participating Agencies needed repairs and replacements, regulatory requirements, PA's growth demands, recycled water development, and master planning.

Generally, the CIP is paid on a 20% cash and 80% bond proceeds basis. Current sewer fund annual debt service for both muni and metro wastewater is \$107 million. The City takes advantage of bond refundings, as appropriate, to yield interest savings which also benefit the PA's. The PA's, by agreement, assist the City in maintaining required bond coverages.

There are several layers of oversight of the City's Public Utilities Department:

1. City-Wide Comprehensive Annual Financial Report (CAFR)
2. Required Bond Disclosure Documents
3. Metro JPA Audit of Schedule E
4. Metro TAC Project and Program Review
5. Regulatory Review and Oversight (EPA, DWR, etc)
6. IROC

A series of audits and related oversight result in a high degree of transparency within the Department which annually spends in excess of \$800 million. For Metro Wastewater, the IROC provides "internal" oversight. IROC is also currently engaged in a Departmental performance audit being conducted by the Office of City Auditor.

The rate case process will now proceed with an analysis of needed bond proceeds, anticipated rate adjustments, and the Prop 218 noticing requirements. I will keep the Metro JPA informed of rate case developments as they occur.



THE CITY OF SAN DIEGO

Financial Planning and Rate Case Drivers

IROC Workshop **8 November, 2010**

Alex Ruiz
Assistant Director
Public Utilities Department
City of San Diego

Meeting Goals

- Discuss the various “key” drivers associated with
 - Departmental financial planning efforts
 - Rate case considerations
 - Decision milestones
- Obtain IROC feedback on additional drivers for consideration
- Consider future workshops on key issues
- “Strategic” Overview – No Action Today

Data Framework

- Presentation of department financial and organizational data as the context for discussion
- Data will be re-validated for any prospective rate case decision
- Focus is data and driver inter-relatedness
- Water Fund data as examples, corresponding examples within Sewer Fund (Metropolitan System and Municipal System)

Discussion Framework

- Integrate existing decision-making process
 - Balanced and timely evaluations
- Annual Financial Reviews
 - Budget
 - CIP
 - Expenditures
 - Revenues

Discussion Framework

- Rate Adjustments
 - Departmental Multi-year Rate Cases (Planned)
 - Off-cycle
 - Pass-through
 - IPR
 - “Shames” Settlement
 - Drought Allocation Penalties
- Debt Financings
 - Refunding
 - “New Money”

Decision Framework

■ Governance Process

- Mayoral / Departmental
- IROC / Sub-Committee
- Metro Joint Powers Authority (Sewer Fund) / Technical Advisory Committee
- Council / Committee

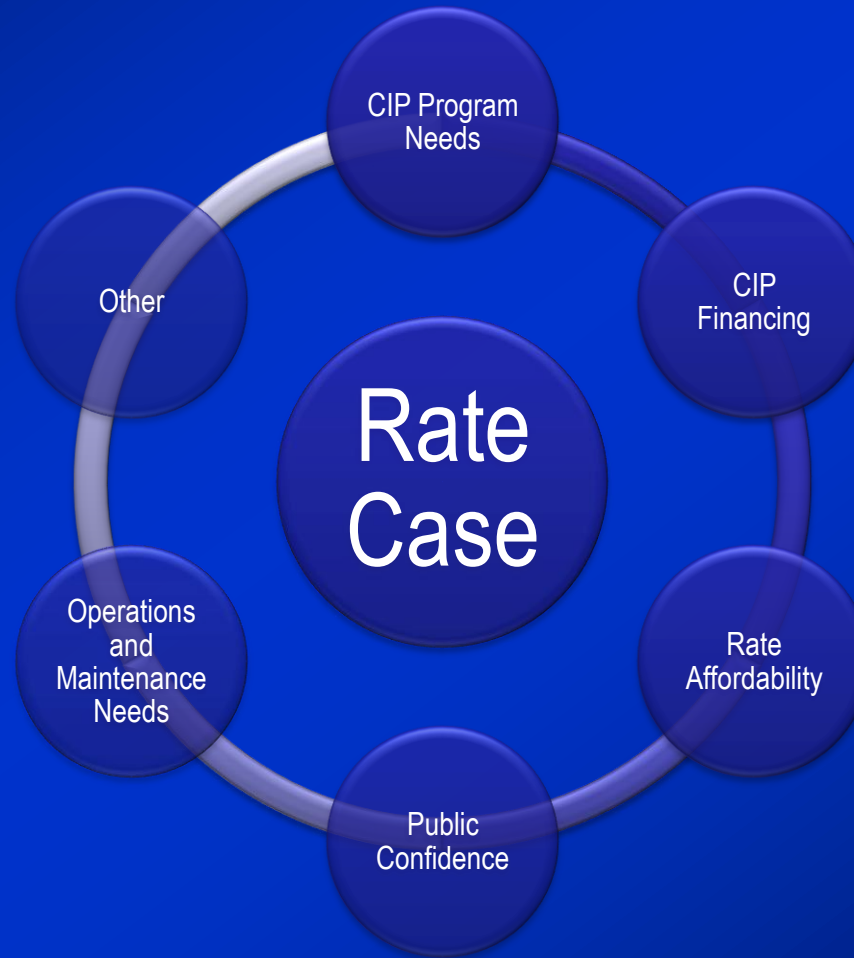
■ (City Attorney / other non-Mayoral departments)



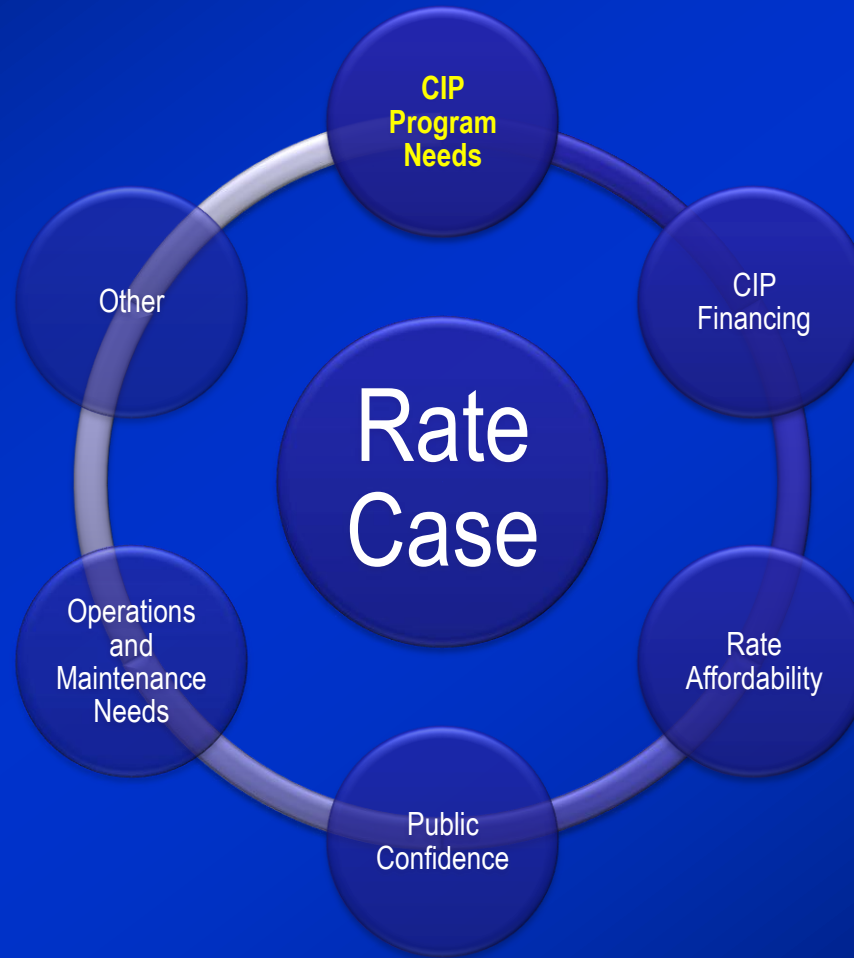
Financial Planning / Rate Case?

