CITY OF SANTA CLARA
WATER AND SEWER UTILITIES

# SANTA CLARA UNIVERSITY DEVELOPMENT PLAN

# DEVELOPMENT APPLICATION

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## WATER SUPPLY ASSESSMENT FOR COMPLIANCE WITH CALIFORNIA WATER CODE SECTION 10910

**Approved by City Council**
**Resolution # TBD**

1500 WARBURTON AVE
SANTA CLARA, CA 95050

# SANTA CLARA UNIVERSITY DEVELOPMENT PLAN

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Prepared on 1/15/2016

Approved by City Council Resolution # TBD

# SANTA CLARA UNIVERSITY DEVELOPMENT PLAN

## WATER SUPPLY ASSESSMENT FOR COMPLIANCE WITH CALIFORNIA WATER CODE SECTION 10910

### INTRODUCTION

The Santa Clara University Development Plan ("Santa Clara University Development Plan" or the "Development Plan") is located at 500 El Camino Real. The Development Plan would involve the demolition of the existing buildings within the Development Plan area and the construction of new buildings and building additions. The Development Plan's land uses will be a combination of 528,900 gross square feet (gsf) of institutional space and 151 multifamily residential units.

On November 8, 2015 the Applicant submitted a request for a Water Supply Assessment ("WSA" or "Assessment") in accordance with the California Water Code and the California Environmental Quality Act in conjunction with the review of the proposed Development Plan.

The City of Santa Clara's City Council approved and adopted an Urban Water Management Plan in 2011 ("UWMP" or "2010 UWMP"). The 2010 UWMP did not specifically include or address this Development Plan since it was proposed and evaluated after the adoption of the 2010 UWMP. However, the UWMP included projected increases in water demand due to densification and intensification of both residential and non-residential land uses. The projected increase in water demand for this Development Plan of 60.4 acre ft/yr is within the growth projections of the 2010 UWMP.

This Assessment relies on the data contained in and used to develop the UWMP. Unless noted, all figures in this Assessment are in acre-feet and are for total water demand or supply, i.e. both potable and recycled water.

The findings of this Assessment will be submitted to the City Council for approval and included in the environmental review process. The City's approval, denial, conditional approval or any act on this Assessment does not guarantee that the Development Plan will be approved and does not obligate the City to approve, deny, conditionally approve, take any action, or make any decision on the Development Plan application.

### WATER SUPPLY

The City of Santa Clara has four sources of water. These sources include two treated water sources, groundwater, and recycled water. Contracts for the two treated water sources, the Santa Clara Valley Water District ("SCVWD" or "District") and the San Francisco Public Utilities Commission ("SFPUC"), are contained in Appendices A and B respectively. The City purchases recycled water from South Bay Water Recycling ("SBWR"). The contract for recycled water is contained in Appendix C. The City also owns and operates 27 groundwater wells located within the City's boundaries.

Recycled water use within the City is limited by the availability of acceptable uses and proximity to the recycled water distribution system. The use of treated surface water from SCVWD and SFPUC is limited by the respective contracts.

The City has projected meeting anticipated future water demands using the City's four existing water supplies and water conservation. The City's analysis of future water demand and available supply, which will be discussed later in this Assessment, indicates that additional water supplies are not necessary to meet current projected demands. Tables 1a and 1b below show the anticipated volume of water that will be used from each source to meet the expected demands projected in the UWMP. The calculation of the future water demands for this Development Plan will be discussed in detail later in this Assessment.

Table 1a – With SFPUC
**Water Supply Projections by Water Source (acre-ft/yr)[1,2,3]**

| Source | 2010 | 2015 | 2020 | 2025 | 2030 | 2035 |
|---|---|---|---|---|---|---|
| Groundwater | 13,980 | 23,048 | 23,048 | 23,048 | 23,048 | 23,048 |
| SFPUC | 2,454 | 5,040 | 5,040 | 5,040 | 5,040 | 5,040 |
| SCVWD | 4,372 | 4,570 | 5,236 | 5,236 | 5,236 | 5,236 |
| Recycled Water | 2,409 | 4,000 | 4,300 | 4,500 | 4,500 | 4,500 |
| Conservation | 0 | 694 | 795 | 874 | 930 | 930 |
| **Total** | 23,215 | 37,352 | 38,419 | 38,698 | 38,754 | 38,754 |

The current contract with SFPUC indicates that if certain conditions are met, the City may be required to reduce or eliminate its take from SFPUC. Table 1b incorporates all of the assumptions listed above and the additional assumption that the SFPUC supply will be unavailable for 2018 and beyond. In a worst case scenario, the City of Santa Clara could lose its anticipated 4.5 MGD (5,040 acre-ft/yr) supply from SFPUC, reducing the total water supply projections by 5,040 acre-ft/yr from 2018 through 2035.

Table 1b – Without SFPUC
**Water Supply Projections by Water Source (acre-ft/yr)[3]**

| Source | 2010 | 2015 | 2020 | 2025 | 2030 | 2035 |
|---|---|---|---|---|---|---|
| Groundwater | 13,980 | 23,048 | 23,048 | 23,048 | 23,048 | 23,048 |
| SFPUC | 2,454 | 5,040 | 0 | 0 | 0 | 0 |
| SCVWD | 4,372 | 4,570 | 5,236 | 5,236 | 5,236 | 5,236 |
| Recycled Water | 2,409 | 4,000 | 4,300 | 4,500 | 4,500 | 4,500 |
| Conservation | 0 | 694 | 795 | 874 | 930 | 930 |
| **Total** | 23,215 | 37,352 | 33,379 | 33,658 | 33,714 | 33,714 |

If the City was required to eliminate the usage of water from SFPUC, the City would consider maintaining its existing 2010 UWMP total water supply projections by increasing groundwater utilization, increasing imported SCVWD surface water supply, or a combination of the two supplies.[4]

The City of Santa Clara's 2002 Water Master Plan examined possible mitigation measures to be taken in the event that the supply from SFPUC was lost either temporarily or long term. These mitigations included the increased use of groundwater and treated water from the District. As a result of the analysis

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[1] Water Supply Agreement between The City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County, July 2009.

[2] Page 89 of Master agreement provides "The allocation of that total amount (9 MGD) between San Jose and Santa Clara shall be as set forth in their individual Water Sales Contracts" Santa Clara's portion of the 9 mgd is half.

[3] City of Santa Clara Urban Water Management Plan, page 24 (amended to show an increase in SCVWD treated water starting 2017).

[4] City of Santa Clara 2002 Water Master Plan.

in the 2002 Master Plan two new wells (wells 32 and 34) were installed in the area north of Highway 101 in a previously untapped area of the basin. In the last 10 years, from 2004-2013, the City of Santa Clara has pumped between 13,930 acre-ft and 15,943 acre-ft of groundwater annually. These volumes are lower than the amount that has historically been pumped. The historic high for groundwater utilization occurred in FY1986/87 when 23,048 acre-ft was extracted. The historic high for groundwater production also occurred prior to the installation of wells 32 and 34, in a previously untapped portion of the City. Each of these wells has a production rating of 1,000 gpm or 1,613 acre-ft/year. Therefore, the use of 23,048 acre-ft/yr as a supply for groundwater is conservative based on the availability of the two new wells.

Increased use of recycled water could also be used to mitigate a portion of the loss of other supplies. From 2011 - 2012, the City expanded its recycled water distribution system by 30 percent and increased the system from 26 miles to 34 miles. In 2015, recycled water accounted for 18% of total water sales.

**PROJECTED POTABLE WATER SUPPLY**

The Santa Clara potable water system is separated into four interconnected zones in order to provide optimum pressures throughout the City. The four pressure zones and the location of the Development Plan are shown in Figure 1.

