

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Engineering Workshop
Agenda
November 14, 2016 at 4:00 p.m.

1. **Call to Order, Flag Salute and Roll Call**
2. **Public Comment:**
Members of the public may address the Board at this time concerning items 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. **Second Follow-up Presentation on Allocation of Agency Water by Dan Flory, Provost & Pritchard* (Page 2)**
4. **Discussion of San Bernardino Valley Municipal Water District Term Sheet* (Page 74)**
5. **Announcements**
 - A. Regular Board Meeting, November 21, 2016 at 7:00 p.m.
 - B. Office closed November 24th & 25th, 2016 in observance of Thanksgiving
 - C. Finance and Budget Workshop, November 28, 2016 at 4:00 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 <http://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.

San Geronio Pass Water Agency

Water Allocation Analysis

November 8, 2016

Prepared for:
San Geronio Pass Water Agency
1210 Beaumont Avenue, Beaumont, California 92223

Prepared by:
Provost & Pritchard Consulting Group
4701 Sisk Road, Suite 102, Modesto, California 95356

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Report Prepared for:

San Geronio Pass Water Agency

1210 Beaumont Avenue
Beaumont, CA 92223

Contact:

Jeff Davis, General Manager
(909) 845-2577

Report Prepared by:

Provost & Pritchard Consulting Group

Dan Flory, Project Manager

Contact:

Dan Flory, Principal Engineer
(209) 809-2300

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Abbreviations

AVEK..... Antelope Valley East Kern Water Agency
BCVWDBeaumont-Cherry Valley Water District
CEQA.....California Environmental Quality Act
CLWA.....Castaic Lake Water Agency
DWR..... California Department of Water Resources
GM.....General Manager
KCWA.....Kern County Water Agency
SBVMWD.....San Bernardino Valley Municipal Water District
SGPWA..... San Gorgonio Pass Water Agency
SWP State Water Project
SWPAOState Water Project Analysis Office
UWMP Urban Water Management Plan
Water Code California Water Code

1 Introduction

Four years of drought and below-average allocations on the State Water Project have led many water agencies in Southern California to question the manner and methodology in which wholesale agencies allocate water to retail water agencies within their boundaries. In times of shortage, water agencies are fighting to be first in line for the water that is available.

This has been particularly important in the San Geronio Pass Water Agency (SGPWA) service area, which has seen demand for its water increase from zero, to more water than can be delivered in a drought year in less than a decade. There are a number of reasons for this, including the 2004 adjudication of the largest local groundwater basin, a built-up demand for additional housing and commercial development, reduced reliability of the State Water Project due to court decisions, and a multi-year drought. The situation caused an alternate allocation policy to be proposed by a group of retail water agencies. The alternate policy was very different from the Agency's current policy and was based on land area.

These factors led the San Geronio Pass Water Agency, in early 2016, to re-evaluate its policy regarding allocation of its State Water Project supply. The Agency Board directed staff to contract with an outside consultant to perform this review and re-evaluation. The re-evaluation was intended to review the Agency's allocation process in general, as well as commenting on the alternate plan proposed by retail agencies.

2 Consultant

The Agency contracted with Provost & Pritchard Consulting Group in Fresno to perform this work. Dan Flory, previously Chief of the State Water Project Analysis Office (SWPAO) of the California Department of Water Resources and former General Manager of the Antelope Valley-East Kern Water Agency, was hired to do the evaluation and review. Mr. Flory was selected by staff because of his expertise in the State Water Project, allocation of water, relationships between wholesale and retail water agencies, and overall understanding of the water industry in California.

The scope of work was to lead two Board workshops on allocation, and if requested to lead a third workshop and produce a written paper summarizing the analysis and results. The first workshop was to present a summary of various allocation methodologies, as well as to gather input on allocating water from members of the public and from retail water agencies. The second workshop was to present a summary of the analysis based on input received, interviews conducted with other State Water Contractors, and other information available.

The first workshop was held on May 10. The second workshop was on July 11. At the second workshop, the Agency Board of Directors asked for a formal written report that was to include but not be limited to answering specific questions asked about the retailer-backed plan at both workshops. This document is the formal written report requested by the Board.

3 Report Conclusions

How to allocate available supplies is a question for many purveyors. This issue becomes especially important in dry years. There is a great deal of interest in the allocation process whenever there is a shortage. The Board has requested an examination of the present method and solicited input from the public and its customers on the subject. After examining the present process and a suggested alternative, it is evident that the method

being used by the Agency is consistent with the Water Code, the Agency's enabling Act, and the Water Supply Contract. It is also appropriate for the location and the beneficial uses within the Agency's service area and is consistent with the methods used by other State Water Project contractors. It lacks some specificity and definition, but it is not fatally flawed and there are no compelling reasons to make radical changes to the present method used to allocate existing SWP supplies. The Board may decide to make some refinements to the present process and how it is implemented, but it not under any obligation to do so. The allocation of existing supplies is not the real issue facing the Agency. The problem is a shortage of water to meet its present dry year needs and any future increase in demand.

4 Recommendation

The Board should explore obtaining additional supplies. It may be appropriate to allocate those new supplies differently than the process used for the existing imported supplies but, again, the Board is under no obligation to do so. Since the new supplies are likely to be more expensive and in smaller amounts the Board may want to consider different allocation method but any new approach should not be allowed to distract from the goal of obtaining additional supplies for the area. A new method needs to protect existing customers from increased costs but should allow new users the opportunity to firm up supplies by adding to the Agency's water supply portfolio.

5 Report Methodology

5.1 Methodology Used to Get to First Workshop

The process used to examine the Agency's allocation process and prepare for the first workshop was to research several foundational documents including the Agency's contract with the State, The Agency Act and a proposed allocation procedure entitled "Regional Water Allocation Agreement for Water Imported by the San Geronio Pass Water Agency". A list of the documents reviewed for this report is listed in the Appendixes and the Reference sections of this report.

5.2 First Workshop and Information Presented

At the first workshop, two presentations were given. The first, by the Agency's General Manager, discussed the Agency's existing process and provided some historical background. The second presentation discussed the variety of approaches used by other agencies and generally the advantages and disadvantages of each process. The power point presentations are included in Appendix B and C for reference.

Most of the time in the first workshop was dedicated to receiving input from the Board and members of the public, including representatives from several retail agencies. The input included verbal questions, comments and concerns made by the participants. A total of 62 comments were made, 48 from the May workshop and another 14 from the July workshop. The comments were transcribed from the audio recording and notes taken of the workshops. These comments have been grouped into ten separate issues, eight from the first workshop and two additional issues from the second. These issues are listed below. Although both workshops were fairly informal, every effort was made to document each comment or question as accurately as possible.

5.2.1 Issues from the First Workshop

- The Agency's Present Allocation Method
- The Present Water Supply
- The Agency's Pricing Structure
- The Retailers Proposed Plan
- Urban Water Management Plans
- Examples from Other Agencies
- Future Supplies and How to Move Forward
- Connection Fees

5.3 Work Performed for Second Workshop

After the May workshop, the consultant examined additional reference materials and spoke with outside parties including the General Managers and staff of several SWP contracting agencies.

5.4 Second Workshop

A presentation was made at the July workshop summarizing the observations, analysis and conclusions since the first workshop. The presentation is included in Appendix C and reference documents that were reviewed are also listed in the Reference section of this report.

Additional issues raised at the second workshop

- Environmental Restrictions
- Specificity of Responses and the Written Report

It was clear from comments by Board members and the public at the second workshop that more detail was desired and additional questions needed to be addressed. The additional questions and comments are included in Appendix A along with the comments from the first workshop. Each question or comment on the list has a reference to where that issue is addressed.

6 Discussion and Responses to Comments

6.1 Comments and Responses

The following section discusses each major issue and the comments related to that issue. Most of the comments have been grouped into subject matter areas for response.

6.1.1 The Agency's Present Allocation Method

Discussion

As described in the presentation by Jeff Davis at the first workshop, SGPWA goes through a process of allocating water from the SWP and any supplemental supplies, based on a set of priorities. Generally if the requests are realistic, based on past use, the highest priority goes to treated water through a treatment plant. The agency then pays back water exchange obligations it has under contract. The next priority is replacement water for the basin, first replacement for the present year, then replacement for future years. These priorities are administered by SGPWA through the GM with Board oversight. This process is not broken. It is consistent with the Agency Act, the Water Code, and SGPWA policy. SGPWA is on very solid contractual and procedural grounds with the present process, and changing methods would likely bring a lot of new and perhaps unintended consequences.

But the process is not viewed as equitable by some retailers and it will likely come under increasing scrutiny and criticism if shortages occur in the future. What will be the interpretation of highest and best use, the greatest need, or the priority of present versus future demand? What of agencies who have not come online yet-- will there be water for them or will it all be committed? The difference here is that this is not a water right. The "first in time first in right" which applies to water rights does not directly apply under the SWP contract. There is no direct equivalent in California water rights to the Agency's Table A in the State contract. SGPWA has had a Table A allotment since 1962 and the Agency has paid capital costs to reserve that access. The reliability of that contractual amount may be less than what was anticipated, but SGPWA still has an allocation each year from the SWP.

Comments related to this issue:

Subject #1 - Calimesa wants to move forward but Beaumont Cherry Valley Water District (BCVWD) gets 80% of the water under the present allocation. (Comment 6)

Response –The present allocation method is based on a set of priorities that are related to the use of the water. Calimesa's "first priority" water (see Appendix E) will have the same priority as BCVWD's "first priority" water in the future. This means that all water for that purpose, no matter which retailer within the SGPWA service area when they come on line, will have the same priority. Of course there will be more customers sharing that same amount, unless water is added to the supply. To Calimesa that means they should be allocated a percentage of that priority in the future, even if they have not used it until that future date. To BCVWD this means they should be aware and plan for a smaller piece of the "first priority" water in the future. SGPWA is in a similar situation with the Kern County Water Agency on the SWP. KCWA made every effort to take as much of their 134,600 acre feet of municipal water in the early years of the Project, but they recognized that when SGPWA came on line, it would take its share of the municipal water at the same priority. Unfortunately the yield of the SWP didn't increase much.