- Needs-based approach for Enterprise Fund cost recovery planning
 - Ensure sufficiency to meet capital and O & M Needs
 - Revenue stability
 - Maintain investment grade Financial Ratings
 - Provide for appropriate user charges
- Revenue requirements are evaluated in the context of operational costs and infrastructure needs
- Multiple drivers that factor into the total evaluation of rate case recommendations

Rate Case Drivers



Rate Case Drivers



CIP Program Needs

- Repair and Replacement Program

- Pipes / Pumps / Plants

- Regulatory Requirements

- Existing EPA / DPH
- Emerging Mandates

- Customer Demands

- Sustainable Growth
- Long-term Use Reductions

- Supply Development

- Recycled Water
- Groundwater
- Desalination

Distribution of Expenditures

TABLE 7
SUMMARY OF PROJECTED CIP PROJECTS
Fiscal Years 2010 through 2014

Description	2010	2011	2012	2013	2014	Total
Water Treatment Plants	\$ 83,881,204	\$ 31,310,409	\$ 1,639,389	\$ 3,905,061	\$ 9,074,934	\$129,810,997
Pipelines	48,074,621	53,410,139	61,430,309	59,022,991	78,307,599	300,245,659
Pump Stations	3,840,792	831,375	2,438,729	3,523,976	2,401,166	13,036,038
Raw Water Reservoirs	449,014	914,062	3,440,796	9,135,167	11,054,503	24,993,542
Treated Water Reservoirs	493,575	608,607	768,112	1,848,048	4,442,486	8,160,828
Reclaimed Water Facility	7,106,101	7,414,401	2,980,224	1,000,000	1,000,000	19,500,726
Groundwater	7,643,634	18,528,908	20,127,520	1,209,935	6,669,226	54,179,223
Security	10,109,000	7,592,776	326,295	0	0	18,028,071
Miscellaneous	7,800,000	21,178,596	29,023,958	33,762,636	34,817,241	126,582,431
Total	\$169,397,941	\$141,789,273	\$122,175,332	\$113,407,814	\$147,767,155	\$694,537,515

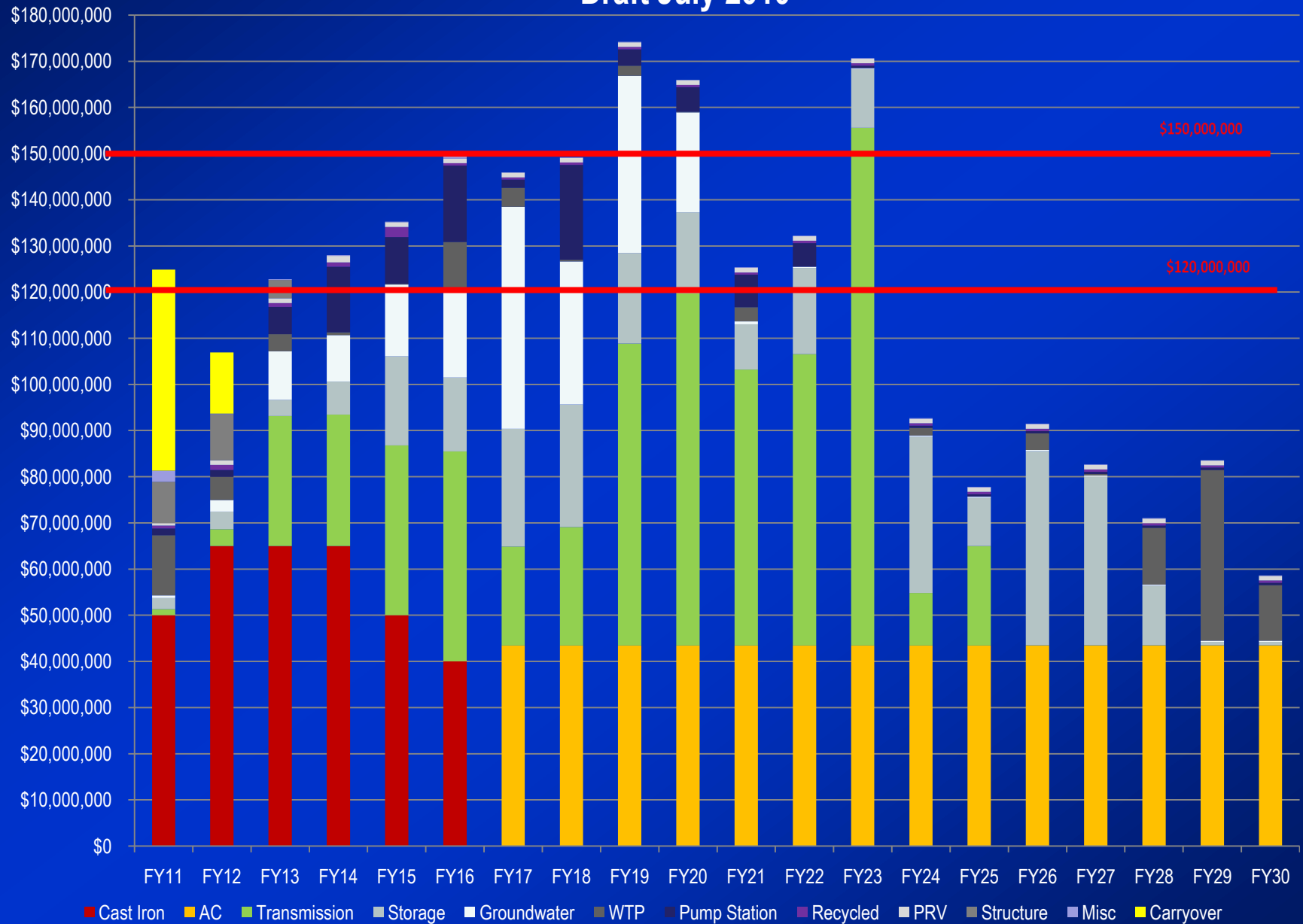
CIP Master Planning

- Draft Plan Submitted for IROC Review

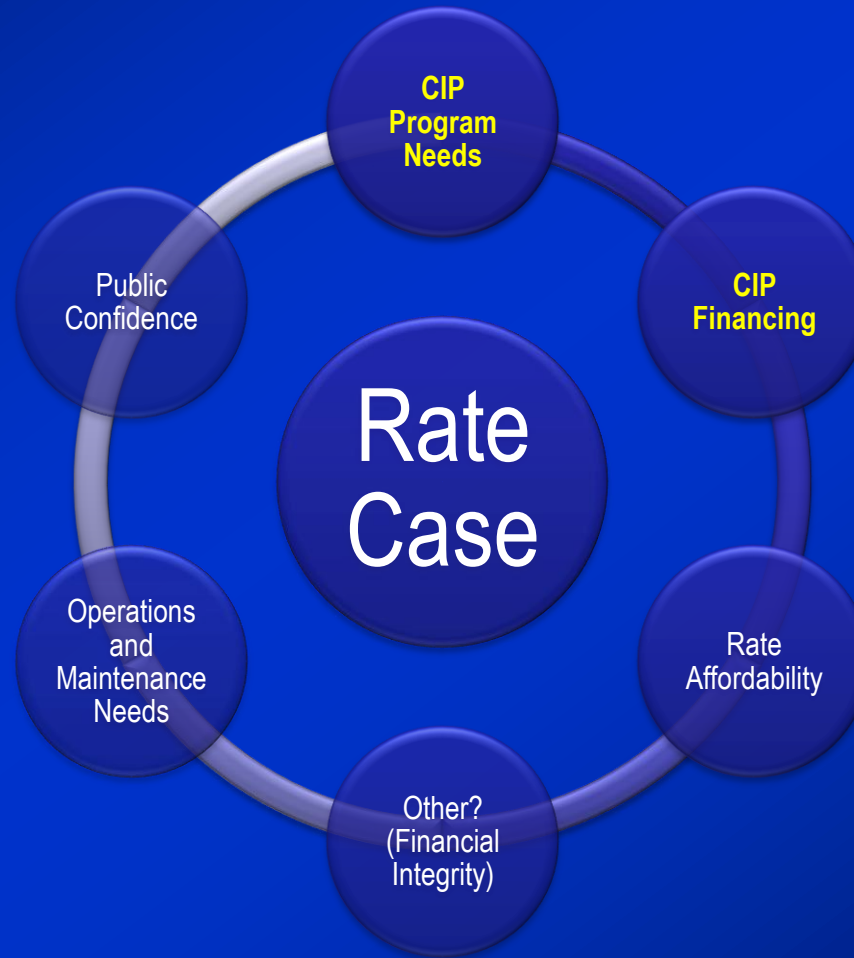


- Application of REFINED Council Prioritization Criteria
 - Health and Safety (25%)
 - Regulatory / Mandated (25%)
 - Implication of Deferral (15%)
 - Recurring Costs or Asset Longevity (10%)
 - Community Investment (10%)
 - Implementation / Project cost / Readiness (15%)