*Figure 1*

**Pressure Zones**

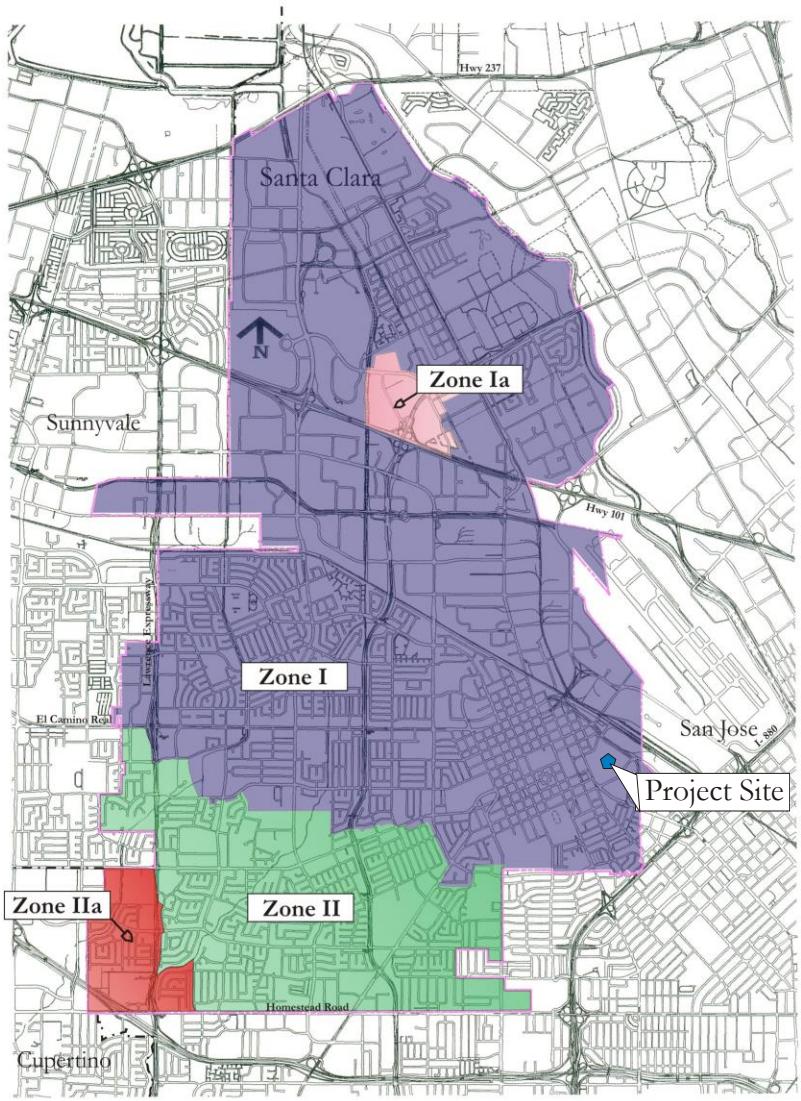
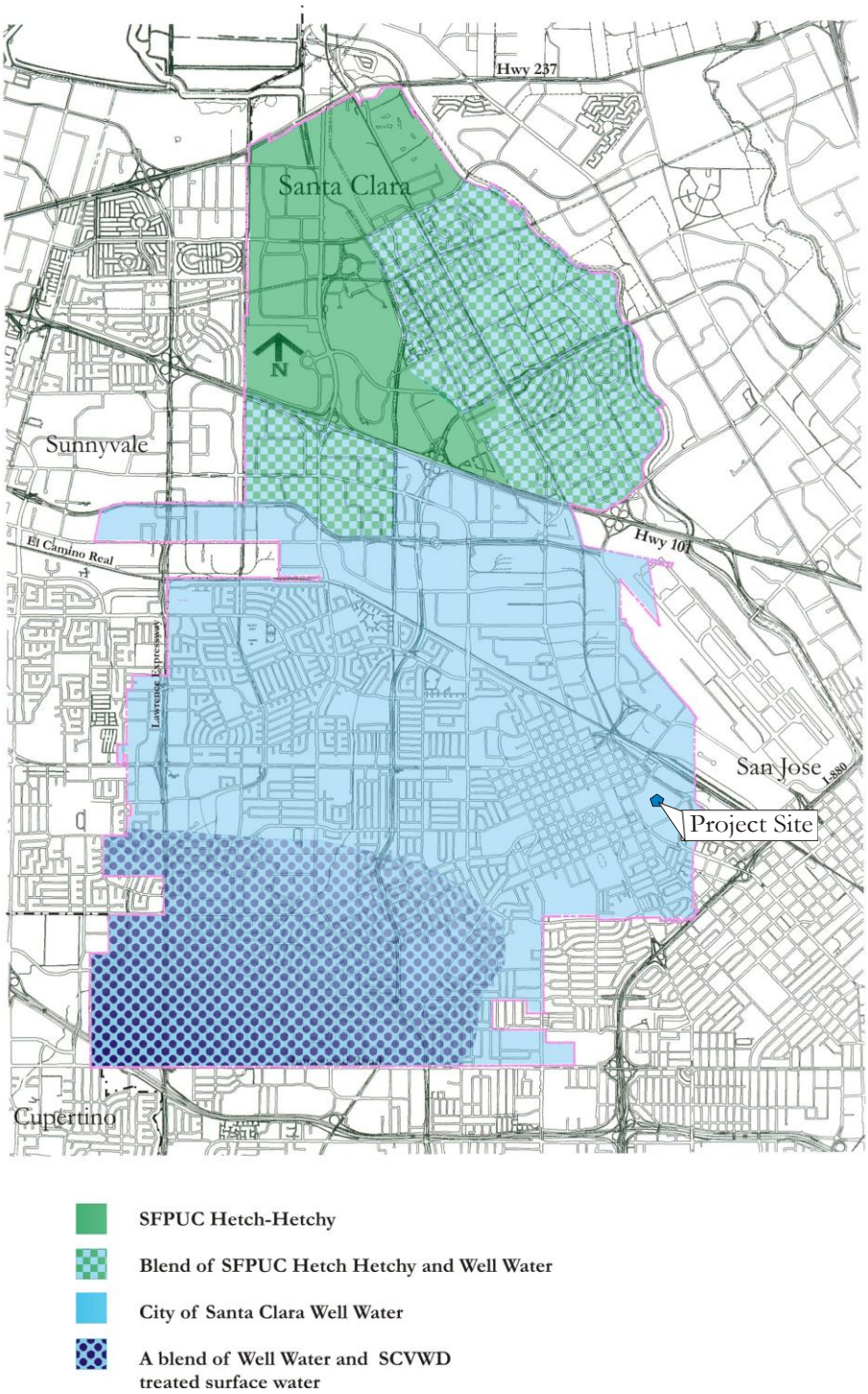


Figure 2 shows the water source by area. As shown in Figure 2, water purchased from SFPUC is used to supply water north of Highway 101. Treated surface water purchased from the SCVWD is used in conjunction with groundwater to supply water to the southern portion of the City. The Development Plan is in an area of Zone I that is mainly served by the City's well water supply.

*Figure 2*

**Source of Water by Area**



## GROUNDWATER

### PROJECTED GROUNDWATER SUPPLY

The City of Santa Clara is supplied by groundwater from the Santa Clara Valley Groundwater Basin. The Santa Clara Valley Groundwater Basin extends from the Coyote Narrows at Metcalf Road in San Jose to Santa Clara County's northern boundary. The basin is bounded on the west and east by the Santa Cruz and Diablo Ranges, respectively. The mountain ranges converge at Coyote Narrows to form a sub basin. The sub basin is 22 miles long and 15 miles wide, at its widest point, and has a 225 mile surface area. District staff estimates that the operational storage capacity of the sub basin is 350,000 acre feet with an estimated maximum annual withdrawal of 200,000 acre feet.[5]

The Santa Clara Valley Groundwater Basin is not adjudicated. The allowable withdrawal or safe yield of groundwater by the City of Santa Clara is dependent on a number of factors, including: withdrawals by other water agencies; the quantity of water recharged to the basin; and the carryover storage (water available for use but not used in prior years) from each previous year. The SCVWD estimates the amount of carryover storage in April of each year and reviews and modifies the basin's groundwater management strategy to avoid subsidence while allowing for groundwater use as needed to meet demand.[6] The most recent evaluation by the California Department of Water Resources indicates that the Santa Clara Valley Groundwater Basin and the Santa Clara Sub-basin are not in overdraft.[7,8]

The City currently operates 27 wells for extracting potable groundwater from the basin. The City's wells are strategically distributed around the City. The exact location of the wells is not included in this document for security reasons. This distribution of wells adds to the reliability of the water system and minimizes the possibility of localized subsidence due to localized over-drafting. The 2010 UWMP contained a detailed analysis of the historic pumping rates and the depth to water at each well. Minor seasonal fluctuations in the depth to water were noted in the analysis but there is no evidence of declining water table or over-drafting.

