

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Engineering Workshop
Agenda
December 9, 2013 at 1:30 p.m.

1. Call to Order, Flag Salute and Roll Call

2. Public Comment

Members of the public may address the Board of Directors at this time relating to any matter within the Agency's jurisdiction. To comment on specific agenda items, please complete a speaker's request form and hand it to the Board Secretary.

3. Discussion of Proposed Draft Policy on Meeting Future Supplemental Water Demands*(Page 2)

4. Discussion of Proposed Draft Drought Contingency Policy* (Page 3)

5. Announcements

- A. Regular Board Meeting, December 16, 2013 at 1:30 p.m.
- B. Finance and Budget Workshop, Friday, December 20, 2013 at 1:30 p.m.
- C. Office Closed December 24th and 25th, in observance of the Christmas Holiday
- D. Office Closed December 31st and January 1st, in observance of the New Year's Holiday
- E. Regular Board Meeting, January 6, 2013 at 1:30 p.m.

6. Adjournment

*Information included in Agenda Packet

(1) Materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Agency's office at 1210 Beaumont Avenue, Beaumont during normal business hours. (2) Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Agency's office, located at 1210 Beaumont Avenue, Beaumont, California 92223, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Web site, accessible at: www.sgpwa.com (3) Any person with a disability who requires accommodation in order to participate in this meeting should telephone the Agency (951 845-2577) at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

Proposed DRAFT Policy on Meeting Future Supplemental Water Demands

December 2013

Recitals:

- Agency was created to meet water demands, etc.
- Agency is planning for the future etc.
- Agency desires to meet supplemental water demands within its service area in the future etc.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN GORGONIO PASS WATER AGENCY that the San Gorgonio Pass Water Agency does hereby declare the following to be the official policy of this Agency:

The San Gorgonio Pass Water Agency is committed to meeting all future supplemental water needs of retail water agencies within its service area.

This will be accomplished by acquiring short-term water, spot water, dry year yield water, and long-term water rights, as determined by this Board, at times and for periods as needed, as well as by managing the Agency's current supplies to maximum effect. The Agency will use all tools at its disposal, including but not limited to carryover water, one-year or multi-year exchanges, transfers, or purchases of water or water rights in order to meet this commitment.

Should a retail water agency or other public or private entity within the Agency's service area acquire its own supplemental water in its own name, the Agency will consider "wheeling" this water to the region upon payment of a reasonable wheeling charge, as adopted by this Board. Such water would only be wheeled to the extent that capacity is available in the Agency's system.

Proposed DRAFT Drought Contingency Policy Summary

December 2013

Principles:

- Customers who want to purchase water from the Agency will have to submit orders for the next year's deliveries.
- Policy is based on **need** of the retail agencies.
- Maintains some discretion for Agency Board over a portion of Table A water.
- Classifies direct deliveries as higher priority than replenishment deliveries (this gets to the "need" issue).
- In dry years, replenishment customers get cut back proportionately to their orders.

Basics:

- Retail managers submit projections of next year's demands (orders) to SGPWA manager by October 1. These projections shall be in two parts:
 - Actual demands (separated by direct deliveries and replenishment)
 - "Wish list" of water in addition to demands, if water is available. It is assumed that this will be for replenishment or additions to storage (supplemental demands).
- SGPWA manager will meet with each retail manager who submits an order as needed to review the order to ensure that it is consistent with UWMPS, prior year demands, recent development, etc. SGPWA manager makes final decision on retail orders based on these meetings. Retail agency can appeal this decision to Agency Board of Directors, who would have ultimate authority over this.
- If no order is submitted, SGPWA manager will develop order based on prior year demands and other applicable information.
- Definition of drought: If total orders are greater than Table A amount for a calendar year, this policy shall govern. If Table A amount is greater than sum of orders, then there is no drought and this policy shall not govern SGPWA deliveries. This could change over the course of the year as allocation increases.

Details:

- If water ordered by retail agencies to meet their demands is greater than Table A amount at any time, this policy shall govern during that time. For example, this policy could be in effect for a month or two but then become unneeded if the Table A allocation increases to an amount greater than water ordered by retail agencies.
- If water ordered for direct deliveries equals or exceeds the Table A amount, no replenishment or overdraft mitigation deliveries of Table A water will be made until the Table A amount exceeds the orders for direct delivery water.
- If total water ordered to meet demands exceeds amount of Table A water (minus water set aside for Agency discretion) for that year but Table A water exceeds direct delivery orders:
 - All direct deliveries will be made.
 - Replenishment deliveries will be cut back proportionately for all parties. That is, after accounting for all direct deliveries, if there are orders for 20% more water

than available from Table A available pool, all retailers requesting replenishment water are cut back 20% of their orders.

- Agency will keep (set aside) an amount of Table A water to use at its discretion. The rest of the Table A water for that year shall be known as the Table A available pool. The amount of Table A water set aside for Agency discretion shall be 10-15% of all water ordered by retail agencies.
- This set aside water could be used by the Agency only for one or more of the following purposes:
 - To sell to one or more retailers in particular need that year
 - To use for overdraft mitigation
 - To carry over to the next year
 - To exchange with another Contractor (this would likely only be considered under a very unlikely set of circumstances)
- The decision on how to use the set-aside water will be made by Agency Board, with a recommendation from the General Manager, at one or more regular or special Board meetings during the course of the year.
- If the Board takes no action on this water, it will either be used for overdraft mitigation or carryover, at the discretion of the GM. This would have to be consistent with then-current Agency policy on overdraft mitigation.
- Priorities for water:
 - Direct deliveries (up to 100% of demands)
 - Agency discretion (10-15%% of ordered water)
 - Replenishment deliveries

Miscellaneous:

- This policy covers Table A water only. It does not cover carryover water from the previous year or any spot water, dry year yield water, exchange water, or transfer water.
- SGPWA has discretion to use carryover water as needed to augment Table A water in a drought year to mitigate any reduction in deliveries. However it must balance this need with the possibility that the next year might be dry as well.
- In a drought year, it is anticipated that spot water will be available to purchase at an additional cost. SGPWA GM shall talk to retail GM's to determine if they have a desire to purchase any spot water that year. If so, it is the policy of the Agency that the retailer would pay the additional costs of this water. In other words, the Agency would purchase such water specifically for delivery to one or more retail agencies who request it, and will pass through all costs associated with it to those retail agencies in proportion to their costs.
 - The retail agency may need to decide whether to order spot water without knowing the final cost of that water. Agency will make its best effort to determine a range of the final cost and inform retail agencies so that they have an idea of the range of costs for this water before making a decision.
 - Frequently, such water includes "put" options early in the year. If a retail agency wishes to order spot water and informs the Agency of such decision, Agency will "front" all costs, including any "put" options, and after delivery of the water will send each retailer a final bill and accounting for the spot water.

- If a retail agency requests spot water and the Agency pays “put” options but the retail agency later backs out on its commitment, Agency will bill retail agency for all costs associated with the deal, including “put” options.
- In the event that multiple opportunities for spot water are available, Agency will make its best effort to find the best (lowest cost) deal for retail agencies for this water.