Forecasted Water CIP Program Draft July 2010



Rate Case Drivers



CIP Financing

- Cash / Pay-go Consideration
 - 20% cash / 80% bond proceeds
 - Current Annual Debt Service
 - \$61M Water Fund
 - \$107M Sewer Fund (Muni/Metro)
 - \$168M total debt service

Current Water Fund Debt

TABLE 19
OUTSTANDING DEBT
As of January 1, 2010

Series	Final Maturity	Outstanding Principal Amount	
Parity Obligations:			
1998 Certificates ⁽¹⁾	August 1, 2028	\$141,320,000	
2009A Bonds	August 1, 2038	156,155,000	
2009B Bonds	August 1, 2038	328,060,000	
Total Parity Obligations:		<u>\$625,535,000</u>	-
Subordinated Obligations:			
2002 Subordinated Bonds ⁽²⁾	August 1, 2032	\$258,460,000	
State Revolving Fund Loan	July 1, 2025	17,573,478	
Total Subordinated Obligations:		<u>\$276,033,478</u>	-
Total Outstanding Obligations:		<u>\$901,568,478</u>	-

Source: 2010A Official Statement
Debt Management Department, City of San Diego.

Recent Bond Experience

■ \$141M Bond Refunding

- Rating Agencies Comments:

- *Fitch* :

- “Debt Levels are moderately high to high and will increase rapidly over the near term”
 - “Challenging revenue environment without corresponding rate hikes or operating adjustments....could possibly lead to negative rating action”

- *Moody's*

- “[If] debt service coverage levels beyond 2011 are at 1.37x or below, rating would be under significant downward pressure”

Bond Requirements

- Need to meet “coverage” ratios
- “Net System Revenues” must be equal to or greater than Maximum Annual Debt (MAD)
 - Parity of “Senior Debt” 1.2x MAD Service
 - Subordinate Debt 1.0x MAD
- Net System Revenues
 - System Revenues minus Operating Costs

TABLE 18

ESTIMATED OPERATING REVENUE AND EXPENSES
Fiscal Year 2010 through 2014
(In Thousands)
(Unaudited)

DESCRIPTION	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2014 Projected
Net Operating Revenues ⁽¹⁾	\$68,459	\$88,853	\$86,154	\$83,428	\$80,552
Interest Income on Operating Funds	5,239	5,228	6,349	7,105	6,351
Interest Income on Capital Monies	1,989	2,217	2,723	3,298	3,776
Interest Income on Debt Service Reserve Fund	1,086	1,154	1,782	2,418	2,681
Capacity Fee Proceeds	5,578	5,592	5,620	5,676	5,733
Less: Senior Debt Service Reserve Fund Interest ⁽²⁾	(543)	(646)	(1,087)	(1,475)	(1,636)
Total Adjusted Net System Revenues ⁽³⁾⁽⁴⁾	<u>\$81,808</u>	<u>\$102,398</u>	<u>\$101,541</u>	<u>\$100,450</u>	<u>\$97,457</u>
Projected Senior Debt Service	\$25,453	\$37,302	\$46,431	\$61,656	\$61,657
Less: Senior Debt Service Reserve Fund Interest ⁽²⁾	(543)	(646)	(1,087)	(1,475)	(1,636)
Adjusted Debt Service	<u>\$24,910</u>	<u>\$36,656</u>	<u>\$45,344</u>	<u>\$60,181</u>	<u>\$60,021</u>
Senior Debt Service Coverage ⁽⁵⁾⁽⁶⁾	328%	279%	224%	167%	162%
Aggregate Debt Service Coverage					
Net Operating Revenues	\$68,459	\$88,853	\$86,154	\$83,428	\$80,552
Interest Income on Operating Funds	5,239	5,228	6,349	7,105	6,351
Interest Income on Capital Monies	1,989	2,217	2,723	3,298	3,776
Capacity Fee Proceeds	5,578	5,592	5,620	5,676	5,733
Debt Service Reserve Fund Interest ⁽²⁾	1,086	1,154	1,782	2,418	2,681
Total Net System Revenues ⁽⁴⁾	<u>\$82,351</u>	<u>\$103,044</u>	<u>\$102,628</u>	<u>\$101,925</u>	<u>\$99,093</u>
Projected Senior Debt Service	\$25,453	\$37,302	\$46,431	\$61,656	\$61,657
Projected Subordinate Debt Service	28,675	28,668	28,672	28,675	28,674
Aggregate Debt Service ⁽⁶⁾	<u>\$54,128</u>	<u>\$65,970</u>	<u>\$75,103</u>	<u>\$90,331</u>	<u>\$90,331</u>
Aggregate Debt Coverage ⁽⁷⁾	152%	156%	137%	113%	110%

TABLE 18 - ABSORBING THE \$25.177M IN PASS-THROUGH INCREASES

DESCRIPTION	2009-10 Projected	2010-11 Projected	2011-12 Projected	2012-13 Projected	2013-14 Projected
Net Operating Revenues	\$68,459	\$88,853	\$86,154	\$83,428	\$80,552
Interest Income on Operating Funds	5,239	5,228	6,349	7,105	6,351
Interest Income on Capital Monies	1,989	2,217	2,723	3,298	3,776
Interest Income on Debt Service Reserve Fund	1,086	1,154	1,782	2,418	2,681
Capacity Fee Proceeds	5,578	5,592	5,620	5,676	5,733
Less: Senior Debt Service Reserve Fund Interest	543	646	1,087	1,475	1,636
Total Adjusted Net System Revenues	\$81,808	\$89,810	\$76,364	\$75,273	\$72,280
Projected Senior Debt Service	\$25,453	\$37,302	\$46,431	\$61,656	\$61,657
Less: Senior Debt Service Reserve Fund Interest	543	646	1,087	1,475	1,636
Adjusted Debt Service	\$24,910	\$36,656	\$45,344	\$60,181	\$60,021
Senior Debt Service Coverage	328%	245%	168%	125%	120%
Aggregate Debt Service Coverage					
Net Operating Revenues	\$68,459	\$88,853	\$86,154	\$83,428	\$80,552
Interest Income on Operating Funds	5,239	5,228	6,349	7,105	6,351
Interest Income on Capital Monies	1,989	2,217	2,723	3,298	3,776
Capacity Fee Proceeds	5,578	5,592	5,620	5,676	5,733
Debt Service Reserve Fund Interest	1,086	1,154	1,782	2,418	2,681
Total Net System Revenues	\$82,351	\$90,456	\$77,451	\$76,748	\$73,916
Projected Senior Debt Service	\$25,453	\$37,302	\$46,431	\$61,656	\$61,657
Projected Subordinate Debt Service	28,675	28,668	28,672	28,675	28,674
Aggregate Debt Service	\$54,128	\$65,970	\$75,103	\$90,331	\$90,331
Aggregate Debt Coverage	152%	137%	103%	85%	82%

Rate Case Drivers



Rate Affordability

- History of Increases
- USEPA Affordability Index
- Current Economy Factors

SUMMARY OF WATER AND WASTEWATER RATES AND FEES
Typical Single Family Dwelling Customer
(14 HCF Water - 9 HCF Sewer)
(less than one inch meter)
JULY 2006 - NOV. 2011