Subject #2– Water does not seem to be allocated consistent with the Agency Act that says that water should be allocated without preference. (Comment 9)

Response – The language in the act that is referred to is Chapter 101-15 "The agency shall have the power: ... To...sell water under the control of the agency to cities, and other public corporations and public agencies within the agency, ...and to the inhabitants of such cities ... and to persons, corporations, and other private agencies within the agency for use within said agency without any preference;" The Board may want a written legal interpretation of this language but to a layperson, the language seems to refer to types of *users* and not

types of *use*. In other words, the agency should not give preference to public entities over private entities. This seems consistent with the context of the paragraph and with the rest of the act because it obviously gives priority to “household use” in 101-15(m).

This interpretation of preference or priority of *use* also seems consistent with the water code and State policy. Therefore why would the act discuss not giving preference to different types of *users*? Because the contract the Agency has with the State is only available to public agencies with taxing authority. The Agency on the other hand, can contract with private citizens or corporations. But it can also establish priorities 101-15 (m), 101-15 (q), 101-15 (r). Section 101-15 (t) also seems to give the Agency the latitude to deliver surface water from the SWP to get local agencies off the groundwater basin. So my interpretation is that the approach the Agency is taking is within its authority and is consistent with the Act and Water Code.

Subject #3 – There is concern about how orders are processed. Under the present plan past shortages are ignored and therefore they compound with each dry year. This requires retailers to draw on their storage account that will eventually go to zero. There is no way to catch up when a retailer is shorted. This shortage if accumulated from the start will never be paid back. (Comment 12, 13,14,15, and 34)

Response – The water made available by the SWP is not a water right. SGPWA has what is called a “Water Supply Contract” with the State. It is basically a contract to pay for facilities to develop or conserve water that was previously lost to flood flows. It is important to note that Article 1 in SGPWA’s contract actually deleted the word “entitlement” from the contract, and replaced it with “Annual Table A Amount”.

SWP water should be viewed as a “supplemental” supply. Even Article 14, which discusses outages, basically says the State will get the water to you in that year or maybe the next, if it can, but that is as far as it goes. SGPWA does not have any recourse in the contract for shortages. SGPWA retailers are in a similar position in their relationship with the Agency, which is not in a position to offer its retailers what it does not get from the State.

In February of 1996 an amendment was made to the contract between SGPWA and the State of California. The amendment was the result of a negotiation that took place in Monterey, California and is often referred to as the “Monterey Amendment”. There were several financial and water allocation issues addressed by the amendment. The State was sued on the CEQA aspects of the amendment but then subsequently settled with the plaintiffs in the case. One concern by the plaintiffs in the Monterey Amendment litigation was that the contracting agencies, or their customers, would get the idea that there was a non-interruptible or contractual right to what is considered by the State a resource that belongs to the people of the State of California. A select group of citizens (SWP contractors) pay for the facilities and might get a chance to utilize the water developed by the facilities in their service area, but they don’t own the facilities or the water that is developed by them. Article 1 and Article 18 of the contract make it clear there are no guarantees, and there can be shortages due to “drought or any other cause whatsoever”. Article 18 (f) says that “Neither the State nor any of its officers, agents, or employees shall be liable for any damage, direct or indirect, arising from shortages in the amount of water to be made available for delivery to the Agency under this contract”.

Subject #4 – SGPWA should go to a market rate for its water. If SGPWA charged a market rate, a lot of the people who think that environmental uses are so important, may not think so if they had to pay the real cost. (Comment 40)

Response – Although this comment is outside of scope of this report it is related, and is a statewide problem that SGPWA feels the effects of. There are a lot of hidden costs in SWP water, and sometimes it is difficult to make a direct connection between the real cost and the environmental action taken. In 2016 the allocation to contractors is 60%. If the allocation was based on the existing hydrology and the “pre-biological options for

smelt”, it would likely be 75% to 80%. Greenhouse gas tariffs on the SWP are about \$10 to \$20 million a year, and are likely to go much higher.

The other problem with this issue is that those that are promulgating the mandates are not the ones who end up paying the cost. One of the problems with going to a more market oriented price is that there is a segment of the user base that is not concerned with the price of water and will continue to use or waste as much as they want. The average user or the business community on the other hand can be motivated by price.

Subject #5 – If there is extra water that the Agency is purchasing, as was mentioned in one of the presentations at the first workshop, how can individual retailers get that water? (Comment 43)

Response – Up to this point, all of the additional water obtained by SGPWA has been added to the overall supply for the Agency.

Subject #6 – There is the feeling that customers think the allocation process being used right now is too flexible and they have no idea how to plan for the future. It can move back and forth too rapidly for them to make any long-term plans. (Comment 47)

Response – There are several variables that affect the water available to retailers within the SGPWA service area. These were discussed in the presentation at the first workshop. Much of the fluctuation is in the biological restrictions placed on the operation of the SWP. The new guidelines for Urban Water Management Plans should address some of this concern and will give the retail agencies more definition but it will not answer all questions that will be raised about the future.

Subject #7 – Right now one district is getting a predominate amount of the supply. Don't see any future help for those that are not taking water now (Comment 53)

Response – Household use is always going to have a priority. The problem, which was brought up by other comments, is once a will serve letter is issued, that user is going to count on a water supply. Those that are not connected to the system now may be viewed as “new” users in the future, although they have been included in the service area or paid into the system. This is why some SWP agencies have reserved water or at least plan on future demand for those that are paying taxes but are not connected to the system yet. In the Agency’s UWMP there is a projection for those future connections and the water needed to supply them. That new user will need to have its share of the Health and Safety water that is available, but the overall supply will need to be enlarged.

Subject #8 – A lot of issues before us, how do they interconnect with the allocation plan? (Comment 55)

Response - This is very true and is evident by the number and diversity of the comments from the workshops. The SGPWA Board will want to make incremental progress on these issues. It is unlikely that all the problems and issues will be addressed by one change in the allocation method, should the Board decide to make changes.

6.1.2 Present Water Supply

Discussion

Most of California has experienced very dry conditions for the last four or five years. This has put water supplies in a new light and many water suppliers are evaluating the available supplies. Allocation issues have become an important topic for all water agencies. In addition, SGPWA has gone from using no SWP water ten years ago to fully utilizing and allocating water available to them from the SWP. The major issues that affect the SWP supply to the Agency are: 1) hydrology in both northern and southern California, 2) changing demographics and use patterns in the service area, 3) environmental restrictions and 4) court decisions or legislative mandates. Each of these has had a direct impact on the water available to SGPWA.

In adopting Resolution No. 2014-02, the Agency established a policy of meeting future water demands in its service area. With SWP water becoming less reliable, the need for water supplies in addition to the Agency's present Table A becomes even more important. Since the land use planning agencies control the rate of growth and the retail water agencies respond by issuing will serve letters, the coordination between the Agency and the retailers is vital.

The Agency will need to continue to explore all possible water supplies to meet local demand. Connection to the SWP gives the Agency the best possible access to state-wide water supplies. The purchase of available Table A, Sites Reservoir and the California WaterFix are all options the Agency will want to continue to pursue.

Comments related to this Issue:

Subject #9 - Concern is that anything less than 80% there will be a shortage (Comment 4)

Response - This is apparently the case, assuming current requests are consistent with current demands. In 2016 the allocation from the SWP was 60% and SGPWA utilized all of the allocation and still had requests for water that were unmet. This again illustrates why SGPWA must find additional supplies or expect unmet demand to occur in the future.

Subject #10 - Existing supplies are already allocated (Comment 10)

Response -The present process allocates based on a set of priorities. If new demand for higher priority use develops it will share in the water available.

Subject #11 – We are behind the curve getting new water they have added a component for new water but they have not purchased any The Agency said they bought 6000 acre feet when did that occur? (Comment 16, 23)

Response –The 6,000 acre feet was purchased over a number of years from the SWP multi-year pool, Yuba County, and exchanges with other agencies. The present series of dry years and pumping restrictions coupled with the increase in local demand have accelerated the need for additional water supplies. The Agency had a plan for the increase, unfortunately it has developed much more quickly than anticipated. In addition, it was not able to implement its capacity fee in 2011 due to opposition from other public agencies and the development community, and therefore did not have the revenue stream required to procure additional supplies at that time.

Subject #12 – is the pipe full? (Comment 41)

Response - The Agency is utilizing all the water available to it and facilities or local operational constraints are not the reason for shortages.

6.1.3 Present Pricing Structure

Discussion

Agency essentially passes on the cost of developing and delivering the water. The cost of the original 17,300 acre feet of Table A is increasing on its own but the Agency must also address obtaining additional supplies. The cost of water, even SWP water, is still relatively cheap relative to other utilities, considering its importance. Compared to other State Water Project Contractors, the cost of Agency water, considering the amount of pumping required, is still relatively inexpensive.

Comments related to this issue:

Subject #13 - We should go to a market rate (Comment 40)

Response - This is an approach that private water companies have taken. A private company would include a substantial contingency factor and profit margin. Even a private company is regulated and prices must be justified. The price point does affect the use by normal users but since this is a public service utilizing a public resource, there needs to be some consideration for lower income customers. There is also the small percentage of users in some areas where cost is no object and price does not seem to affect the use.