The City has well capacity that is not currently being used.[9] The water utility analyzes the capacity of the wells by dividing the actual groundwater production by the theoretical groundwater production if all wells were run at their rated capacity. This calculation yields a "utilization factor" which approximates the percentage of time the wells are run or the percentage of the total groundwater production capacity that is utilized. The utilization factor for the City's wells is currently 22% with several wells being used at less than 10% of their rated capacity. The District has not determined a resource limit to the City's use of groundwater; rather it has represented its ability to obtain sufficient quantities of water supply for the overall water requirements as stated in the City's 2010 UWMP. The amount of groundwater pumped over the period from 1985 to 2015 is shown in Figure 3 below.

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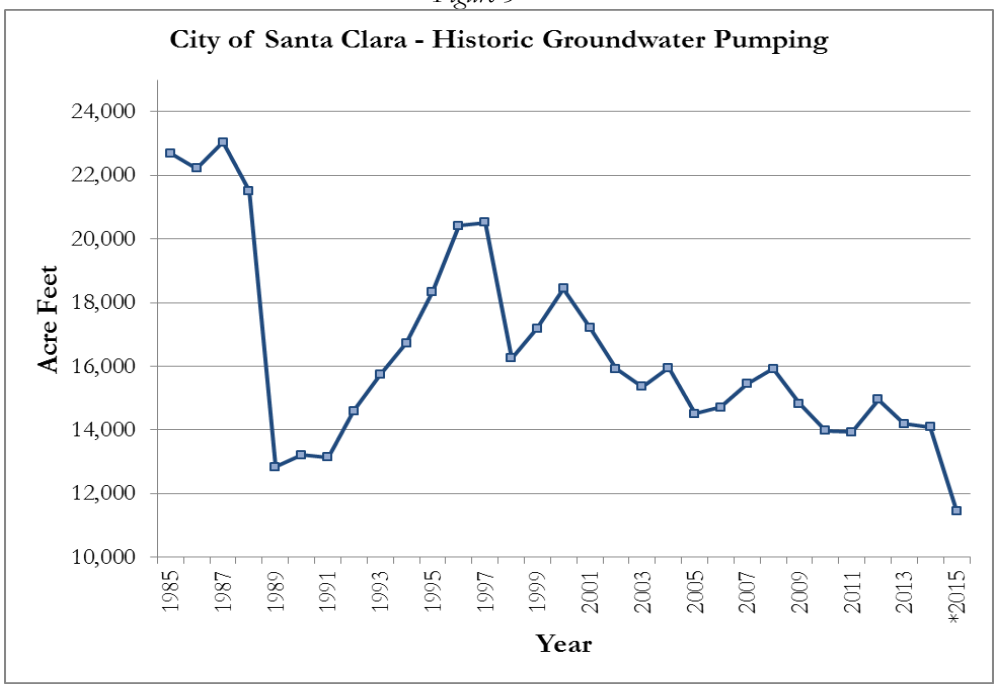
[5] City of Santa Clara 2010 Urban Water Management Plan, page 28
[6] Santa Clara Valley Water District, 2010 Urban Water Management Plan
[7] Department of Water Resources, California's Groundwater Update 2003, DWR Bulletin 118 http://www.water.ca.gov/groundwater/bulletin118/report2003.cfm
[8] 3515 Monroe Street WSA approved by City Council Resolution #13-8090 on December 3, 2013, Appendix E
[9] City of Santa Clara 2010 Urban Water Management Plan, Appendix G

*Figure 3*

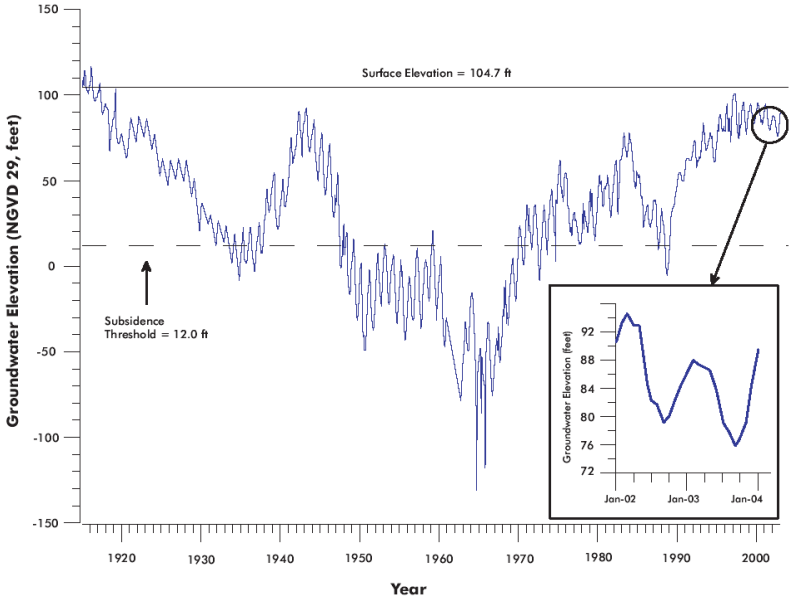



*Low 2015 groundwater pumping levels due to Water Shortage Contingency Plan implementation due to drought

The most recent information from DWR indicates that neither the Santa Clara Valley Basin, nor the Santa Clara Sub Basin, is currently listed as over drafted.[10] As shown in Figure 4 below, even when the City was at the historic peak for groundwater production FY1986/87, the basin was not approaching overdraft.

*Figure 4*

**Hydrograph for Santa Clara Valley Sub Basin Index Well (07S01E07R013)[11]**




[10] Department of Water Resources, California's Groundwater Update 2003, DWR Bulletin 118 http://www.water.ca.gov/groundwater/bulletin118/report2003.cfm

[11] Santa Clara Valley Water District, Groundwater Conditions 2002/2003, January 2005

The 2010 UWMP projects that the City's groundwater use will increase from approximately 13,980 acre-feet per year in 2010 to 23,048 acre-feet per year in 2015 and remain at that level in subsequent years (see Table 1a/b). This conservative projection is unlikely to come to fruition as 2014 groundwater use totaled 14,096 acre-feet, 8,952 acre-feet below projected 2015 ground water use. At the time that the 2010 UWMP was being prepared, groundwater use projections for the Santa Clara Valley Groundwater Basin had not been finalized for water planning purposes by other water providers in the region. This led the City to use each water provider's 2005 groundwater use projections. In 2005, agencies only projected groundwater use through 2030. At that point, in the absence of retailer projections for 2035, a rough projection was made using the average five-year incremental increase in cumulative groundwater demand. As a result, the 2010 UWMP cumulative groundwater demand for all groundwater producers in the basin, using conservative future extraction assumptions, indicate that by 2035, groundwater use could be approximately 166,000 acre-feet per year compared with an estimated withdrawal capacity of approximately 200,000 acre-feet per year.[12]

Groundwater use projections were subsequently finalized in the 2010 UWMPs adopted by other basin users. Table 2 compares the 2010 UWMP estimates with the projected groundwater use identified by each water service provider for 2035.