SFR Summary, Aug 2009

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
Purpose:		MWWD Rate Increases (1st Yr)	Water Rate Increase (1st Yr)	MWWD Settlement Increase	Water - CWA Pass thru	MWWD Rate Increases (2nd Yr)	Water Rate Increase (2nd Yr)	Water - CWA Pass thru and IPR funding	MWWD Rate Increase (3rd Yr)	Water Rate Increase (3rd Yr)	Water - CWA Pass thru (Proposed)	MWWD Rate Increase (4th Yr)	Water Rate Increase (4th Yr)	Settlement Complete
Date:	July 1, 2008	May 1, 2007	July 1, 2007	Nov. 1, 2007	Jan. 1, 2008	May 1, 2008	July 1, 2008	Jan. 1, 2008	May 1, 2008	July 1, 2008	Jan. 1, 2010	May 1, 2010	July 1, 2010	Nov. 1, 2011
Water														
Base Fee	\$15.87	\$15.87	\$15.18	\$15.18	\$15.32	\$15.32	\$16.32	\$16.52	\$16.52	\$17.59	\$17.71	\$17.71	\$18.86	\$18.86
Commodity Fee	\$27.26	\$27.26	\$33.06	\$33.06	\$34.32	\$34.32	\$36.55	\$40.79	\$40.79	\$43.44	\$48.05	\$48.05	\$51.17	\$51.17
Water Total	\$43.13	\$43.13	\$48.24	\$48.24	\$49.64	\$49.64	\$52.87	\$57.31	\$57.31	\$61.03	\$65.76	\$65.76	\$70.03	\$70.03
StormWater														
Base Fee	\$0.95	\$0.95	\$0.95	\$0.95	\$0.95	\$0.95	\$0.95	\$0.95	\$0.95	\$0.95	\$0.95	\$0.95	\$0.95	\$0.95
Wastewater (Refund Eligible)														
Base Fee	\$11.32	\$12.31	\$12.31	\$12.31	\$12.31	\$13.39	\$13.39	\$13.39	\$14.32	\$14.32	\$14.32	\$15.33	\$15.33	\$15.33
Commodity Fee	\$26.00	\$26.01	\$26.01	\$26.01	\$26.01	\$28.29	\$28.29	\$28.29	\$30.27	\$30.27	\$30.27	\$32.38	\$32.38	\$32.38
Settlement Credit	-	-	-	-\$3.25	-\$3.25	-\$3.25	-\$3.25	-\$3.25	-\$3.25	-\$3.25	-\$3.25	-\$3.25	-\$3.25	-\$3.25
Wastewater Total	\$37.32	\$38.32	\$38.32	\$35.07	\$35.07	\$38.43	\$38.43	\$38.43	\$41.34	\$41.34	\$41.34	\$44.46	\$44.46	\$47.71
GRAND TOTAL*	\$81.40	\$82.40	\$87.51	\$84.26	\$85.66	\$89.02	\$92.25	\$96.69	\$99.60	\$103.32	\$108.05	\$111.17	\$115.44	\$118.69
Dollar Increase	-	\$1.00	\$5.11	(\$3.25)	\$1.40	\$3.36	\$3.23	\$4.44	\$2.91	\$3.72	\$4.73	\$3.12	\$4.27	\$3.25
Percentage Increase	-	1.23%	6.20%	-3.71%	1.66%	3.92%	3.63%	4.81%	3.01%	3.73%	4.58%	2.89%	3.84%	2.82%
Aggregate dollar increase	-	\$1.00	\$6.11	\$2.86	\$4.26	\$7.62	\$10.85	\$15.29	\$18.20	\$21.92	\$26.65	\$29.77	\$34.04	\$37.29
Aggregate percentage increase	-	1.23%	7.51%	3.51%	5.23%	9.36%	13.33%	18.78%	22.36%	26.93%	32.74%	36.57%	41.82%	45.81%
Wastewater (Non-Eligible)														
Base Fee	\$11.32	\$12.31	\$12.31	\$12.69	\$12.69	\$14.22	\$14.22	\$14.22	\$15.21	\$15.21	\$15.21	\$16.28	\$16.28	\$15.33
Commodity Fee	\$26.00	\$26.01	\$26.01	\$26.80	\$26.80	\$30.04	\$30.04	\$30.04	\$32.14	\$32.14	\$32.14	\$34.39	\$34.39	\$32.38
Wastewater Total	\$37.32	\$38.32	\$38.32	\$39.49	\$39.49	\$44.26	\$44.26	\$44.26	\$47.35	\$47.35	\$47.35	\$50.67	\$50.67	\$47.71
GRAND TOTAL*	\$81.40	\$82.40	\$87.51	\$88.68	\$90.08	\$94.85	\$98.08	\$102.52	\$105.61	\$109.33	\$114.06	\$117.38	\$121.65	\$118.69
Dollar Increase	-	\$1.00	\$5.11	\$1.17	\$1.40	\$4.77	\$3.23	\$4.44	\$3.09	\$3.72	\$4.73	\$3.32	\$4.27	(\$2.96)
Percentage Increase	-	1.23%	6.20%	1.34%	1.58%	5.30%	3.41%	4.53%	3.01%	3.52%	4.33%	2.91%	3.64%	-2.43%
Aggregate dollar increase	-	\$1.00	\$6.11	\$7.28	\$8.68	\$13.45	\$16.68	\$21.12	\$24.21	\$27.93	\$32.66	\$35.98	\$40.25	\$37.29
Aggregate percentage increase	-	1.23%	7.51%	8.94%	10.66%	16.52%	20.49%	25.95%	29.74%	34.31%	40.12%	44.20%	49.45%	45.81%

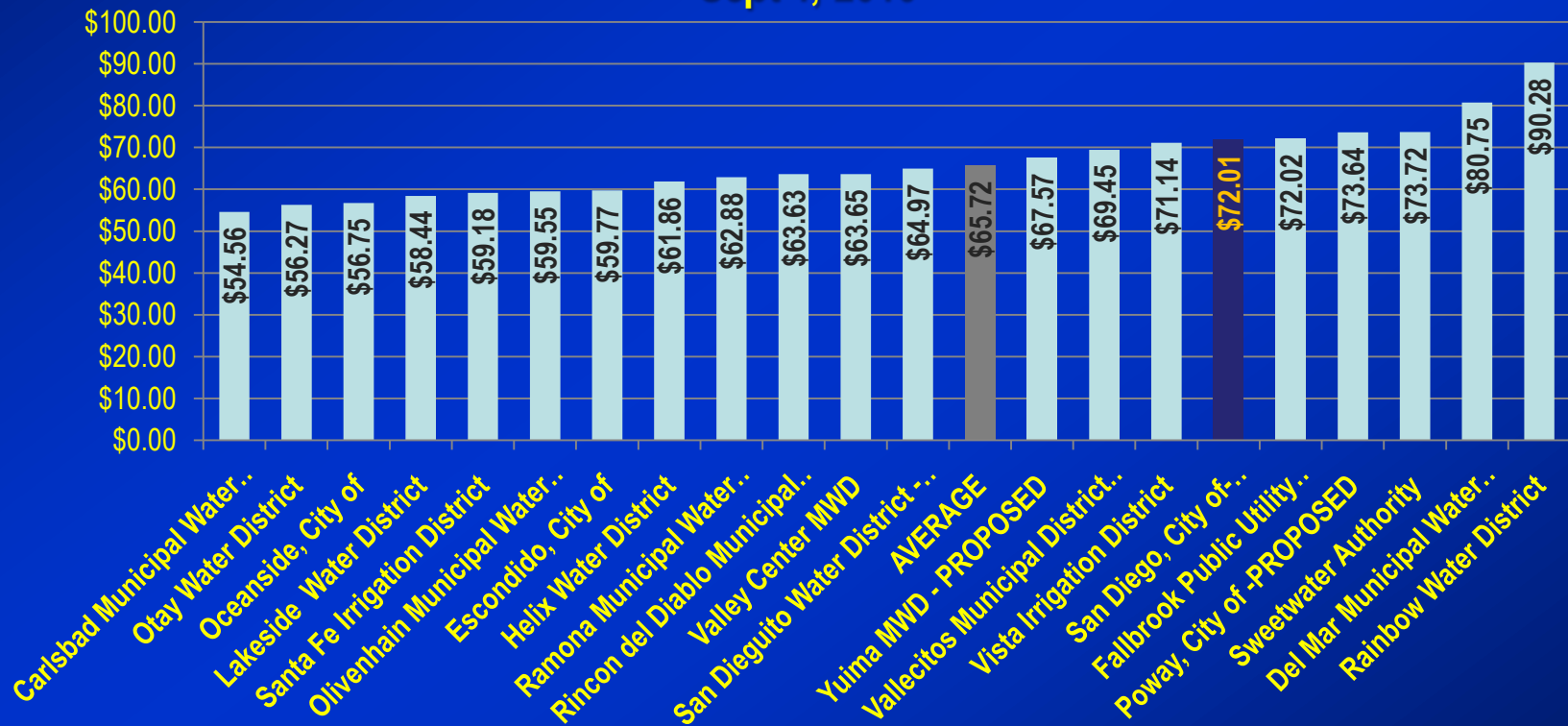
*Note that Grand Totals are presented as monthly billing. Water Department is scheduled to revert to bi-monthly billing in April/March 2008. Actual bill after March/April will consist of two months fees and be double the amounts shown.