6.1.4 The Proposed Retailers Plan

Discussion

As described, the proposed Retailers Plan was an attempt to address perceived shortcomings in the Agency's present method. These include: inconsistency with the Agency Act and the Water Code; a lack of information to develop UWMPs; inequity among retail agencies; and miscommunication between retailers resulting in an over-allocation of the supply. These issues were brought up in comments at the workshops and are discussed in other sections of this report. This section discusses the proposed plan itself.

The proposed plan is a fairly radical departure from the Agency's present method as a whole, and has major components that should be closely examined by the SGPWA Board of Directors before considering. This report is not a legal analysis, but it appears there are concepts in the proposed plan that would be difficult to implement under the Agency's present authority. What can be gleaned from the proposed plan, and the comments at the workshop, is there is opportunity for the Agency to carefully articulate its policy and method to its customers and possibly make some adjustments to address the issues.

To the outside observer, the proposed plan is attempting to make a major adjustment to the existing method that is not fatally flawed and possibly fix the wrong problem – the allocation method verses a lack of supply. It also imposes a structure that gives more definition in the name of equity, but does not include the flexibility needed to ensure or address the unforeseen issues of the future, therefore imposing a new set of inequities. It also builds on assumptions that are questionable or at least not easily verified, as discussed in the response to comments below.

Comments related to this subject:

Subject #14 – The proposed plan attempts to treat districts without preference according to the Act and the Water code, and to address shortcomings of the existing method. How does the proposed plan compare to the present method. (Comment 2, 27, 28, 30, 51, 53, 58, 60)

Response – As discussed in Subject #2, the preference referred to, is apparently the type of user not the type of use. Public and private customers are treated without preference but there is still a hierarchy of uses. As unpopular as it may be, the “first in time first in right” concept applied in water rights may not be as easily applied to an allocation of water from the Agency. The SWP contract provides a priority to “health and safety” type water. The Agency Act gives “household use” a priority (101-15m). In both the year 2015 and 2016 SWP contractors were required to submit “Health and Safety” needs to DWR for review. Of course this apparent discretion afforded DWR makes contractors nervous and was one of the motivations for the Monterey Amendment to the Water Supply contracts.

What the Monterey Amendment did on the state level was remove the “municipal” use priority. This put agricultural uses on an equal footing as far as the first allocation went. The practical result was that water is now allocated on a Table A basis.

There may be a place for a similar arrangement on an Agency level, but the down side of such an arrangement should be looked at. One possible approach (this is not in my recommendations, but is a step the Agency Board could consider taking if it wishes to clarify its policy) is to clearly articulate the policy that within the specific priority, “household use” for example, is allocated by past taxes paid or by historical use. “Household use” is still a priority, but the division among household use is by tax base or the use over the last five years.

The 2005 UWMPs were given as examples of how the retailers could not assess the future water supply in enough detail to meet the requirement of the UWMP act. The UWMP for the City of Banning in the 2005 seemed to recognized that the City was not entitled to the entire 17,300 AF of Table A that SGPWA had available, but assumed in Section 2.2.5.1 that only 38% of the total was available to the City based on a percentage of the assessed evaluation. The Plan went on to discuss DWR’s most recent Delivery Reliability Report estimating average deliveries to be 71% in 2001 increasing to 75% in 2021 (page 2-3). The plan also stated that “SGPWA’s entitlement of SWP water is not guaranteed every year” and assumed the 2030 supply of Table A to the city at 4931 acre feet (Table 2-1). The Banning and BCVWD UWMPs were both apparently based on something less than the 17,300 acre feet from SGPWA (see reference 8 &10) and the plans were circulated to neighboring district in compliance with the guidelines, to avoid double counting.

Another shortcoming of the proposed plan is that it is land based. Using a district’s Sphere of Influence makes sense for a lot of local issues but is clearly not the best metric for water use. The proposed “base allocation” is loosely tied to Sphere of Influence but seems to be more of a negotiated set of numbers. It is difficult for the outside observer to duplicate the result in Table 1 of the plan and it is not clear why some users were excluded or did not receive an allocation. The proposed process will tend to allocate water to areas that may be vacant at the expense of other areas of need. In doing the research for this report, we were unable to find another area that uses Sphere of Influence in the manner proposed.

There are several legal issues that the proposed plan touches on that would be outside the scope of this report. One area would be transfers and exchanges discussed in both Section 4 and 8 of the plan. Transfers between districts in the plan are very restricted and seem to run counter to State policy and the Water Code.

Water Code 1810-1814 and AB2090, AB3427, and AB3722, among others, encourage transfers and exchanges.

6.1.5 Urban Water Management Plans

Discussion

Drought conditions always put pressure on available water supplies and conveyance systems. Urban Water Management Plans are an effort by the state to have local agencies plan for these dry cycles. Many of the comments from the workshops focused on the ability of retail agencies in the SGPWA service area to develop adequate UWMPs.

Comments related to this issue:

Subject #15 – Retail agencies need a number from SGPWA to develop UWMPs and to plan future water supply needs. If more detail is not available, existing SGPWA allocation is over-allocated between customers and retailers do not know how much they need to obtain for future demands. (Comments 1, 17, 19, 21, 31, 32, 33, 42, 44, 47, 51)

Response - From the analysis, SGPWA has met the state requirements in regard to UWMPs. In the past, a specific number is not a requirement and none of the wholesale agencies researched supplied specific numbers to retailers. Many SWP contractors have told local retailers that they are strictly supplemental supply, and the language in the water supply contract supports that. But SGPWA has made a commitment in Resolution 2014-02 to meet future supplies of the service area, even if it means going beyond what is available from the SWP. Since the retailers are having to make the decision on whether to issue or not issue “will serve” letters or if building moratoriums are needed they have an increased level of concern.

The retailers hope that SGPWA is successful in its efforts to obtain new supplies, but it puts a greater level of scrutiny on what SWP supplies there are. One answer is for the Agency to aggressively obtain water supplies, but also provide ways for the local retail agencies to obtain supplies for themselves. Some sources will be better for the agency to get, especially since most will need to be conveyed through the SWP, and some may be better for the retailers (small, expensive sources).

From the comments, apparently three retail agencies all assumed that the total SGPWA allocation was available to them. This does not seem to fit with the research done for this report. Information from both the 2005 City of Banning and BVCWD UWMPs show a reduced amount assumed in the reports, as discussed in Subject #14 above. Without additional investigation, and possible legal analysis, it is difficult to see if a specific number from SGPWA would have avoided the Banning lawsuit. The approach in the 2005 plan seemed reasonable and it was apparently circulated to the neighboring districts.

6.1.6 Examples from Other Agencies

Discussion

During both workshops there was interest in how other water agencies address the issue of water allocation. Several examples were given at the workshops that could be used by the Agency to evaluate or modify its existing process.

Comments related to this issue:

Subject #16 - Are there examples from other agencies that SGPWA can learn from? What is the basis of allocation? How were these processes developed? What are the advantages and disadvantages of each type? (Comments 22, 24, 25, 26, 35, 36, 37, 38, 39, 51)

Response - The basic concept behind the State Water Project contracts is that the beneficiary pays. The 29 contracting agencies pay the costs, whatever they are, to develop and deliver the water. This concept is reflected in the individual contractor's relationship to its local customers. If taxes are collected over the entire service area then a benefit is apportioned over the entire service area. For the contractors researched for this report, the allocation approach was established when the contract was signed and is usually defined in the Agency's enabling act.

In some contractor service areas the water is apportioned according to an established percentage for each district. Napa County Flood Control and Water Conservation District, Santa Barbara County and the Kern County water Agency are examples of this method. The original Table A amount has been allocated to each based on the level to which they opted to participate in the original contract. In other words, a district estimated their future demand and opted in to the SWP supply.

Tulare Lake Water Storage District, an agricultural contractor, is an example of where the water was actually apportioned to the land acreage. The advantage of this approach is individual agency's know what percentage of the total they will receive. The disadvantages are that the supply from the SWP is still fluctuates from year to year, the retail district is locked into an estimate made years ago, and the wholesale agency does not have as much flexibility, limiting its ability to work out local operational and emergency supply issues. In the situations where the water is apportioned to the land, property can be bought or sold just to get the water allocated to it as in Kings County and Devil's Den Water District. The land acreage methodology works for agricultural agencies, but as pointed out above, would be very difficult and unwieldy in an urban setting.

Another approach is to have the Table A held by the wholesale agency and the water is allocated as demographics and demands change. The Antelope Valley East Kern Water Agency is an example of this approach. The advantage is the wholesale agency retains the flexibility to address different growth patterns and demand as the years progress. The users are not locked into an estimate made many years ago. The disadvantage is that local retailers do not feel they can make long term plans.

Subject #17 What is the best approach to get new water and have the new user pay for the increase? (Comments 56, 57)

Response – Since SGPWA has adopted Resolution 2014-02, which commits the Agency to obtain the water needed for the area, the approach used by the Castaic Lake Water Agency may be a good example. CLWA uses a capacity fee to procure additional water supplies and has had good success.

The approach used by the Antelope Valley East Kern Water Agency is to allow local retailers or developers to obtain new additional water supplies. This may not be as good a fit for SGPWA since AVEK has not made a comparable commitment. This leaves the retailer responsible for additional water and the wholesaler responsible for the original Table A. With AVEK, a developer has the option of finding a new source for their project or providing AVEK the funding to locate a source for them.

6.1.7 Future Supplies and How to Move Forward

Discussion

The process of developing Urban Water Management Plans shows that a water purveyor, either wholesale or retail, must assess the risks to the current water supply along with the future demand in its service area for water.