Table 2
**Projected Santa Clara Valley Groundwater Basin Use**
**2035 (acre-feet per year)**

| Retailer | City(s) Served by Retailer | Projected Ground Water Use in Santa Clara 2010 UWMP (Table 34) | Projected Ground Water Use in other jurisdictions' 2010 UWMPs |
|---|---|---|---|
| | | **2035** | **2035** |
| City of Santa Clara | City of Santa Clara | 23,048 | 23,048 |
| San Jose Water Company | Campbell, Cupertino, San Jose, Saratoga, Los Gatos, Monte Sereno | 78,522 | 61,940 |
| San Jose Municipal Water System | San Jose | 25,085 | 15,888 |
| Great Oaks Water Company | San Jose | 32,314 | 9,302 |
| California Water Service Company (Los Altos District) | Cupertino, Los Altos, Los Altos Hills, Mountain View, Sunnyvale | 4,447 | 3,492 |
| City of Mountain View | Mountain View | 45 | 285 |
| City of Sunnyvale | Sunnyvale | 2,940 | 1,000 |
| **TOTAL** | | **166,400** | **114,955** |

**Sources:**
San Jose Water Company 2010 UWMP, page 19 Table 16;
San Jose Municipal Water System 2010 UWMP, page 4-7, Table 4-4;
Great Oaks Water Company 2010 UWMP, page 19 Table 19A;
California Water Service Company (Los Altos Suburban District) 2010 UWMP, page 43, Table 4.1-1;
City of Mountain View 2010 UWMP page 5-22, Table 5-6;
City of Sunnyvale 2010 UWMP, page 4-5, Table 4-4.

Table 2 shows that the actual groundwater use projections are substantially lower than estimated for the water service providers considered in the 2010 UWMP. By 2035, the 2010 UWMPs of all Santa Clara Valley Groundwater Basin extractors indicate that Santa Clara Valley Ground Water Basin use, including the City's use of 23,048 acre-feet per year, will be approximately 114,955 acre-feet per year, or more than

[12] 2010 UWMP, page 54, Table 34.

50,000 acre-feet per year lower than estimated in the City of Santa Clara 2010 UWMP. The projected cumulative 2035 demand level would also be substantially below the basin's estimated 200,000 acre-feet per year safe yield. Although the current projected water supplies already cover the projected growth in the 2010 UWMP, the remaining available safe yield groundwater supplies coupled with the City's lower than projected current groundwater demands provide room for growth above and beyond 2035 projections. The groundwater demand projections finalized after the City adopted the 2010 UWMP provide further evidence that the City's projected groundwater use would not individually or cumulatively generate adverse effects to local or regional groundwater supplies and aquifer conditions over time.[13]

## PROJECTED RECYCLED WATER SUPPLY

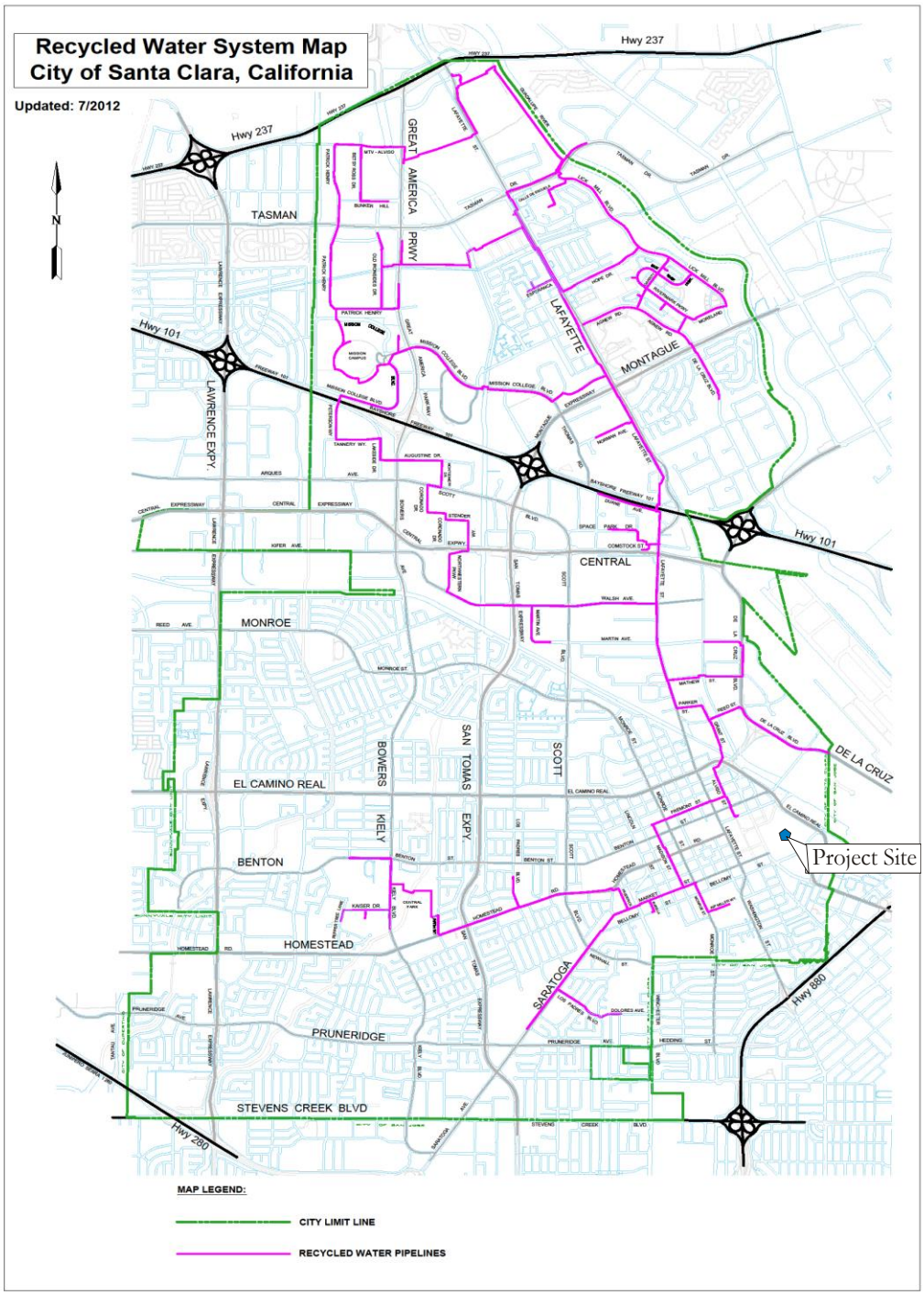
Recycled water is currently available and is already being utilized by the campus, however, the new improvements proposed will not use recycled water. Therefore, at this time recycled water will not be used for the Santa Clara University Development Plan or this water supply assessment.

The recycled water available in the City is provided by South Bay Water Recycling (SBWR) and meets current regulations of the California State Water Resources Control Board, Division of Drinking Water (DDW) for unrestricted use. This designation allows for the use of recycled water for irrigation and industrial use within specific guidelines. As noted in the 2010 UWMP there is ample capacity within the recycled water system. The San Jose-Santa Clara Regional Wastewater Facility currently produces in excess of 100 million gallons per day of water that meets recycled water standards, however system-wide recycled water sales are approximately 14 million gallons per day. The recycled water distribution system is shown in Figure 5 below.

The recycled water system has operated since 1989 with minimal interruptions in service. SBWR strives to reduce the number of instances, duration, and magnitude of any service interruptions. The use of recycled water at any site is contingent upon the completion of the necessary arrangements in accordance with SBWR, City of Santa Clara and DDW rules and regulations regarding the use of recycled water. In addition, payment must be made of applicable fees, rates and charges. These fees/rates and charges may include but are not limited to charges for major facilities described above and delivery charges for the recycled water used.