MWWD related increases
 Changing figures

9/4/2009

Agency Comparisons

Water Rate Comparison Sept 1, 2010



Rate Affordability

■ USEPA Index

- Utility Rates should be no more than 2% median household income..
- Last bond issuance at 1.12% (at MHI of \$70k)
- CoSD retail price is 6th highest of 15 local agencies

■ Current Economy

- Jobs / Housing / Income

Rate Case Drivers



Public Confidence

■ Current Discourse

- Pensions / Salaries
- City management
- Rate increase
- 9.6% unemployment
- “trust” and “transparency”
- General Fund impacts

Dept Communications



Recycled Water Program

FACT SHEET



Recycled water

A water resource strategy that includes conservation, recycled water, and groundwater, water reuse and watershed and resource protection is helping to meet future water needs.



City of San Diego
Public Utilities Dept.
Long-Range Planning &
Water Resources Division
600 B Street, Suite 600
San Diego, CA, 92101
(619) 533-7572
www.sandiego.gov/
publicutilities

San Diego is located in a semi-arid climate, therefore maintaining a reliable supply of water continues to be one of the greatest challenges the city faces. The city relies on imported water for 85 to 90 percent of its water supply. Since 1997, the City of San Diego County for more than 40 years. Since 1997, the tertiary-treated recycled water.

The City of San Diego produces recycled water at two retail and southern sections of the city. Ninety percent of our customers use recycled water for landscape irrigation. Customers also use recycled water for industrial processing, cooling towers, construction site dust suppression and soil compaction, decorative fountains and toilet and urinal flushing. In 2009, the City's beneficial reuse was 13,101 acre-feet of recycled water.

As of August 2010, there are 486 retail meter connections in the North City area and wholesale connections with the City of Poway and Olivenhain Municipal Water District. In the South Bay area, the City sells recycled water to several retail customers for the majority of the recycled water is sold to the Otay Water District.

The City has made significant capital investments in the recycled water distribution system expansion and federal grants. City staff are working towards completing pipeline extensions to reach new customers. Over the course of several City properties were designed or retrofitted to the total number of meters serving City sites to 61. These are adjacent to the existing distribution pipelines; many were per Recycled Water Master Plan. Nine of these City retrofit projects are slated to be completed in late 2010. Over 240 acre-feet per year (AFY) of recycled water for all million gallons of drinking water each year. In total, more was obtained by the City from the U.S. Bureau of Reclamation Water District of Southern California, and San Diego Gas & Electric these projects.

North City System Facts

Wastewater treatment design capacity: 30 MGD*
(22.5 MGD is the current maximum capacity)
2009 CY annual average consumption: 7.1 MGD

Distribution System Facilities:
83 miles of pipeline
9 million gallon reservoir
3 million gallon reservoir
3 pump stations

*MGD = one million gallons per day

- more -

Fact Sheet



Recycled water



California Agave

A water resource strategy that includes planning, conservation, recycled water, groundwater, water reuse, and watershed and resource protection is helping to meet future water needs.

The City of San Diego Public Utilities Department

Water Rates and Notification (and how to keep your bill down)

The Public Utilities Department knows how important each dollar is to San Diegans. We are constantly striving to be as efficient and cost-effective as possible. From becoming more streamlined by merging the water and sewer departments into one to reduce personnel costs, we work as hard as you to make each dollar stretch as far as possible.

However, there are times when the Department must bring forward rate increases. These are mainly due to two different factors. They are:

- Due to an increase in the wholesale cost of water.
- To pay for improvements to the water and/or sewer systems.

Before the Department raises water or sewer rates, it must notify the public in advance. The rules governing this notification are contained in California Proposition 218. This Proposition was passed by the voters of California in November 1996. Before City Council approves either of these types of rate increases, a Prop. 218 Notice is sent to every account holder. These Notices are sent more than 45 days prior to the City Council hearing. In order to make them as noticeable as possible we do not hide them in the water bills but send out a colorful notice directly to all customers.

As part of the Prop. 218 rules, we include a form that makes it easy for customers to protest the increase. We also make the form available on the Internet in Spanish and Tagalog as well as English.

Wholesale Cost of Water Increases

Once a year the agencies that the Public Utilities Department buys water from reassess the rates for which they sell water. If those rates go up due to increases in those agency's costs, the wholesale price of water goes up. If this occurs the Public Utilities Department may increase water rates to pay for this increase. This is called a "Pass-Through" rate increase.

These rate increases by the San Diego County Water Authority (CWA) apply to all county water agencies, including the City. Because local water supplies are very limited, the City



Alvarado Water Treatment Plant



Pt. Loma Wastewater Treatment Plant

“Push”
Communication
+
“Openness”



Public Information Office 10/09/10

City of San Diego Public Utilities Department • (619) 515-3500 • www.sandiego.gov/publicutilities

Oversight Framework

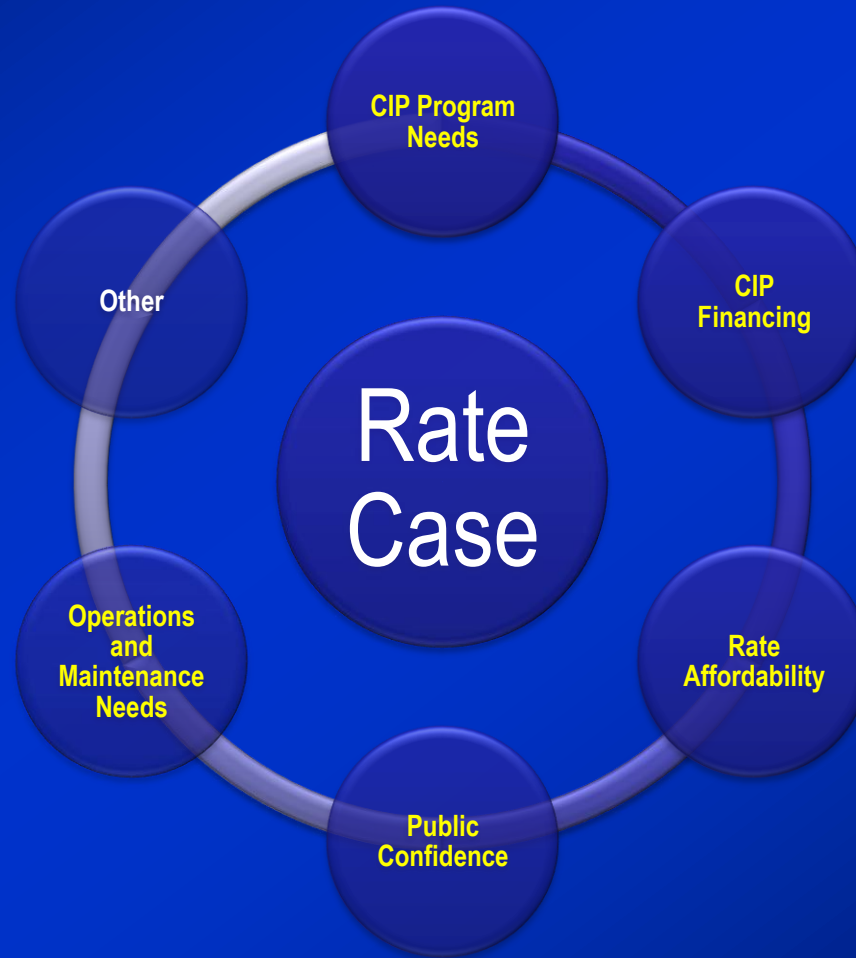
■ Audit and Transparency

- City-wide Comprehensive Annual Financial Report (CAFR)
- Bond Disclosure Documents / Disclosure Practices Working Grp (DPWG)
- Metro Joint Powers Authority (Metro JPA) Audit (Schedule E)
- Other Governmental Agencies
 - County Water Authority (CWA) / Metropolitan Water District (MWD)
 - Dept Public Health (DPH) / Environ Protection Agency (EPA) / Dept Water Resources (DWR)
- IROC

Oversight Framework

- **Audit and Transparency (cont'd)**
 - Office of City Auditor (OCA)
 - Bid-to-Goal
 - City Attorney's Office (CAO) / Litigation
 - Prop 218 Noticing
 - Public Records Acts Requests (PRA's)
 - Increasing numbers from organizations, individuals