Comments related to this issue:

Subject #18 - How can the Agency move forward? Can the Agency obtain additional supplies? (Comments 5, 11)

Response - The agency has developed a plan to move forward by aggressively looking for new water and establishing a funding mechanism for water purchases. It will continue to obtain short-term water like Article 21, transfers, and Yuba water, but also longer-term supplies from agricultural contractors, Sites Reservoir, and improved reliability from the California WaterFix. The Agency appears to be open to listen to retailers and exploring new ways to obtain and fund new supplies. It has made a commitment through Resolution 2014-02 and is working to fulfill that commitment. No reasonable approach should be off the table.

Subject#19 - Retailers might set a fee structure to charge for additional water and it may not be enough water to cover future need or they may not collect enough money for the water they are able to acquire. (Comment 20)

Response - This is a question that has been a concern for many other SWP contractors. The approach used by AVEK is discussed in Subject #16 and there is an example in Reference 15 and 16.

Subject #20 - Are there opportunities to move forward by getting more water such as buying Agricultural water or participating in Sites Reservoir. Are there opportunities retailers should be looking at? (Comments 48, 49, 51, 58, 61)

Response - There will be opportunities to acquire more water but they are likely to be expensive and in small amounts. These are addressed in the recent memo to the Board by Provost and Pritchard and the memo from Kennedy Jenks in 2013. Both retailers and the agency would be prudent to explore all options weather at the retail or wholesale level.

6.1.8 Connection and Water Over-use Fees

Discussion

Connection and over-use fees have been successfully used by water agencies to fund additional water supply purchases. The dilemma for SGPWA is that the time frame is much more compressed than for other water agencies. The process to obtain additional supplies often takes years, but shortages from the SWP have been happening more and more frequently.

Comments related to this Issue:

Subject #21 The Agency has assessed a fee if a retailer takes too much water, but the Agency has not purchased additional supplies. No developer would pay a fee if no water to back it up. Purchases need to be based on future demand. (Comments 3, 7, 8, 18)

Response - The Agency has made a commitment to find additional supplies for the area. SGPWA has obtained some short term water and has investigated the opportunities for long term supplies. The result will likely be a portfolio of supplies - short and long term, dry year and future demand. Each new possible supply will need to be evaluated as to cost and reliability.

6.1.9 Environmental Restrictions

Discussion

The operation of the SWP is greatly affected by environmental issues. These operational constraints are much more of an issue now than when the SWP was first envisioned. In recent years, the impacts of the Biological Opinions on Delta Smelt and Salmon have reduced the opportunities to export water from the Sacramento San Joaquin Delta.

Comments related to this issue:

Subject #22 The Delta Smelt is driving the cost of water up. Water users should say that is enough. (Comment 54)

Response - The restrictions on the export pumps have probably reduced the allocation of SWP water this year by more than 450,000 acre feet over what it would have been just ten years ago. It is very difficult for the general public to make the connection between the cost or availability of water and the implementation of the Endangered Species Act. This is one of the selling points for the WaterFix – that exports through the tunnels would have less impact on the fish. The Agency's GM, Jeff Davis has continued to represent the Agency on these issues in Sacramento. Unfortunately the way the law is written, and is presently being implemented, the balance between water users and the environment remains extremely contentious.]

6.1.10 Specificity and a Written Report

Discussion

At the second workshop there was a desire expressed to go into more detail and to respond more specifically to question and comments raised in the workshops. A written report was included as an option in the original

proposal if the Board desired more documentation or analysis. The two workshops were recorded to help document the comments and provide a record of the process.

Comments related to this issue:

Subject #23 - At the first workshop there were specific questions that should receive specific written responses. It would also be good if we name the individual and the question or comment and then have a written response to each question. The desire is to have a report that is more in depth and comprehensive and not than just question and answer. (Comment 29, 45, 47, 50, 52, 55, 60, 62)

Response - This report is intended to provide responses to the individual questions and comments. No effort was made to identify the originator of each question/comment.

7 References

- Agreement, AVEK and Tejon Ranch Corp Providing for Importation of Additional State Water Project Table A Amounts.
- Antelope Valley East Kern Water Agency, 2015 Urban Water Management Plan, May 2016.
- Beaumont Basin Judgment, February 4, 2004.
- Beaumont Basin Watermaster 2014 Annual Report.
- Beaumont-Cherry Valley Water District, 2005 Urban Water Management Plan, Table – Sources and Demands and Storage Account Balance, August 2006.
- Beaumont-Cherry Valley Water District, 2013 Urban Water Management Plan, July 2013.
- Beaumont-Cherry Valley Water District, Plan of Services for Reorganization to include annexations to BCVWD and SBVMWD, February 2009.
- California Water Code.
- City of Banning, 2005 Urban Water Management Plan.
- City of Banning, 2005 Urban Water Management Plan. Utilities Workshop Power Point, September 7, 2005.
- Draft Regional Water Allocation Agreement for Water Imported by the San Gorgonio Pass Water Agency.
- Guidebook for Urban Water Suppliers, March 2016.
- Kennedy Jenks, Memo dated July 15, 2014.
- Memorandum of Understanding, AVEK and Los Angeles County Water Works District No. 40, August 13, 2013.
- San Gorgonio Pass Water Agency, 2010 Urban Water Management Plan.
- San Gorgonio Pass Water Agency, Water Supply Contract.
- Yucaipa Valley Water District Water Supply and Assessment and Written Verification of Supply for the Interstate 10 Freeway Corridor Specific Plan, February 20, 2007.

Appendix A: Comments from the First and Second Workshops

Comments from the May 10, 2016 Workshop

1. In the 2005 Urban Water Management Plans, the retailers over-allocated Agency supply.
2. In 2010, the retailers figured out what each agency would get by coming up with a plan that hoped to treat all retailers without preference.
3. In 2016 based on current practices by the Agency, there is an allocation, then, if a retailer takes more, they have to pay a fee.
4. The concern is that at anything less than an 80% allocation from the State there will be a shortage.
5. We don't have sufficient supplies to move forward.
6. Calimesa wants to move forward but BCV gets 80% of the water under the present allocation.
7. There is another layer of complication added by charging a fee if a retailer takes more than its allocation.
8. No developer would pay the fee if there is no water to back it up.
9. Water does not seem to be allocated under the present method consistent with the Agency Act that says water should be allocated without preference.
10. Existing supplies are already completely allocated.
11. How do we move forward?

12. We are concerned about how orders are processed.
13. Under the present plan past shortages are ignored.
14. Past shortages are compounding with each dry year retailers have to draw on their adjudication storage account eventually that storage account will go to zero.
15. Under the present process there is not a way to catch up when a retailer is shorted.
16. We are behind the curve on getting new water, the Agency added a component for purchases but no new water has been purchased.
17. A critical issue is how much do the retailer need to buy if they don't know how much they have now.
18. If a fee structure is developed it needs to be based on what the future demands are projected to be.
19. If we don't know what we have now, it is very difficult to know what we need in the future.
20. If a retailer assumes no water from the Agency, a fee structure or connection fee would be greater than it needs to be to meet future demands.
21. If a retailer assumes 17,300 acre feet, as three retailers did in their 2005 UWMP, you come up very short. A fundamental issue is that the retailer needs a solid number so they can put it in their UWMP.

22. Was the method used in the Antelope Valley a set of published formulas, so at least the retail agencies would understand how water was allocated?

23. It was said that the agency bought 6000 acre feet above Table A, can you say when that occurred?

24. Is AVEK relying on the plan they developed several years ago, is that a current plan?

25. Are they operating under a plan that they adopted by their agency and is that plan available?

26. When did AVEK start purchasing additional water?

27. Are you familiar with the retailer plan?

28. What are your comments on the plan?

29. I would like to come back at the second workshop and see what kind of improvements can be made to Ordinance 10 and Resolution 2014-2.

30. What is your opinion of the retailer plan and how we can tweek each plan to reach a better concenious.

31. I personally believe we need to give these water districts a number that they can work with. They need a number with which to plan.

32. We have been backwards - the retail agencies have an UWMP prior to the Agency's. That is not your issue but it is our issue, but you have been around and seen these other places.

33. We are not asking for a concrete number but one that will ebb and flow. Everyone understands it will change depending on the SWP allocation. I think they are looking for something so they can better plan for themselves. I am a strong believer that the individual water districts understand their needs better than anyone else.

34. I have one problem, with the 17,300 at 60% comment, we won't get anywhere that way. If we don't supply them water they say they need, then we owe them water. If that's the case we will never repay them because we will owe them water from the day of inception. We have to look more closely at that because that's a problem.

35. Are there any water users in the SWP that focus on one or two of these particular methods?

36. Can we see how well it is working for them? All of them have some combination of these methods that they are using.

37. The proposed retailers plan tends to be land based. Are there examples of those that are using that method and we can see how it works for them?

38. Does anyone take into account the number of connections that they are provided?

39. Is there an example of a method that takes into account how much an area would grow? There may be an area that is not

using water now but in 20 years that might change. Has anyone factored that in, or is that closer to a population allocation?

40. If we charged market rate for the water, a lot of these people who love the fish would not think they are as important if they had to pay through the nose for water. We should go to a market rate.

41. Is the pipe full?

42. It would be great to have an allocation that we could use in our UWMP and we could hang our hat on and not get sued and to be able to say if we have enough water or not. It helps our city council, should they allow building or not. So having an allocation does help us to say yes, we have the water or no, we have to go out and buy more water ourselves.

43. If there is extra water that the Agency is purchasing, how can we get that water? Is it something we can purchase from the Agency and send it over to the City of Banning?

Additional Comments from the July 11, 2016 workshop

44. Did the consultant read the Agency's UWMP?

45. At the last workshop there were specific individuals with specific questions, I would like to hear the question that was specifically asked, and the answers to those questions. I would like them reviewed in my mind and for the Board to have the answers to them.