[13] 3515 Monroe Street WSA approved by City Council Resolution #13-8090 on December 3, 2013, Appendix E

*Figure 5*


Recycled Water System Map
City of Santa Clara, California
Updated: 7/2012
N
Hwy 237
Hwy 101
Hwy 280
Hwy 680
TASMAN
GREAT AMERICA PRWY
LAWRENCE EXPY.
LAFAYETTE
MONTAGUE
CENTRAL
MONROE
EL CAMINO REAL
BENTON
HOMESTEAD
PRUNERIDGE
STEVENS CREEK BLVD
BOWERS
KIELY
SAN TOMAS EXPY
SCOTT
SARATOGA
DE LA CRUZ
Project Site
MAP LEGEND:
CITY LIMIT LINE
RECYCLED WATER PIPELINES

The 2010 UWMP projected increases in water demand using an "End Use" model. Two main steps are involved in developing an End Use model: (1) establishing base year water demand at the end-use level (such as toilets, showers) and calibrating the model to initial conditions and (2) forecasting future water demand based on future demands of existing water service accounts and future growth in the number of water service accounts. The calculations assumed that the density of residential housing would increase over the study period and that redevelopment and changes would result in water demand increases in other sectors.

After establishing the base year, the water demand at the end-use is calculated by breaking down total historical water use for each type of water service account (single family, multifamily, commercial, irrigation, etc.) to specific end uses (such as toilets, faucets, showers, industrial processes and irrigation).[14]

The basic methodology of the model is to break down water usage into an average consumption per account type. Projections are made regarding potential reductions in average consumption based on water conservation programs, and natural replacement of less water efficient processes with more efficient processes. These projections were used to adjust the future average consumption per account figures. Projections of the future number of accounts for each user type of the future number of accounts are also calculated, typically based on other technical studies such as Association of Bay Area Governments ("ABAG") Projections or Census data. The projected number of accounts is based on the projected number of housing units for residential or the projected number of jobs in the case of the industrial and commercial categories. Job projections were taken from the ABAG publication, Silicon Valley Projections. Once both the number of accounts and the average consumption per account are calculated, the number of accounts for each future year was multiplied by the average consumption per account for that year to arrive at a total water demand for each user type. The 2010 UWMP projected increases for each user category in five-year increments. The projected increases for each category are contained in Table 3 below.

Table 3
**Projected changes in water demand from the 2010 UWMP (acre-feet)**

| Year | SFD | MFD | Commercial | Industrial | Institutional | Municipal | System Loss | Total |
|---|---|---|---|---|---|---|---|---|
| 2010-2014 | 3,097 | 1,242 | (638) | 2,218 | 282 | 251 | 1 | 6,453 |
| 2015-2019 | 481 | 151 | 359 | 369 | 48 | 36 | 50 | 1,494 |
| 2020-2024 | 360 | 96 | 395 | 390 | 37 | 29 | 45 | 1,352 |
| 2025-2029 | 381 | 122 | 434 | 415 | 37 | 28 | 49 | 1,466 |
| 2030-2035 | 481 | 218 | 91 | 452 | 41 | 31 | 48 | 1,332 |

The City has recognized that the end use model used to derive the demand projections in both the 2010 UWMP and the 2005 UWMP generates conservative estimates of future water demand. The 2005 UWMP, for example, overestimated the City's actual water use in 2010—the first five-year projection analyzed in the plan—by more than 7,770 acre-feet. The 2005 UWMP also projected that City water use in 2005 would increase by approximately 2,200 acre-feet in 2010. In 2010 the City's actual water use declined by approximately 3,200 acre-feet from 2005.[15]

The 2010 UWMP projections assume that compared to 2010, City water demand will grow by more than 8,000 acre-feet in 2015, a relatively large 35% increase. As shown in Table 4, however, the City's

[14] For purposes of this Assessment, office space is a subset of a commercial end-use.

[15] 3515-3585 Monroe Street WSA approved by City Council Resolution # 11-7836 on March 15, 2011, pages 15-16, Tables 7 and 8.

actual water demand since 2010 has not reflected the growth in water consumption assumed in the 2010 UWMP. If future water deliveries follow the same growth rate as in the actual water deliveries for 2010-2012, then by 2015 overall water deliveries will be significantly less than the levels projected in the 2010 UWMP.

Table 4
**Actual City Water Deliveries and System Losses**
**Compared with Projected Water Deliveries, (acre-feet per year)**

| | 2010 (actual) | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Actual Water Deliveries | 20,806 | 20,687 | 21,193 | 21,600 | 19,800 |
| Projected Water Deliveries, 2010 UWMP | 20,806 | 22,097 | 23,387 | 24,677 | 25,968 |
| Difference | - | (1,410) | (2,194) | (3,077) | (6,168) |

Source: 3700 El Camino Real WSA approved by City Council Resolution # 13-8031 on April 23, 2013, Table 7.
Note: Includes water deliveries and system losses reported by the City and excludes recycled water use.

As discussed above, the 2005 UWMP projections overestimated the City's 2010 water use by more than 7,770 acre-feet per year (actual 2010 use of 23,213 acre-feet per year versus projected use of 30,986 acre-feet per year). As shown in Table 5 and Figure 6, however, the end use model used to prepare the 2010 UWMP estimates that City demand will rapidly increase after 2010 and eventually approach the levels projected for 2030 in the 2005 UWMP.

Table 5
**Projected Water Demand, 2010-2030**
**2005 UWMP and 2010 UWMP**

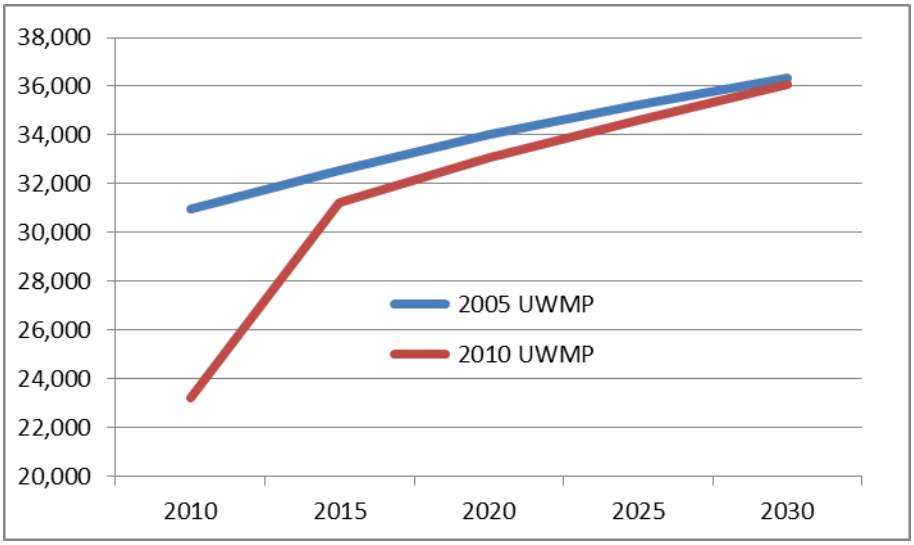
| | 2010 | 2015 | 2020 | 2025 | 2030 |
|---|---|---|---|---|---|
| 2005 UWMP | 30,986 | 32,559 | 34,004 | 35,254 | 36,337 |
| 2010 UWMP | 23,213 | 31,259 | 33,053 | 34,605 | 36,071 |
| Change | (7,773) | (1,300) | (951) | (649) | (266) |

Sources: see Table 1; 3515-3585 Monroe Street WSA approved by City Council Resolution # 11-7836 on March 15, 2011, page 15, Table 7.

Table 5 and Figure 6 show that following a large assumed demand increase of more than 8,000 acre-feet per year by 2015, the end use model produces demand estimates in the 2010 UWMP that approximate the demand levels and trends projected the 2005 UWMP. By 2030, the last projection year in the 2005 UWMP, the difference between the projected demand levels in each plan is only 266 acre-feet per year.[16]

[16] 3515 Monroe Street WSA approved by City Council Resolution #13-8090 on December 3, 2013, Appendix E

Figure 6
**Projected Water Demand Trendlines**
**2005 UWMP and 2010 UWMP (acre-feet per year)**




Sources: see Table 5.