Rate Case Drivers



Operations and Maintenance

■ FY 2011 Water Fund Budget - \$425M

• Supplies	\$183.5
• Contracts	87.5
• Salary/Wages/Fringe	63.3
• Debt Financing	60.6
• Energy and Utilities	11.7
• Information Tech	7.2
• Contingency	5.3
• Other	3.6
• Capital (Operational)	2.3

O & M Budget Detail

- Personnel Expenses (PE) 705 Full-time Equivalent
 - \$38.6M S/W
 - \$24.7M Fringe
 - \$18.4M “retirement” related
 - ARC \$11.8M
 - OPEB 4.1
 - SPSP 1.6
 - Offset 0.7
- Total Budget minus PE = \$361.8M

O & M Budget Detail

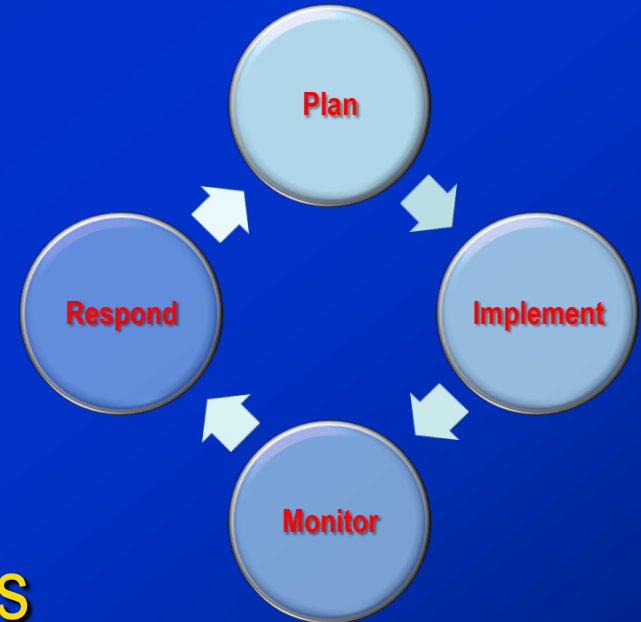
■ Committed Expenditures (\$M)

• Water Purchases	\$169.2
• MWD Infrastructure Access	16.4
• GGSB SLA	18.5
• IT Fixed / Obligated / Inter-fund	3.3
• Rent 600 B	4.0
• Appropriated Reserve	3.5
• Energy Utilities	11.7
• Debt (P/I)	<u>60.6</u>
• TOTAL	\$287.4

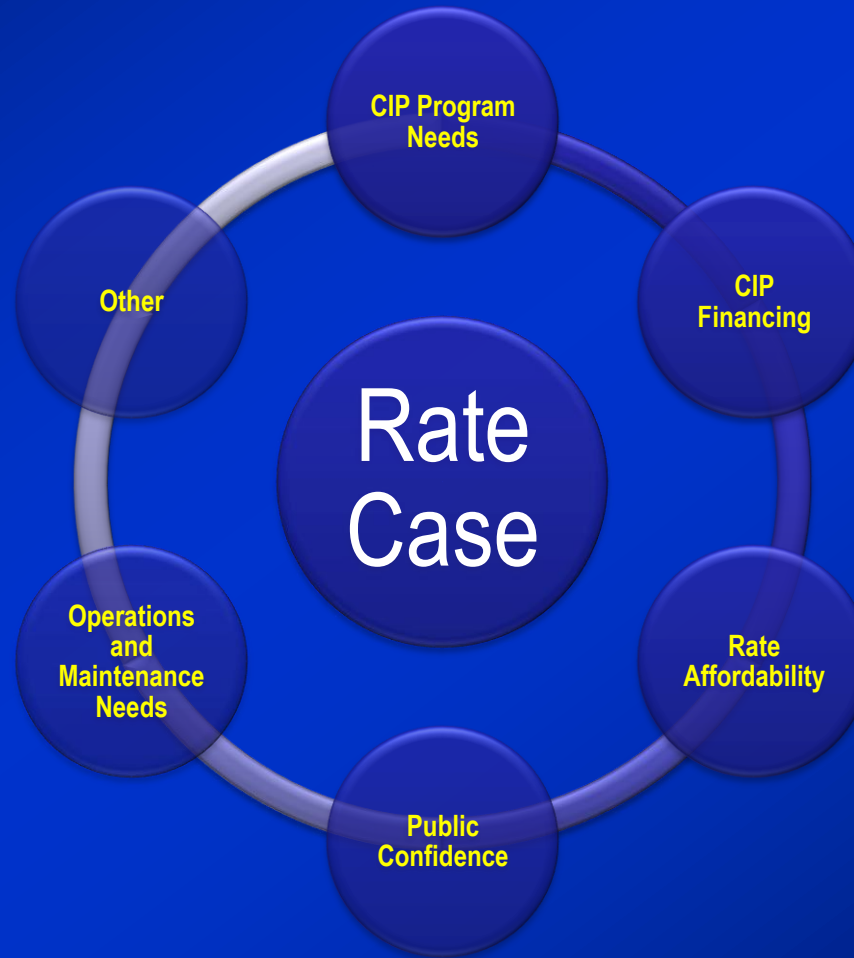
■ Total Budget minus PE minus Committed Exp = **\$74.3M**

Fiscal Year Planning

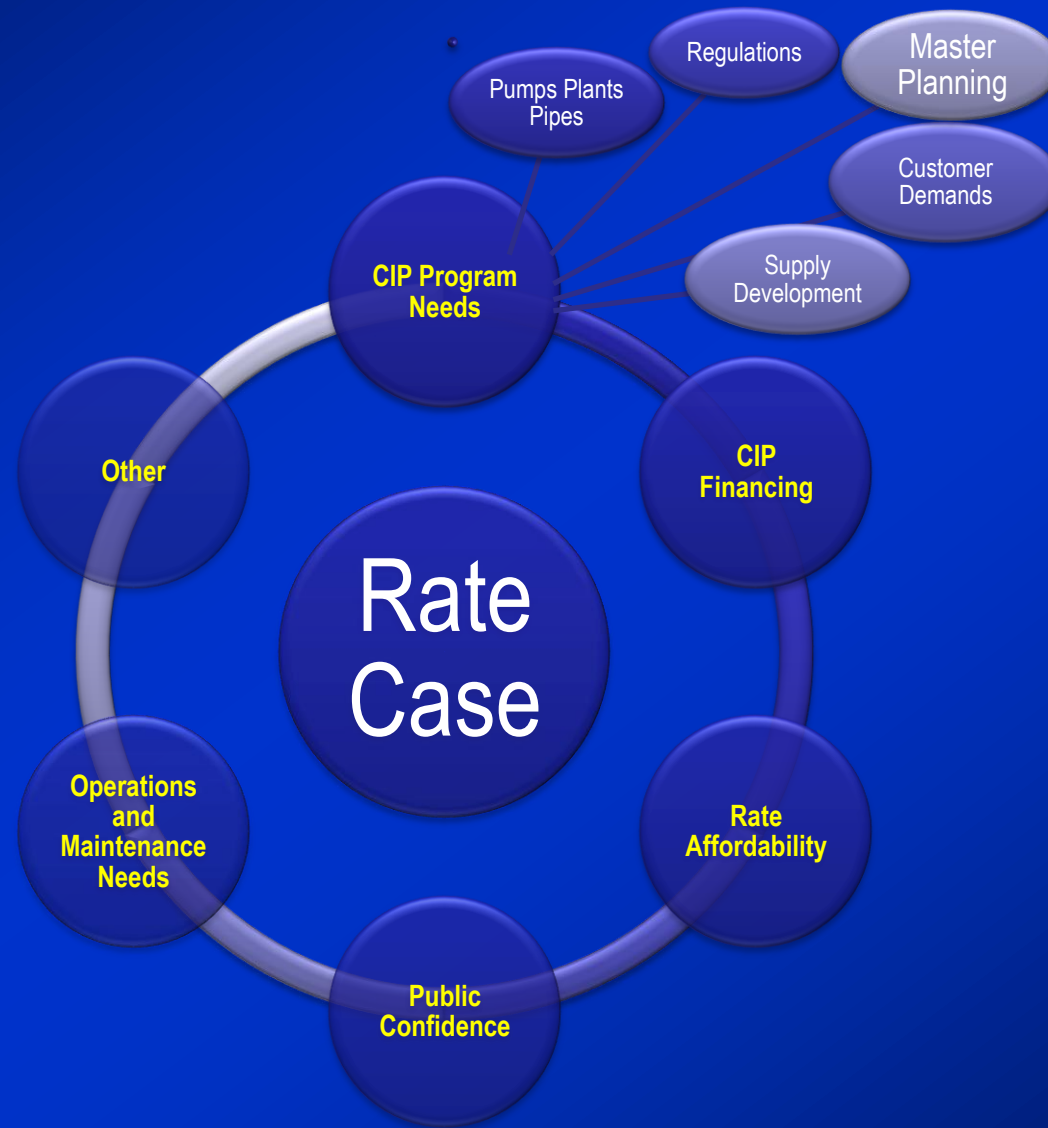
- Strategic Planning
 - Mission/Vision/Values
 - Goals
 - Initiatives
- Performance Metrics
- Budgetary Goals and Objectives
- Bid-to-Goal