47. I have the feeling that our customers think that the allocation method we are using right now is too flexible and they have no idea how they can plan for the future because the

current allocation is way to flexible and can move back and forth to rapidly for them to make any long term plans. And under their UWMP they have to have long term plans. I feel they need more rigidity than what we have now. So I would like those specific questions and the responses.

48. You mentioned the Agricultural industry several times. How much of an impact are they going to have in the future? It sounds like they are paying more and more. Is that going to free up more water for those further south?

49. If Sites Reservoir came on board, is that likely to help the Agricultural industry?

50. There were some questions asked and a written response would be a great idea. If you could identify these questions and answer them and how you felt about the questions specifically.

51. The big elephant in the room was the Yuciapa Valley plan. We understand your recommendations to go out and get more supplemental water and I agree if it isn't broke don't fix it, but I think the question was asked can we get a percentage our allocation so its something we can count on? So if we can continue to work on that and find out more of what's going on outside as well. I do appreciate the emphasis on finding new water.

52. Could you name the individual and say this was their question in the written report?

53. My question is the proposed allocation plan verses the standard procedure. Right now there is one district getting a predominate amount of the supply. If there is an allocation and they build up and use all of that what happens if there is a

drought? A worst drought than we have seen with even less Table A. With no auxiliary supply what happens to those that really need it just for the sake of our water table has dropped greatly because of over-pumping? I don't see a help for those communities and that's a concern that we have because we don't see a pipeline going to our area for quite a while. So if we don't get any more for the next 20 years what difference does it make about an allocation agreement, there's no water to allocate.

54. One of the things that I remember from the hearing that has bothered me is the smelt. It has no value to anything and I can't believe we are here watching all that water go under the golden gate. When can we finally take a strong hold and say this little fish is no more important than the rest of us – the people of California? I think there needs to be a stronger voice against that. I have never seen the amount of water but it could change the situation in southern California. That's the selling point for the "twin tunnels", we could capture that wet year water and wouldn't have an impact on the fish.

55. From what I'm hearing we're going to have a report that is going to be forthcoming but my hope is the report is more than just Q and A. There was a robust list of items that were reviewed that I think they would have an impact on the allocation plan if they were all put into place. It would be nice to have an overview with the thought process. We have all these items in front of us, now do we deal with all those items or how do those items interconnect with the allocation plan. In other words, we know we have an UWMP and there is an IRWMP on this side of the service area for the Pass, we have an adjudication, it would seem the final report should include some thought process of all those items. In other words how an allocation plan will effect us under those conditions - Pros and

cons - how would they if we didn't have an allocation plan - pros and cons. If we have the constraints we have in front of us. We have all been to enough meetings on this subject we should take advantage of the consultant's experience and knowledge.

56. Have you seen in your experience developers give the agency cash? You have seen them go out and purchase their own water ad bring back a bill of sale can you speak to that?

57. As you have talked to other GM's what do they see as the best way? On the surface it would seem you would want the water as opposed to the cash. We really don't know what the final cost of the water is going to be. And finally, is that water rights or is that a 20 year supply? As in the UWMP those houses are going to last a lot longer than 20 years

58. I don't see the report being just 2 pages of Q and A. Its to help guide this Agency as well as the retailers as to where we should go from now, or from here after this written report there is some follow up steps looking at a different methodology the retailers should be looking at or maybe the allocation plan is the best for everybody involved that is what I'm looking for.

59. It would be nice to get from the consultant's experience in other parts of the state and what he knows what we are dealing with in the past area.

60. I'm hoping there is a take home that we can all go back and say "wow I never thought about that" or if we did this allocation plan, this presents a problem. That's what I would like to see. Because the allocation plan has been circled around and I don't think everyone is convinced we should do it or not

do it. Or is there a different way of allocating the water to satisfy the smaller retail agencies that we have heard from at previous meeting? Or should we scrap it and do business as usual?

61. Maybe it's a policy change for the Pass to give more flexibility to the retailers. That's what I'd like to see - cause I don't want to come back in 2018 and see that we've done nothing with it in two years.

62. There's no take home, no sense of direction what we should do and what we should not do so it's almost like a guiding document with regards to potentially allocating the resource.

Appendix B: Presentation by Jeff Davis at the First Workshop

Allocation Workshop Background on Agency's Method

May 10, 2016

SGPWA Act

- * Who can the Agency sell water to?
 - * Cities
 - * Companies or public agencies
 - * Publicly owned golf courses
 - * Publicly owned recreational facilities
 - * School districts and public schools
 - * Other persons, firms, private agencies, or corporations

Some thoughts about allocation

- * “Allocation” implies a shortage of a resource
- * No need to allocate if there is enough for everyone (for example, if Agency had Table A of 50,000 acre-feet)
- * Some type of allocation required when there is a shortage (UWMP’s require this)
- * Agency’s goal is to stay ahead of the regional demand curve so that there are only shortages in drought years

Philosophical questions on allocation

- * Should Agency allocate its water to meet future demands at the expense of current year demands?
- * Should Agency allocate its water differently if the water is used for different purposes? For example, should water to irrigate median strips be different than for drinking water?

How does the Agency currently allocate or prioritize its water?

- * Resolution 2014-02
 - * Agency will meet future supplemental water demands in its service area
- * Ordinance 10—Water Shortage Plan
 - * Defines priorities of water use in the event of a shortage

Resolution 2014-02

- * A policy for meeting future water demands
- * “The Agency is prepared to take the necessary actions to provide its service area with adequate supplies of water to meet expanding and increasing needs...”
- * “The Agency is prepared to take the necessary actions to meet the water supply needs of the region.”
- * Agency, not retailers, is responsible for procuring additional supplies for the region

Ordinance 10

- * Defines priorities for water use in years in which there is a shortage.
- * Water must be ordered—Agency does not reserve water for entities that do not order water. Not everyone needs water at this time.
- * Orders must reflect realistic demands based on UWMP's previous year orders, recent construction, etc.

Ordinance 10, continued

- * Priorities are set for various uses of water
 - * Direct delivery treated
 - * Water required for exchanges (limited)
 - * Replenishment deliveries to meet current year demands
 - * Replenishment deliveries to meet future demands
- * Direct deliveries are met first before other priorities.
- * If supply insufficient to meet replenishment orders, all replenishment orders get the same cut

Ordinance 10, continued

- * Example

- * In 2016, YVWD will get all direct deliveries ordered for treatment and delivery
- * Agency will take no water for exchanges
- * Replenishment orders for 2016 demands get 78% of order
- * No water available for replenishment for future demands
- * What would happen if another retailer ordered water from the Agency?
- * Agency would assign it a priority and deliver water as available

Key Point

- * Agency prioritizes ALL its available water, not just Table A water
- * Agency has imported approximately 6000 AF in addition to Table A water over past several years
- * This year, Agency has 1200 AF over and above its Table A water to deliver (800 AF must be paid back over ten years)

How do UWMP's work with Agency's plan?

- * Agency's UWMP considers regional supply and demand.
- * Agency's UWMP will say that Agency has a plan to meet future water demands of the region—to procure additional supplies in advance of the need for them.
- * Agency can be more definite and make more of a commitment for areas in which capacity fee is collected.

Summary

- * Agency prioritizes water when there is a shortage.
- * Any retail water agency (or other party) can apply for water and Agency will prioritize it and sell water to that party.
- * Agency currently preserves right to sell water to various entities as defined in SGPWA Act.
- * Agency has a plan to add to regional water supply and has been implementing that plan for a decade

Appendix C: Presentation by Dan Flory at First Workshop

San Geronio Pass Water Agency

Water Allocation Workshop
May 10, 2016

Water Allocation Discussion

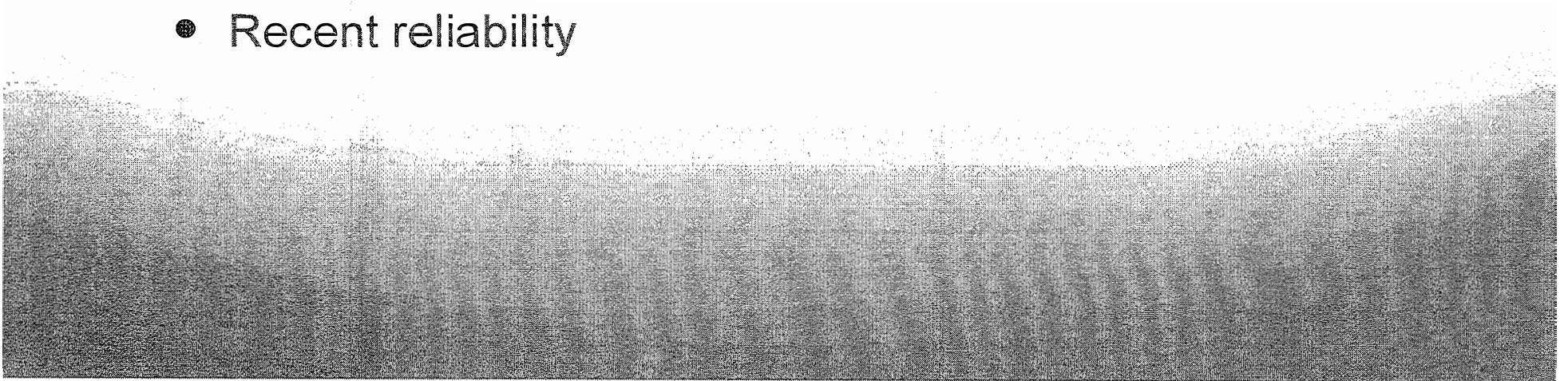
- Discuss aspects of the problem
- SWP background
- Variables
- Approaches to allocation
- Advantages and disadvantages of different methods
- Discuss examples
- Questions
- Open discussion with Board and others