The 2010 UWMP assumption that the City's demand will eventually approximate the 2005 UWMP projection levels appears to be conservative because the 2005 projections are known to have significantly overstated actual City demand in 2010. As shown in Table 4, actual water demand after the 2010 UWMP was adopted has also been significantly below the rate of growth projected for the 2010-2015 period. Reflecting these results, WSAs prepared and approved by the City since the 2010 UWMP was adopted have concluded that "overall system demand is significantly lower than … projected by the 2010 UWMP" and that "overall, the [City's] water demands are less than projected by the End Use model."[17] Empirical data since 2005 provides substantial evidence that the end use model used to prepare the 2010 UWMP generates conservative projections that are significantly higher than actual City water use over time.[18]

## PROJECTED WATER DEMAND FOR THE PROPOSED DEVELOPMENT PLAN

The total water demand for this Development Plan is calculated to be 103.4 acre ft/yr. This represents an increase in water demand of 60.4 acre ft/yr over the historic water demand at the project area when the historic use of 43.0 acre ft/yr is subtracted from the Development Plan's water demand. The projected increase of 60.4 acre ft/yr is within the growth projections in the 2010 UWMP. The calculations for the Development Plan's water demand was determined using Development Plan square footage found in Appendix D.

### ESTIMATED HISTORIC WATER USAGE FOR SANTA CLARA UNIVERSITY DEVELOPMENT PLAN

The historic water usage of 43.0 acre ft/yr for the former land use at the original plan site was taken into account in the 2010 UWMP, therefore this assessment will only address the City's ability to meet the increased water demand noted earlier. Based on the calculated water demand for the proposed Development Plan minus the historic usage at the site, the net increase in the water demand for this

[17] *See, e.g.,* (a) the 3700 El Camino Real WSA approved by City Council Resolution # 13-8031 on April 23, 2013, Page 14; (b) the 3000 Bowers Avenue WSA approved by City Council Resolution # 12-7963 on August 28, 2012, page 13; and (c) the 2200 Lawson Lane WSA approved by City Council Resolution #12-7964 on August 28, 2012, page 13.

[18] 3515 Monroe Street WSA approved by City Council Resolution #13-8090 on December 3, 2013, Appendix E

Development Plan is calculated to be 60.3 acre ft/yr, which is within the growth projections in the 2010 UWMP.

ESTIMATED WATER DEMAND FOR PROPOSED DEVELOPMENT

Water demand for the proposed Development Plan was calculated based on the average daily demand for the 528, 900 gross square feet (gsf) of institutional space and 151 residential units. The method and data used to arrive at the estimated water demand for the Development Plan are found in Appendix D of this Assessment.

WATER DEMAND TO BE MET BY RECYCLED WATER

Recycled water is currently available and is already being utilized by the campus, however, the new improvements proposed will not use recycled water. Therefore, at this time recycled water will not be used for the Santa Clara University Development Plan or this water supply assessment.

SUMMARY OF EXISTING AND ESTIMATED WATER DEMANDS

The complete analysis of the estimated water demands is contained in Appendix D of this Assessment. A summary of the existing and estimated water demands for the Development Plan are found in Table 6 below.

Table 6
**Existing and Estimated Water Demand Per Year for Development Plan Site**

| | Status | Gal/yr | Acre-ft/yr |
|---|---|---|---|
| Institutional | Proposed | 27,026,790 | 82.9 |
| Residential | Proposed | 6,668,915 | 20.5 |
| Historical Usage for Development Plan Site | Existing | 14,013,204 | 43.0 |
| **Total Demand** (increase per year) | | 19,682,501 | 60.4 |

## PROJECTED WATER DEMAND FOR OTHER PROPOSED PROJECTS

The projected water demand for other development projects that were not specifically considered in the development of the 2010 UWMP were analyzed in conjunction with this Assessment. The complete listing of projects and their associated water demands are contained in Appendix E. Tables 7 and 8 show a summary of the projected water demand changes by user category. If the timeframe for a project to be built spans several years, the earliest possible date was used to calculate the changes in Tables 7 and 8. The use categories of single-family dwelling ("SFD"), multi-family dwelling ("MFD"), commercial, industrial, institutional, and municipal match the use categories used in the development of the 2010 UWMP. The values in Tables 7 and 8 below summarize the projected changes in water demand for each user category and the planning period in which the change is expected to occur. If a proposed project resulted in a change of use, such as a commercial building being converted to single-family residential housing, the existing water demand was subtracted from the corresponding category and the new water demand was added to the category for the new use. Therefore, in the example cited earlier, the historic water demand for the commercial building would be subtracted from the commercial category and the new demand for the proposed single-family dwellings would be added to the SFD column.

Table 7

**Changes in water demand for proposed projects excluding Santa Clara University Development Plan**

**(Acre-ft/yr)**

| Year | SFD | MFD | Commercial | Industrial | Institutional | Municipal | Total |
|---|---|---|---|---|---|---|---|
| 2010 – 2014 | 0.0 | 0.0 | 752.5 | 0.0 | 0.0 | 0.0 | 752.5 |
| 2015 – 2019 | 157.0 | 482.9 | 525.4 | 0.0 | 0.0 | -309.5 | 855.8 |
| 2020 – 2024 | 241.9 | 0.0 | 792.5 | 0.0 | 0.0 | 0.0 | 1009.8-1034.4* |
| 2025 – 2029 | 0.0 | 0.0 | 670.3 | 0.0 | 0.0 | 0.0 | 670.3 |
| 2030 – 2034 | 151.8 | 0.0 | 212.5 | 0.0 | 0.0 | 0.0 | 364.3-371.5* |
| 2035 | 80.6 | 0.0 | -2.6 | 0.0 | 0.0 | 0.0 | 78.1 |

* Range of values due to 2 possible development schemes for City Place project (Resolution #15-8250)

Table 8 below contains the calculated changes in water demand from all the proposed projects listed in Appendix E, including the projected water demand from the Development Plan. The analysis performed was identical to the analysis for Table 7 above. Since all existing uses on the project site are institutional, the historical use for this project is incorporated into the institutional sector water demand for the Development Plan. Although the increase in multiple-family and commercial demands exceeds the amounts in Table 3, the City is still within the water demand projections for all category uses in each five year period.

Table 8

**Changes in water demand for proposed projects including Santa Clara University Development Plan**

**(Acre-ft/yr)**

| Year | SFD | MFD | Commercial | Industrial | Institutional | Municipal | Total |
|---|---|---|---|---|---|---|---|
| 2010 - 2014 | 0.0 | 0.0 | 752.5 | 0.0 | 0.0 | 0.0 | 752.5 |
| 2015 - 2019 | 157.0 | 503.4 | 525.4 | 0.0 | 39.9 | -309.5 | 916.2 |
| 2020 - 2024 | 241.9 | 0.0 | 792.5 | 0.0 | 0.0 | 0.0 | 1009.8-1034.4* |
| 2025 - 2029 | 0.0 | 0.0 | 670.3 | 0.0 | 0.0 | 0.0 | 670.3 |
| 2030 - 2034 | 151.8 | 0.0 | 212.5 | 0.0 | 0.0 | 0.0 | 364.3-371.5* |
| 2035 | 80.6 | 0.0 | -2.6 | 0.0 | 0.0 | 0.0 | 78.1 |

* Range of values due to 2 possible development schemes for City Place project (Resolution #15-8250)

Water demands for some user categories are higher than was projected by the End Use Model, however, these are offset by other categories of users that have water demands that were lower than projected. The current overall system demand is significantly lower than was projected by the 2010 UWMP. Table 9 shows the projected demands from the 2010 UWMP. Table 10 shows the actual potable water demand for calendar years 2005 through 2014. The recycled water demand for calendar year 2014 was 3,542 acre ft. The 2010 UWMP demonstrated that adequate water supplies exist to meet the demands noted in Table 9 during a normal water year. Overall, the water demands are less than projected by the End Use Model. Therefore, the increase in water demand from the proposed Project falls within the total projected water demand increases described in the 2010 UWMP.