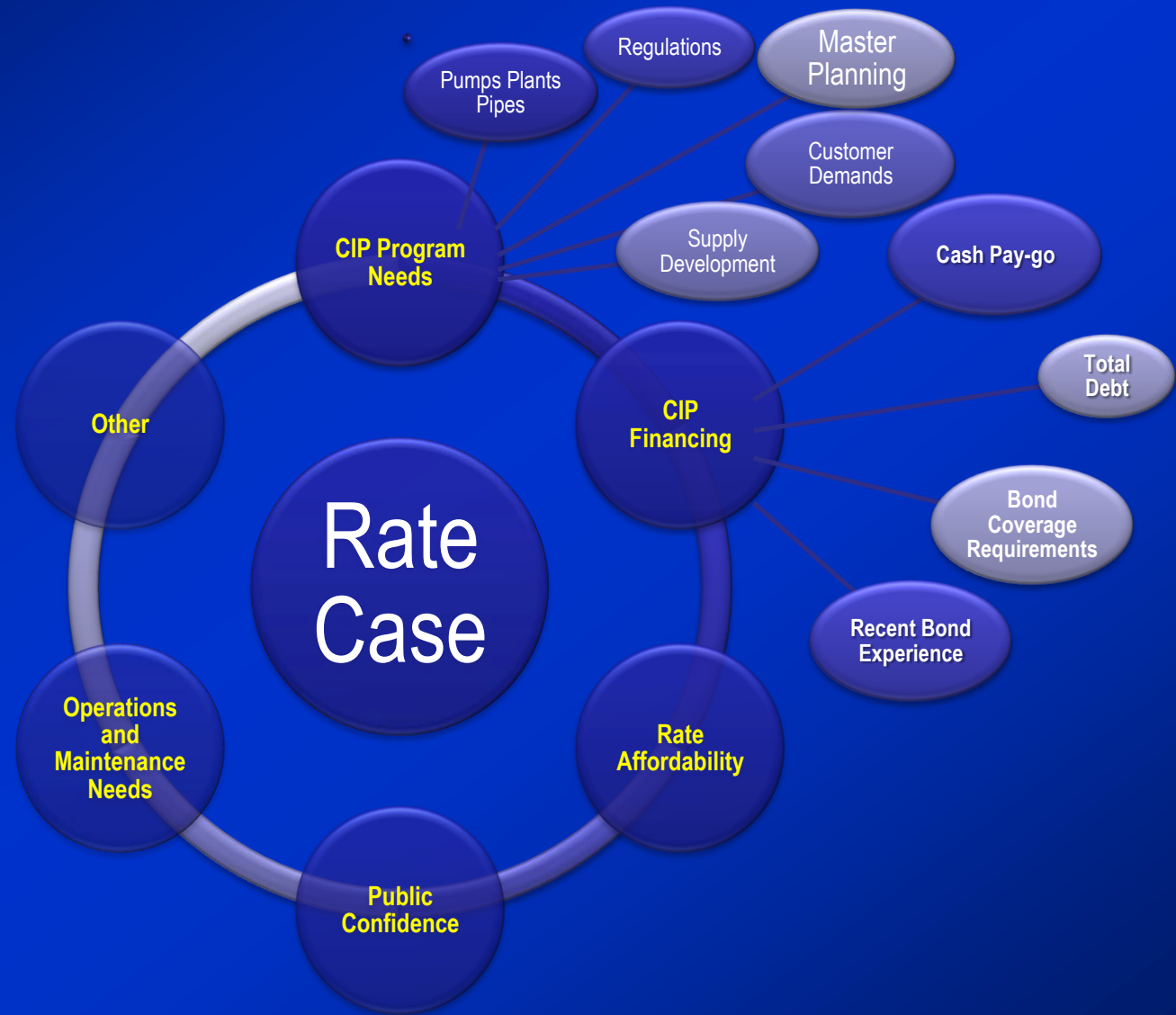
Rate Case Drivers



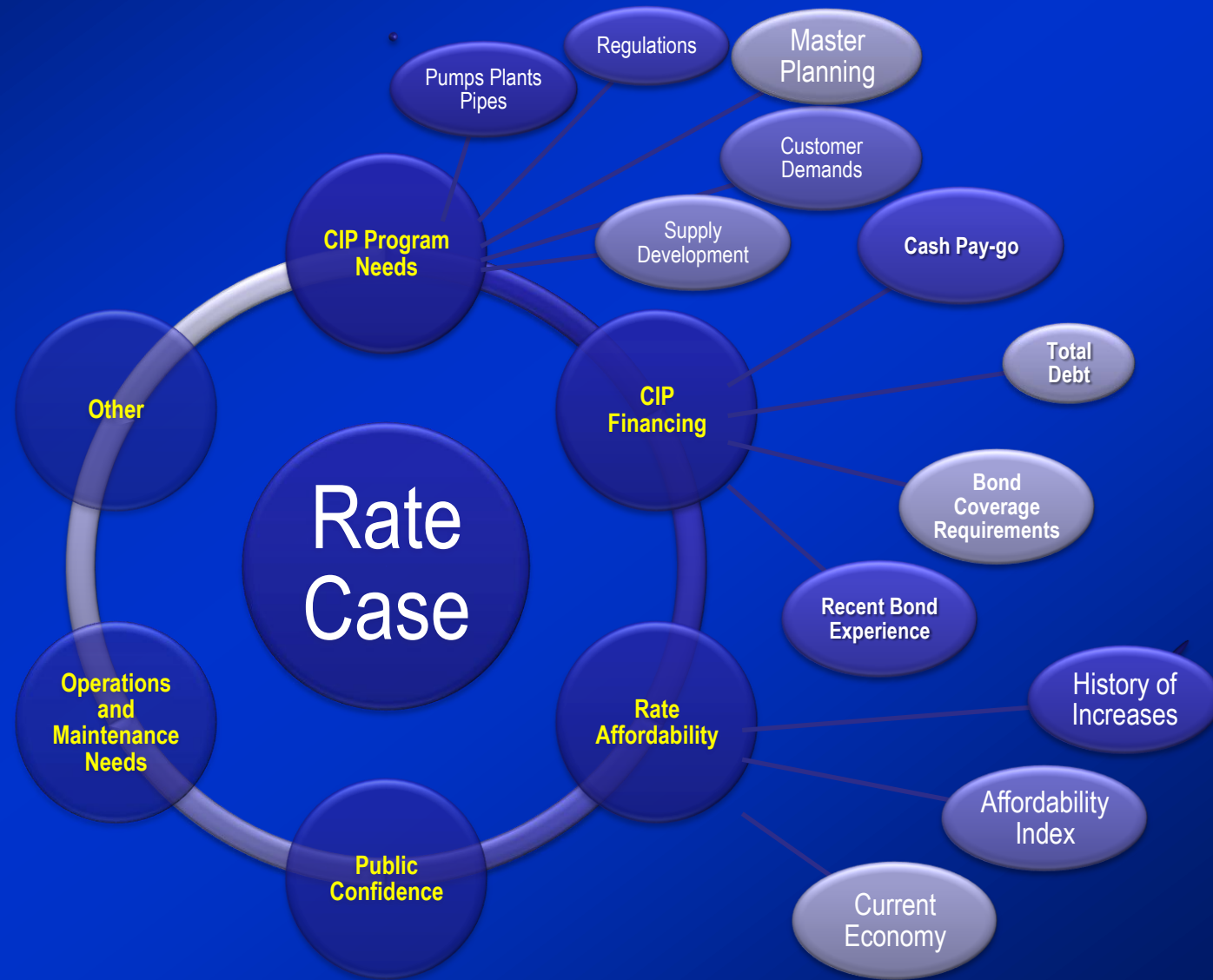
Rate Case Drivers



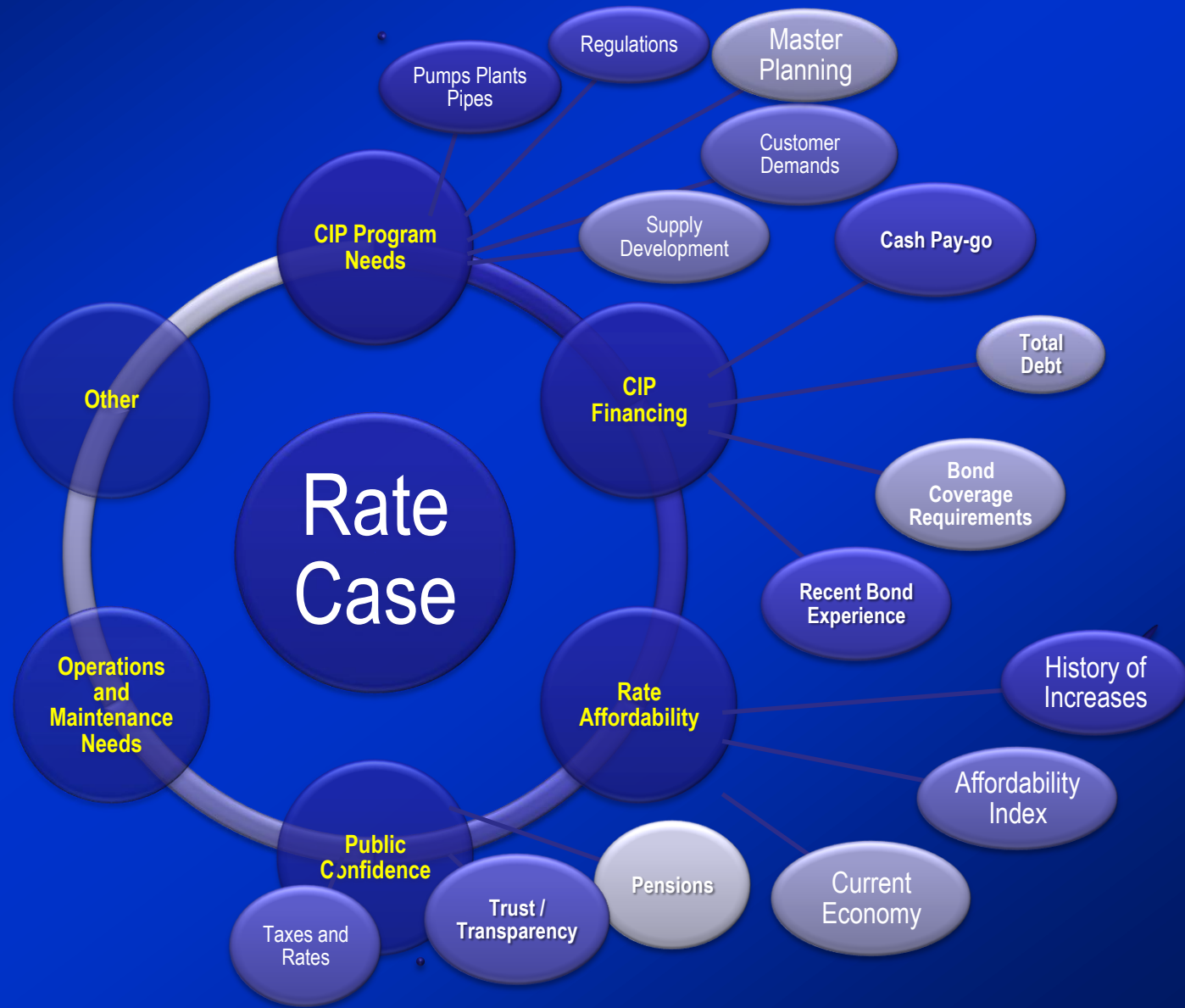
Rate Case Drivers



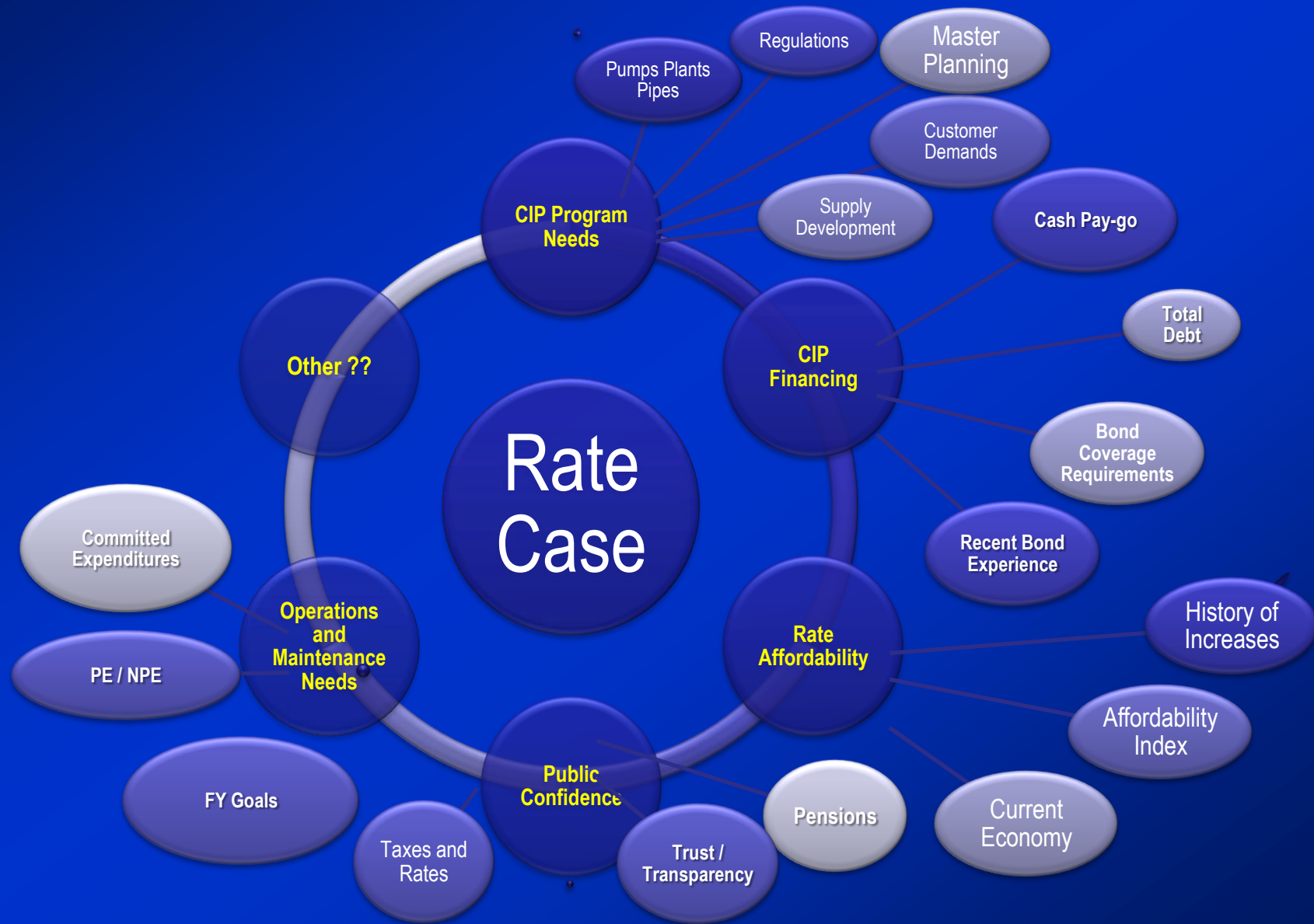
Rate Case Drivers



Rate Case Drivers



Rate Case Drivers



Decision Milestones

- Utilization of Bond Proceeds – “burn” rate
- Anticipated Rate Adjustments
- Prop 218 Public Noticing and Hearing Requirements
- others

Conclusion