The Allocation Challenge

- Issue for all agencies
- Variety of approaches
- The approach needs to be flexible and fit the local situation
- May not need to make changes
- Advantages and disadvantages to each
- Limitations on each
- It has to be legal
- Needs to be reasonably equitable, defensible
- Those who benefit should pay

Background

- My experience
- State Water Project
 - Facilities – Oroville, Delta, California Aqueduct
 - Supplemental water supply
 - Contracts signed in 1960's
 - Recent reliability



Variables

- Weather
- Biology
- Demographics and land use
- Legislature
- Courts
- Regulations

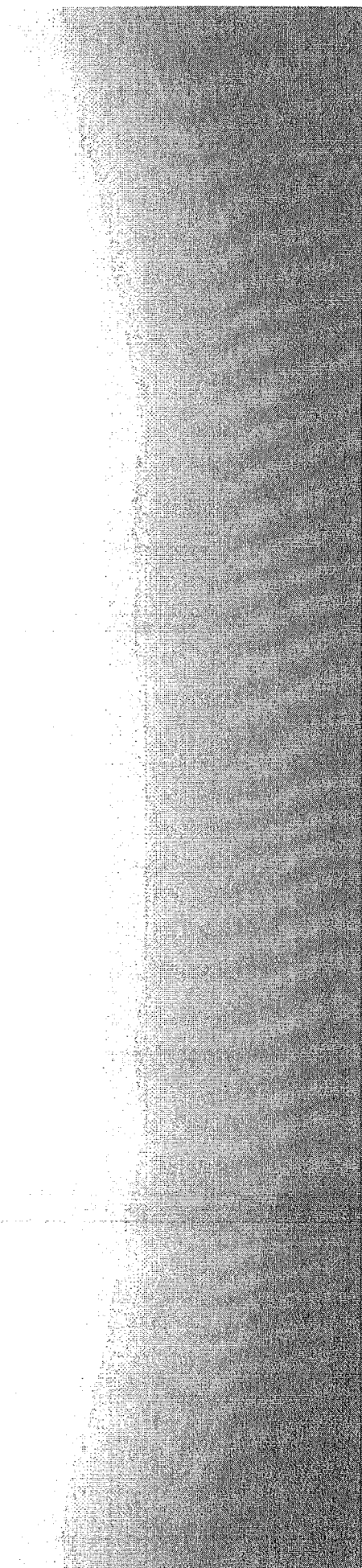
Methods of Allocation

- Highest and best use
- Allocate based on taxes
- Allocate based on past use
- Allocate based on need
- Population
- Acreage
- Reliability charge
- Location, distance, power

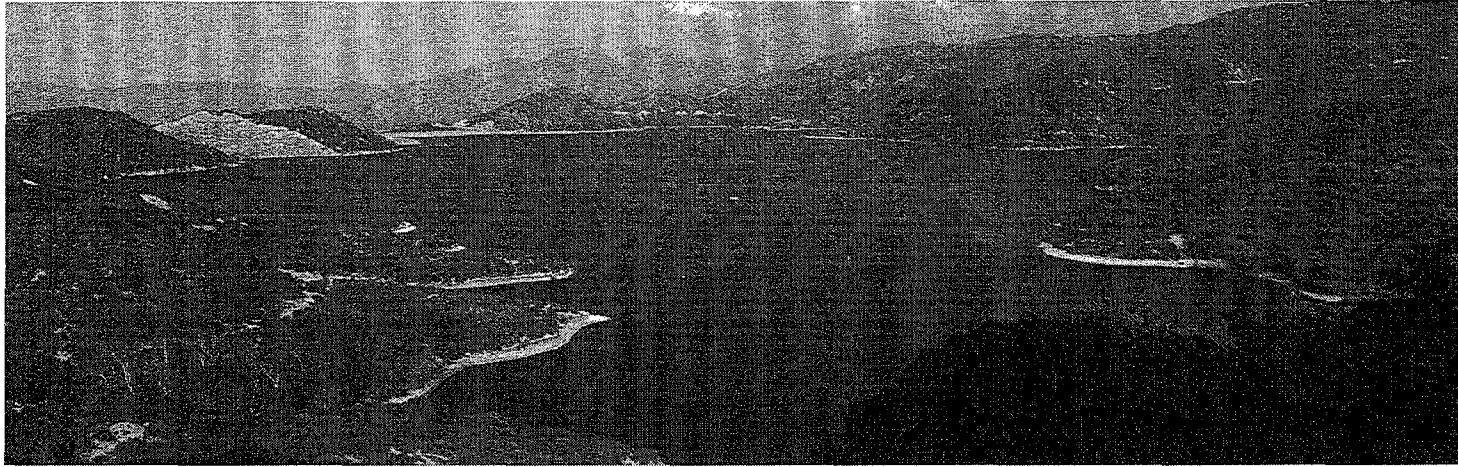
One Example

- Antelope Valley
 - Large service area
 - Changes in population growth
 - Three counties
 - Large Table A
 - Lower demand
 - High fixed costs
 - Almost all wholesale
 - Four Treatment plants
 - Groundwater adjudicated

Questions and Discussion



Appendix D: Presentation by Dan Flory at Second Workshop

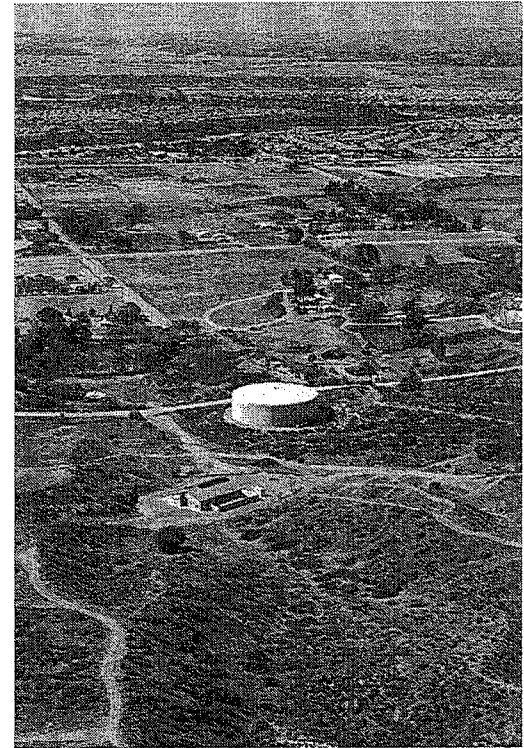


San Geronio Pass Water Agency Allocation Workshop

July 11, 2016

Agenda

- ▶ Review of last Workshop
- ▶ Background material reviewed
- ▶ Research of other State Water Contractors
- ▶ Observations and Analysis
- ▶ Possible approaches



Review of last Workshop

▶ Purpose

- Listen, gather information and input from the Board, Retail agencies and the public

▶ Summary of the discussion

- Background
- Presentation
- Retailer's Sphere of Influence proposal

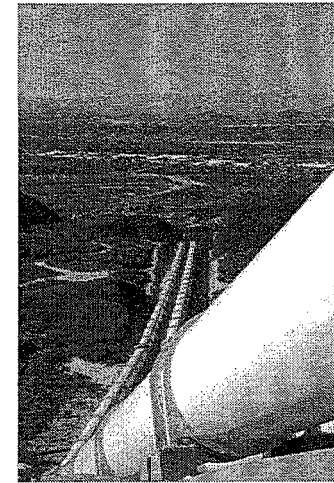
▶ Action items

- Research possible methods and report back at a second workshop

Background materials reviewed

- ▶ Agency Act
- ▶ State Water Contract
- ▶ IRWMP
- ▶ Beaumont Basin Judgment
- ▶ 2015 Watermaster Report
- ▶ Transcript from 1st workshop
- ▶ Reread Sphere of Influence allocation proposal
- ▶ Reviewed other SWP contractor methods

Observations



- ▶ The Agency's allocation issues are not necessarily unique, but have been on an very accelerated time frame
- ▶ The Agency's role in the Basin has changed dramatically and rapidly
- ▶ Reduced reliability of SWP supplies and several dry years have added a new level of importance to the allocation process.

Analysis

- ▶ Nothing wrong with what you are doing now
- ▶ Changing methods would bring a lot of new unintended consequences
- ▶ The present method will get more pressure in future years. Since it is less specific, the Agency's judgment will be challenged on:
 - Greatest need
 - Beneficial use
 - Priority on treated water vs. recharge
 - Present vs. future demand



Analysis



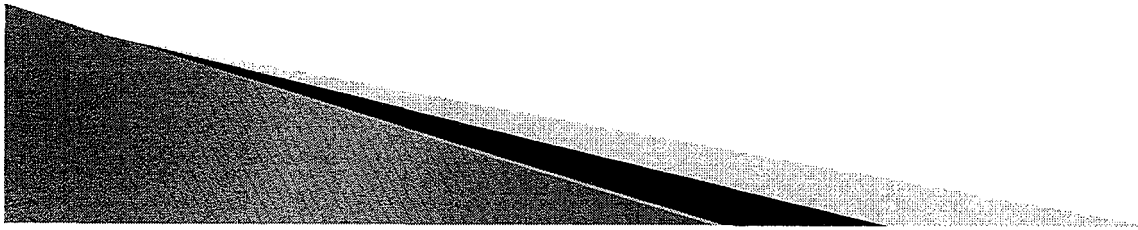
- ▶ Flexibility is going to be even more important
- ▶ Proposed Sphere of Influence based allocation method has some serious governance and equity issues

Options for future water

- ▶ 1. Add water to the Agency overall portfolio and allocate based on present method
- ▶ 2. Allow customers to bring additional water to add to the portfolio but dedicate the water to that specific service area
- ▶ 3. Allow customers to pay an established price for the Agency to obtain additional water supplies and dedicate it to a specific area.
- ▶ 4. Some combination of 1, 2 and 3 as appropriate