Table 9
**2010 UWMP Demand Projections by Category**

| Year | SFD | MFD | Commercial | Industrial | Institutional | Municipal | System Loss | Total |
|---|---|---|---|---|---|---|---|---|
| 2015 | 8,603 | 5,868 | 4,879 | 5,150 | 950 | 723 | 1,086 | 27,259 |
| 2020 | 9,084 | 6,019 | 5,238 | 5,519 | 998 | 759 | 1,136 | 28,753 |
| 2025 | 9,444 | 6,115 | 5,633 | 5,909 | 1,035 | 788 | 1,181 | 30,105 |
| 2030 | 9,825 | 6,237 | 6,067 | 6,324 | 1,072 | 816 | 1,230 | 31,571 |
| 2035 | 10,306 | 6,455 | 6,158 | 6,776 | 1,113 | 847 | 1,278 | 32,933 |

Table 10
**Actual Potable Water Sales (Acre Ft-yr)**

| Year | SFD | MFD | Commercial | Industrial | Institutional | Municipal | System Loss | Total |
|---|---|---|---|---|---|---|---|---|
| 2005 | 6,346 | 5,013 | 6,963 | 4,972 | 903 | 1,207 | 996 | 26,400 |
| 2006 | 6,312 | 5,044 | 6,924 | 5,111 | 902 | 1,200 | 1,222 | 26,715 |
| 2007 | 6,535 | 5,288 | 7,310 | 5,022 | 1,025 | 1,396 | 707 | 27,283 |
| 2008 | 6,425 | 5,166 | 7,012 | 4,720 | 955 | 1,267 | 718 | 26,263 |
| 2009 | 5,914 | 4,771 | 5,668 | 3,246 | 686 | 536 | 888 | 21,709 |
| 2010 | 5,506 | 4,626 | 5,517 | 2,932 | 668 | 472 | 1,085 | 20,806 |
| 2011 | 5,516 | 4,658 | 5,622 | 2,603 | 617 | 482 | 1,188 | 20,687 |
| 2012 | 5,843 | 4,754 | 5,896 | 2,460 | 671 | 522 | 1,047 | 21,193 |
| 2013 | 5,976 | 4,836 | 5,886 | 2,408 | 709 | 473 | 1,387 | 21,675 |
| 2014 | 5,195 | 4,483 | 5,742 | 2,134 | 671 | 491 | 1,805 | 19,800 |

## COMPARISON OF WATER DEMAND AND WATER SUPPLY

### SINGLE DRY YEAR

The 2010 UWMP projects that during a single dry year, the City projects no reduction in supplies from groundwater. Per a SCVWD document dated March 16, 2011[19], treated surface water is not expected to be reduced in a single dry year event until 2030, when it could be reduced anywhere from 0-20%. However, in 2014 the SCVWD did call for a 20% reduction in treated surface water in the third year of a multi-year drought. For planning purposes, all projections assume a worst case scenario in which the 2017 increase in SCVWD treated water will not be available along with a 20% reduction in the remaining SCVWD treated water. SFPUC has indicated that during a single critical dry year, SFPUC will reduce their total water supply by 10% from 184 mgd to 152.6 mgd in a single dry year. The City of Santa Clara will receive 1.17% of the 152.6 mgd.[20] Recycled water use and water conservation are projected to remain unchanged or potentially increase due to public awareness, during a critical dry year. The resulting analysis of available supplies is shown in Tables 11a and 11b below. During a single critical dry year, there is no projected shortfall in total available water supplies if the City receives Hetch Hetchy water until 2035. If the City does not receive Hetch Hetchy water, after contract negotiations with SFPUC in 2018, there is a projected water supply shortfall after 2030. However, future water supply projects are expected to provide between 5,000-6,000 acre-feet per year.[21] This additional supply will help to cover any expected shortage until 2030 in a single dry year drought if the City loses the current SFPUC contracted Hetch Hetchy water.

[19] City of Santa Clara 2010 Urban Water Management Plan, Appendix H
[20] City of Santa Clara 2010 Urban Water Management Plan, Appendix I
[21] City of Santa Clara 2010 Urban Water Management Plan, page 46

Table 11a

**Projected Supply versus Demand Comparison – Single Dry Year (Acre-ft/yr)**

| Year | 2015 | 2020 | 2025 | 2030 | 2035 |
|---|---|---|---|---|---|
| Supply Totals | 34,313 | 34,714 | 34,993 | 34,135 | 34,135 |
| Demand Totals | 31,259 | 33,053 | 34,605 | 36,071 | 37,433 |
| Difference as % of Supply | 8.9% | 4.8% | 1.1% | -5.7% | -9.7% |
| Difference as % of Demand | 9.8% | 5.0% | 1.1% | -5.4% | -8.8% |

Table 11b

**Projected Supply versus Demand Comparison – Single Dry Year Without SFPUC Supply (Acre-ft/yr)**

| Year | 2015 | 2020 | 2025 | 2030 | 2035 |
|---|---|---|---|---|---|
| Supply Totals | 34,313 | 32,713 | 32,992 | 29,392 | 29,392 |
| Demand Totals | 31,259 | 33,053 | 34,605 | 36,071 | 37,433 |
| Difference as % of Supply | 8.9% | -1.0% | -4.9% | -22.7% | -27.4% |
| Difference as % of Demand | 9.8% | -1.0% | -4.7% | -18.5% | -21.5% |

### MULTIPLE DRY YEAR

During a multiple dry year event, the City will shift potable water demands between its sources in cooperation with neighboring water retailers and wholesalers to reduce pressure on regional sources in decline. Per a SCVWD document dated March 16, 2011[22], treated surface water was not expected to be reduced in a multiple dry year event until 2025, when it could be reduced anywhere from 0-20%. However, in 2014 the SCVWD did call for a 20% reduction in treated surface water in the third year of a multi-year drought. For planning purposes, all projections assume a worst case scenario in which the 2017 increase in SCVWD treated water will not be available along with a 20% reduction in the remaining SCVWD treated water. SFPUC has indicated that during multiple critical dry years the City can expect a maximum reduction of SFPUC water supplies of 43% of normal.[23] SFPUC has indicated that in the second and third year of a drought, they will reduce their water supply by 20% from 184 mgd to 132.5 mgd. For SFPUC supplies, Table 12a assumes a worst-case scenario based on a replication of the 1987-1992 multiple dry year event. The City of Santa Clara will still receive 1.17% of 132.5 mgd.[24] Table 11b assumes that SFPUC water is unavailable after 2018.

Recycled water use is projected to remain unchanged during a multiple dry year event, however recent drought conditions have shown a significant increase in recycled water connection requests. The City also assumes no change in water conservation when projecting demands for multiple dry year events for conservative projecting purposes. The resulting analysis of all available supplies is shown in Table 12a and 12b below. During a multiple critical dry year event, there is a projected shortfall in available water supplies independent of whether the City receives or does not receive Hetch Hetchy water after contract negotiations with SFPUC in 2018. However, future water supply projects are expected to provide between 5,000-6,000 acre-feet per year.[25] This additional supply will help to cover any expected shortage until 2030 in the third year of a multi-year drought if the City loses the current SFPUC contracted Hetch Hetchy water.