Possible Approaches

- ▶ 1. Change the process to a version of the proposed Sphere of Influence allocation.
- ▶ 2. Keep the present process but aggressively look for additional water to add to the Agency portfolio
- ▶ 3. Keep the present process for existing Table A but move forward on “all fronts” doing a combination of approaches to add additional water





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Questions and comments

Appendix E: Ordinance 10

SAN GORGONIO PASS WATER AGENCY

ORDINANCE NO. 10

ORDINANCE ESTABLISHING WATER SHORTAGE PLAN

WHEREAS, the San Gorgonio Pass Water Agency (“Agency”) is a State Water Project (“SWP”) Contractor authorized to acquire waterworks, waters, and/or water rights, including but not limited to, water from the State of California from the SWP, and to provide, sell, and deliver that water under the control of the Agency to cities, agencies, districts, persons, corporations or private entities within the Agency (“Purchasers”) for use within the service area of the Agency. The Agency is a wholesale water agency organized and operating under the Chapter 101 of the San Gorgonio Pass Water Agency Law set forth in the Water Code Appendix; and

WHEREAS, the Agency has a contract with the California Department of Water Resources for 17,300 acre-feet of SWP water which is designated as “Table A Water” and which is used to supplement local demands including eliminating groundwater overdraft; and

WHEREAS, the Agency is required to order SWP water from the California Department of Water Resources. The Board desires to adopt a policy regarding how the Agency will allocate deliveries of water to Purchasers during single and multiple dry years where the total amount of annual orders from Purchasers exceeds the amount of SWP water available in that calendar year or years. This policy shall pertain to the allocation of SWP water that is designated as Table A Water, Yuba Water, and other water not designated as “spot water,” that is delivered at the request of a Purchaser. It shall not apply to Carryover Water, which shall be delivered to Purchasers at the discretion of the Board of Directors; and

WHEREAS, Water Code Section 375 et seq. provides that the Agency may, by a majority vote of the members of the Board after holding a public hearing upon notice, adopt and enforce a water shortage plan to allocate deliveries of water to Purchasers during single and multiple dry years; and

WHEREAS, the Board of Directors previously adopted Ordinance No. 8 which established the “Rules And Regulations For SGPWA Water Service.” The Rules And Regulations may be revised from time to time. The Board desires to adopt this Ordinance No. 10 in order to establish procedures for allocating reduced deliveries of water to Purchasers in the event of single and multiple dry years and a shortage of water available to meet the demands of Purchasers.

BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE SAN GORGONIO PASS WATER AGENCY AS FOLLOWS:

Section 1 All of the foregoing Recitals are true and correct and the Board so finds and determines. The Recitals set forth above are incorporated herein and made an operative part of this Ordinance.

Section 2 The Board conducted a public hearing on July 7, 2014 at 1210 Beaumont Avenue, Beaumont, CA in order for members of the public to have the opportunity to be heard to protest against, and to present their respective needs to the Board regarding the proposed adoption of this Ordinance. Notice of the public hearing was published on July 11, 2014 in the Record Gazette, a newspaper of general circulation within the area in which the subject water supply is distributed. Said notice was published at least 7 days prior to the date of the hearing.

Section 3 ARTICLE IV, DELIVERY, Section 4.11 Water Shortage Plan is hereby added to the Rules And Regulations For SGPWA Water Service as follows:

1. Definitions

(a) Water Shortage Year(s) – a calendar year or years in which the total amount of SWP Orders from Purchasers, which are necessary to meet actual demands of Purchasers, plus water required by the Agency as defined below, exceeds the amount of SWP Water that is available for purchase by the Agency from the SWP in that applicable calendar year.

(b) First Priority Water Deliveries – Section 101-15.5 of the San Geronio Pass Water Agency Law provides that in allocating water received from the SWP under the Law, the highest priority shall be given to eliminating groundwater overdraft conditions within the Agency's boundaries. The Board hereby determines that five percent (5%) of the total amount of SWP Orders from Purchasers shall be allocated to direct delivery Purchasers, in a given Water Shortage Year, who take deliveries to the connection or other facilities of the Purchasers for domestic, industrial, and municipal purposes ("Direct Deliveries"). Said Direct Deliveries shall be for Purchasers who take Direct Deliveries in order to avoid the need for groundwater extractions, thereby helping to eliminate groundwater overdraft.

(c) Second Priority Water Deliveries - SWP Orders from Purchasers for Direct Deliveries in a given Water Shortage Year.

(d) Third Priority Water Deliveries – SWP water to be purchased by the Agency to be used in the Agency's discretion and which will be over and above the water needed to meet water demand projections for Direct Deliveries in the First and Second Priority Water Deliveries. Third Priority Water Deliveries shall not exceed 10% of the total amount of SWP Orders from Purchasers in a given Water Shortage Year. The Board of Directors shall have discretion to change this percentage in any given Water Shortage Year, based on Purchaser needs in that year.

(e) Fourth Priority Water Deliveries – SWP Orders from Purchasers for SWP water which would be utilized for groundwater replenishment by spreading or injecting in order to meet projected demands of Purchasers in a given Water Shortage Year.

(f) Fifth Priority Water Deliveries – If the amount of SWP water available for purchase by the Agency exceeds the total amount of SWP Orders necessary to meet all of the First, Second, Third and Fourth Priority Water Deliveries, then the water year shall not be classified as a Water Shortage Year and no water shortage year allocation shall be implemented by the Agency.

2. Allocations

(a) Water Shortage Year Allocation - If during any particular Water Shortage Year, the total amount of SWP Orders from Purchasers for First Priority Water Deliveries exceeds the amount of SWP water which is available for purchase by the Agency at any time during that Water Shortage Year, then the only deliveries of SWP water by the Agency for that Water Shortage Year shall be for Direct Deliveries under the First Priority Water Deliveries. First Priority Water Deliveries will be made in proportion to the ordered amount of SWP water by each Purchaser. Each Purchaser who orders water for Direct Deliveries under a First Priority Water Delivery shall receive an equal allocation of the available SWP water for said First Priority Water Deliveries in proportion to all other Purchasers who have made such orders. Said determination shall be made on a year-by-year basis for any such year which may be deemed to be a Water Shortage Year.

(b) SWP Water Exceeds First Priority Water Delivery Needs - If the amount of SWP water available for purchase by the Agency exceeds the total amount of SWP Orders necessary to meet all of the First Priority Water Deliveries, then Second Priority Water Deliveries will be made. Second Priority Water Deliveries will be made in proportion to the ordered amount of SWP water by each Purchaser. Each Purchaser who orders water under a Second Priority Water Delivery shall receive an equal allocation of the available SWP water for said Second Priority Water Deliveries in proportion to all other Purchasers who have made such orders. Said determination shall be made on a year-by-year basis for any such year which may be deemed to be a Water Shortage Year.

(c) SWP Water Exceeds First And Second Priority Water Delivery Needs – If the amount of SWP water available for purchase by the Agency exceeds the total amount of SWP Orders necessary to meet all of the First and Second Priority Water Deliveries, then Third Priority Water Deliveries will be made, if the Board determines that the water required by the Agency in that year is greater than zero.

(d) SWP Water Exceeds First, Second And Third Priority Water Delivery Needs - If the amount of SWP water available for purchase by the Agency exceeds the total amount of SWP Orders necessary to meet all of the First, Second and Third Priority Water Deliveries, then Fourth Priority Water Deliveries will be made. Fourth Priority Water Deliveries will be made in proportion to the ordered amount of SWP water by each Purchaser. Each Purchaser who orders replenishment

water under a Fourth Priority Water Delivery shall receive an equal allocation of the available SWP water for said Fourth Priority Water Deliveries in proportion to all other Purchasers who have made such orders. Said determination shall be made on a year-by-year basis for any such year which may be deemed to be a Water Shortage Year.

(e) SWP Water Exceeds First, Second, Third And Fourth Priority Water Delivery Needs - If the amount of SWP water available for purchase by the Agency exceeds the total amount of SWP Orders necessary to meet all of the First, Second, Third and Fourth Priority Water Deliveries, then the water year shall not be classified as a Water Shortage Year and no water shortage year allocation shall be implemented by the Agency.

3. Use Of Agency Purchase The Board of Directors shall have the discretion to determine how the Agency purchase for Third Priority Water Deliveries is utilized, as described below:

(a) Selling said water to a Purchaser for Direct Deliveries or groundwater replenishment based on a demonstrated need in a particular calendar year and pursuant to a written request and procedures as may be determined by the Board or the Agency's General Manager.

(b) Utilizing/storing said water for overdraft mitigation.

(c) Utilizing the water to meet the terms of a previous water exchange agreement with another State Water Contractor or other water agency, or to participate in a water exchange in order to obtain water for a future year.

(d) Designating said water as carry over water for use by the Agency in the next year or a future year.

4. Potential Availability Of Spot Water - In a Water Shortage Year, there may be "Spot Water" available for purchase by a Purchaser at an additional cost. "Spot Water" is commonly referred to as water that may be available for purchase from the SWP or from another source in any given year for that year only. In the event that Spot Water is available and a Purchaser desires to acquire said water, said Purchaser shall submit a written request pursuant to procedures as may be determined by the Board or the Agency's General Manager. All additional costs of purchasing and delivering said Spot Water shall be the sole responsibility of the requesting Purchaser. For example, the Agency would purchase such water specifically for delivery to one or more requesting Purchasers and the Agency would pass through all costs associated with said purchase and delivery to said Purchasers in in proportion to their requests.

Section 4 All ordinances, resolutions, minute orders, or administrative actions by the Board of Directors, or parts thereof, that are inconsistent with any provision of this Ordinance No. 10 are hereby superseded only to the extent of such inconsistency. Except as specifically set

forth in this Ordinance No. 10 in regard to the addition of Section 4.11 Water Shortage Plan, all other provisions of the Rules And Regulations For SGPWA Water Service shall remain in full force and effect.

Section 5 The Board finds that the addition of a water shortage plan constitutes general policy and procedure making and also constitutes organizational or administrative activities that will not result in direct or indirect physical changes in the environment. Based on this finding, the Board determines that the implementation of a water shortage plan, by way of adoption of this Ordinance No. 10, is exempt from the requirements of the California Environmental Quality Act pursuant to section 15378(b)(2) and (5) of the State CEQA Guidelines.

Section 6 The President of the Board of Directors shall sign this Ordinance No. 10 and the Secretary of the Board of Directors shall attest thereto, and this Ordinance No. 10 shall be in full force and effect immediately upon adoption. The Board of Directors shall review this Ordinance in each water shortage year, as defined herein. Within 10 days after adoption of this Ordinance No. 10, a copy of this Ordinance shall be published one time in a newspaper of general circulation with the names of the Directors voting for and against this Ordinance.

Section 7 If any section, subsection, clause or phrase in this Ordinance is for any reason held invalid, the validity of the remainder of this Ordinance shall not be affected thereby. The Board hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof be held invalid.

ADOPTED this 21st day of July 2014, by the Board of Directors of the San Gorgonio Pass Water Agency.

Said Ordinance was adopted, on roll call, by the following vote:

AYES: Haring, Voigt, Melleby, Duncan, Dickson and Jeter
NOES: None
ABSTAIN: None
ABSENT: Morris

SAN GORGONIO PASS WATER AGENCY



John Jeter
President of the Board of Directors

ATTEST:



Jeffrey Davis
Secretary of the Board of Directors

Appendix F: Resolution 2014-02

RESOLUTION NO. 2014-02

A RESOLUTION OF THE SAN GORGONIO PASS WATER AGENCY ESTABLISHING A POLICY FOR MEETING FUTURE WATER DEMANDS

WHEREAS, the San Gorgonio Pass Water Agency ("Agency") is a state water contractor that was formed with the purpose of importing water from the State Water Project ("SWP") into the San Gorgonio Pass area in 1961. The Agency's service area encompasses approximately 228 square miles and includes the Cities of Beaumont, Calimesa, and Banning, as well as the unincorporated areas of Cherry Valley, Cabazon, Poppet Flat, Banning Bench, and San Timoteo and Live Oak Canyons; and

WHEREAS, the mission of the Agency is to import water and to protect and enhance local water supplies for use by present and future water users and to sell imported water to local water agencies within the Agency's service area. The Agency is able to import water from sources that provide the highest quality and the most cost effective price, including the SWP and other potential sources. The Agency also works with local retail agencies to manage local and regional water resources in a sustainable manner designed to manage overdraft within the Agency's service area; and

WHEREAS, the Agency has a contract with the California Department of Water Resources for 17,300 acre-feet of SWP water which is used to supplement local demands including eliminating groundwater overdraft. Information and reports obtained by the Agency, including but not limited to, the Agency's 2010 Urban Water Management Plan, indicate that said amount of SWP water will likely not be sufficient to meet all future supplemental water demands within the Agency's service area. The Agency has the responsibility to manage the present and future water supply needs for all users within its jurisdiction. Increased demand from new growth and decreasing reliability will continue to present challenges to the Agency's ability to deliver wholesale water on a reliable basis. In addition, the Agency has made substantial investments in facilities and infrastructure to bring said supplies to the region and to store and deliver said supplies. Said facilities include pipelines, pump stations, turnouts, reservoirs and spreading grounds; and

WHEREAS, the Board of Directors of the Agency desires to adopt this Resolution in order to establish a policy which will work toward the goal of meeting future water demands in the region.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN GORGONIO PASS WATER AGENCY AS FOLLOWS:

1. Incorporation of Recitals All of the foregoing Recitals are true and correct and the Board so finds and determines. The Recitals set forth above are incorporated herein and made an operative part of this Resolution.

2. Definitions The types of water rights, supplies and resources which are subject to this Resolution and the policy set forth herein include, but are not limited to, the following:

(a) Carryover Water - Water belonging to a State Water Contractor that is not used in a given calendar year and thus is carried over to the next year for use in that year or in a future year.

(b) Dry Year Yield Water - Water made available in a dry year for that year only, typically from a farming interest, irrigation district or other type of agency providing service to farming interests.

(c) Exchange Water - Water obtained from another water agency in exchange for a promise of water at a subsequent time such as in a future month or future year. An exchange may be a one-to-one exchange or an exchange with a different ratio.

(d) Long-Term Water Rights - Water rights owned by another entity which is willing to sell the rights to the water and not just a water supply. Long-Term Water Rights are frequently defined as

lasting as long as the State Water Project.

(e) Short-Term Water - Water available under certain conditions in any given year or for a limited number of years for a defined period only.

(f) Spot Water - Water available in any given year for that year only.

(g) Transfer Water - Water transferred from one area of the state to another through the actions of public agencies.

3. Regional Water Management

(a) Meeting The Water Supply Needs Of The Region - The Agency is prepared to take the necessary actions to provide its service area with adequate supplies of water to meet expanding and increasing needs in the years ahead. As additional water resources are required to meet increasing needs, the Agency will be prepared to take the necessary actions to deliver such supplies.

(b) Funding And Construction Of Facilities - Taxpayers and water users residing within the Agency's service area already have obligated themselves for the construction of a supply and distribution system. This system has been designed and constructed, and future facilities will be designed and constructed, in a manner to deliver the Agency's full share of SWP water, as well as water from other sources as may be required in the years ahead.

(c) Acquiring Supplemental Water Supplies - The Agency is prepared to take the necessary actions to meet the water supply needs of the region. For example, and not by way of limitation, the Agency is authorized to pursue the acquisition of Short-Term Water, Spot Water, Dry Year Yield Water, and Long-Term Water Rights. The Board of Directors of the Agency has the discretion to reasonably determine the timing and other details of acquiring such supplies, and will also manage the Agency's current supplies to maximum effect, as determined in the Board's direction. In order to meet this commitment, the Agency has the discretion to reasonably determine which type of water source to pursue including, but not limited to, Carryover Water, one-year or multi-year Exchange Water, Transfers, or other purchases of water or water rights.

4. Consideration Of A Wheeling Request The Agency will consider "wheeling" water to the region subject to the terms of this Resolution, Agency wheeling policies, applicable law, and upon payment of the applicable charge. In the event of any such wheeling, the Agency's facilities, including its rights to use SWP facilities, may be used to transport water not owned or controlled by the Agency to a retail agency or other public or private entity within the Agency's service area.

5. Potential For Future Policies Regarding Water Supplies Nothing in this Resolution shall limit or otherwise impact the authority of the Board to adopt future policies regarding water supplies including, but not limited to, any potential water shortage plans that the Board may deem to be necessary in order to establish how the Agency will allocate deliveries of water to local retail agencies during single and multiple dry years where the total amount of annual orders from local retail agencies exceeds the amount of SWP water available in that calendar year or years.

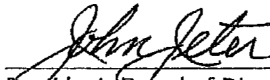
6. Controlling Effect All ordinances, resolutions, minute orders, or administrative actions by the Board of Directors, or parts thereof, that are inconsistent with any provision of this Resolution are hereby superseded only to the extent of such inconsistency.

7. CEQA Compliance - The Board finds that the establishment of a policy for meeting future water demands constitutes general policy and procedure making and also constitutes organizational or administrative activities that will not result in direct or indirect physical changes in the environment. Based on this finding, the Board determines that the establishment of a policy for meeting future water demands, by way of adoption of this Resolution, is exempt from the requirements of the California Environmental Quality Act pursuant to section 15378(b)(2) and (5) of the State CEQA Guidelines.

8. Effective Date - The President of the Board shall sign this Resolution and the Secretary of the Board shall attest thereto, and this Resolution shall be in full force and effect immediately upon adoption.

9. Severability - If any section, subsection, clause or phrase in this Resolution is for any reason held invalid, the validity of the remainder of this Resolution shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof be held invalid.

ADOPTED AND APPROVED this 18th day of February, 2014.



President, Board of Directors
San Geronio Pass Water Agency

ATTEST:



Secretary, Board of Directors
San Geronio Pass Water Agency

SGPWA and Valley District Agreement

DRAFT Term Sheet

1. Agreement term, 15 years (coincident with MWD Agreement)
2. Valley District shall determine each year, at its sole discretion, how much surplus State Water Project (SWP) Valley District may have above Valley District's customer's needs.
3. Valley District shall give San Geronio Pass Water Agency the first right of refusal to the first 5,000 AF of surplus water (purchased water).
4. SGPWA agrees to first make the purchased water available to the retail agencies that are common between the SGPWA and Valley District service areas: South Mesa Water Company and Yucaipa Valley Water District.
5. Any water not used by the retail water agencies common to SGPWA and Valley District may be used by SGPWA at its sole discretion
6. Water cost (not including power) will be based on the Table A allocation for the year, as follows:

Final SWP Allocation	Cost
0 - 20%	\$400
21 - 40%	\$300
41 - 60%	\$200
61 - 80%	\$100
81-100%	\$95

7. SGPWA shall pay Valley District the water cost (above) plus the estimated power cost for the current year, as provided by DWR.
8. Power costs will be reconciled each year so that SGPWA pays the actual SWP power cost for the purchased water. Power cost will be reconciled by the end of the calendar year following the year of delivery of the water.
9. Purchase price and is set for five years. Prior to the end of the fifth year, either party may request to meet and confer on the price.