[22] City of Santa Clara 2010 Urban Water Management Plan, Appendix H

[23] City of Santa Clara 2010 Urban Water Management Plan, Appendix I

[24] City of Santa Clara 2010 Urban Water Management Plan, Appendix L

[25] City of Santa Clara 2010 Urban Water Management Plan, page 46

Table 12a
**Supply and Demand Comparison – Multiple Dry-Year Events**
**(assumes SFPUC supply exists beyond 2018 )**

| | | 2015 | 2020 | 2025 | 2030 | 2035 |
|---|---|---|---|---|---|---|
| Multiple-dry year *first* year supply | Supply totals | 37,352 | 37,753 | 38,032 | 35,088 | 35,088 |
| | Demand totals | 31,259 | 33,053 | 34,605 | 36,071 | 37,433 |
| | Difference | 6,093 | 4,700 | 3,427 | (983) | (2,345) |
| | Difference as % of Supply | 16.3% | 12.4% | 9.0% | -2.8% | -6.7% |
| | Difference as % of Demand | 19.5% | 14.2% | 9.9% | -2.7% | -6.3% |
| Multiple-dry year *second* year supply | Supply totals | 37,352 | 37,753 | 38,032 | 35,088 | 35,088 |
| | Demand totals | 32,726 | 34,734 | 36,371 | 37,949 | 37,949 |
| | Difference | 4,626 | 3,019 | 1,661 | (2,861) | (2,861) |
| | Difference as % of Supply | 12.4% | 8.0% | 4.4% | -8.2% | -8.2% |
| | Difference as % of Demand | 14.1% | 8.7% | 4.6% | -7.5% | -7.5% |
| Multiple-dry year *third* year supply | Supply totals | 37,352 | 37,753 | 38,032 | 35,088 | 35,088 |
| | Demand totals | 33,163 | 35,064 | 36,674 | 38,210 | 38,210 |
| | Difference | 4,189 | 2,689 | 1,358 | (3,122) | (3,122) |
| | Difference as % of Supply | 11.2% | 7.1% | 3.6% | -8.9% | -8.9% |
| | Difference as % of Demand | 12.6% | 7.7% | 3.7% | -8.2% | -8.2% |

Table 12b
**Supply and Demand Comparison – Multiple Dry-Year Events(assumes SFPUC supply does not exist beyond 2018 )**

| | | 2015 | 2020 | 2025 | 2030 | 2035 |
|---|---|---|---|---|---|---|
| Multiple-dry year *first* year supply | Supply totals | 37,352 | 32,713 | 32,992 | 33,048 | 33,048 |
| | Demand totals | 31,259 | 33,053 | 34,605 | 36,071 | 37,433 |
| | Difference | 6,093 | (340) | (1,613) | (3,023) | (4,385) |
| | Difference as % of Supply | 16.3% | -1.0% | -4.9% | -9.1% | -13.3% |
| | Difference as % of Demand | 19.5% | -1.0% | -4.7% | -8.4% | -11.7% |
| Multiple-dry year *second* year supply | Supply totals | 37,352 | 32,713 | 32,992 | 33,048 | 33,048 |
| | Demand totals | 32,726 | 34,734 | 36,371 | 37,949 | 37,949 |
| | Difference | 4,626 | (2,021) | (3,379) | (4,901) | (4,901) |
| | Difference as % of Supply | 12.4% | -6.2% | -10.2% | -14.8% | -14.8% |
| | Difference as % of Demand | 14.1% | -5.8% | -9.3% | -12.9% | -12.9% |
| Multiple-dry year *third* year supply | Supply totals | 37,352 | 32,713 | 32,992 | 33,048 | 33,048 |
| | Demand totals | 33,163 | 35,064 | 36,674 | 38,210 | 38,210 |
| | Difference | 4,189 | (2,351) | (3,682) | (5,162) | (5,162) |
| | Difference as % of Supply | 11.2% | -7.2% | -11.2% | -15.6% | -15.6% |
| | Difference as % of Demand | 12.6% | -6.7% | -10.0% | -13.5% | -13.5% |

Even in this worst case scenario, the projected shortfall in available water supply is minimal and well within the margin of error related to the projections and is therefore negligible. The tables above assume no increase in conservation or recycled water use, and also include conservatively overstated future water demands from the 2005 UWMP end use model. The City's actual water use has remained below the levels indicated in the 2010 UWMP using the same methodology.

The projections also assume that conservation savings assumed for normal years will not change during drier hydrological periods. The 2010 UWMP explains the City's legal authority to implement additional voluntary and mandatory conservation measures (e.g., drought curtailment of outdoor irrigation activities) that would significantly reduce water use during a single dry year, multiple dry years or in response to other supply shortfalls. The 2010 UWMP notes, for example, that the projections "…yield a conservative estimate since during a critical multiple dry year event, mandatory conservation

measures and increased recycled water usage would be expected to reduce potable water demand"[26]. The 2010 UWMP identifies specific, mandatory water use prohibitions and enforcement mechanisms that the City will implement to reduce water demand as necessary to address water supply limitations in the future.

[26] City of Santa Clara 2010 Urban Water Management Plan, page 84

Table 13
**Water Saving Procedures to be Undertaken by the City During Dry Year and Major Supply Interruptions**

| **Plan** | **Plan 1** | **Plan 2** | **Plan 3** | **Plan 4** |
|---|---|---|---|---|
| **Drought Stage** | **Advisory** | **Voluntary** | **Mandatory** | **Emergency Curtailment** |
| **Reduction** | **Up to 10%** | **10% to 20%** | **21 to 49%** | **50% or greater** |
| **1. Water Use Reduction Target** | | | | |
| a) Single family | NA | 80% -90% of base year | 50% -80% of base year | 50% of base year |
| b) Master metered multi- family | NA | 80% -90%of base year | 50% -80% of base year | 50% of base year |
| c) Non-residential | NA | 80% -90%of base year | 50% -80% of base year | 50% of base year |
| **2. Water Use Restrictions** | | | | |
| a) Water waste by irrigation | Prohibited | Prohibited | Prohibited | Prohibited |
| b) Cleaning sidewalks, hard surfaces, etc. | Prohibited | Prohibited | Prohibited | Prohibited |
| c) Washing vehicle w/o shut off valve on hose | Prohibited | Prohibited | Prohibited | Prohibited |
| d) Decorative fountains, operating maintaining | No restriction | Prohibited | Prohibited | Prohibited |
| e) Water for construction purposes | No restriction | Restricted (1) | Restricted (1) | Restricted (1) |
| f) Water waste due to effective plumbing / leaks | Prohibited | Prohibited | Prohibited | Prohibited |
| g) Landscape irrigation | No restriction | Prohibited from 9AM to 6PM | Prohibited from 9AM to 6PM | Prohibited |
| h) Restaurant water service unless patron requests | No restriction | Prohibited | Prohibited | Prohibited |
| i) New swimming pool or pond construction | No restriction | Restricted | Restricted | Prohibited |
| j) Filling or refilling swimming pools | No restriction | Restricted | Restricted | Prohibited |
| k) Hydrant flushing, except for health and safety | No restriction | Prohibited | Prohibited | Prohibited |
| l) New irrigation connections for new planting | No restriction | Restricted (2) | Restricted (2) | Prohibited (2) |
| m) Irrigation of golf courses except greens and tees | No restriction | No restriction | Restricted (1) | Restricted (1) |
| **3. Enforcement** | | | | |
| a) First violation | Warning | Warning | Warning, Citation, up to $500 fine | Warning, Citation, up to $500 fine |
| b) Second violation | Warning | Warning | Warning, Citation, $100 to $1,000 fine | Warning, Citation, $100 to $1,000 fine |
| c) Subsequent violations | Warning, citation, $100 to $1,000 fine, flow restrictor | Warning, citation, $100 to $1,000 fine, flow restrictor | Warning, citation, $100 to $1,000 fine, flow restrictor, termination of service | Warning, citation, $100 to $1,000 fine, flow restrictor, termination of service |
| d) Restrictor removal charge | $50 | $50 | $50 | $50 |
| e) Second restrictor removal charge | $100 | $100 | $100 | Remains for duration |
| (1) Recycled water only can be used; (2) New landscaping supplied by recycled water allowed without restriction. | | | | |

Source: 2010 UWMP, page 72, Table 37.

Table 13 shows that the City can feasibly implement and enforce mandatory water use reduction measures that would reduce water demand by more than 50% from normal levels. The largest potential shortfall projected in the 2010 UWMP is approximately 21.5% of demand in a single dry year, without SFPUC supplies, in 2035 (see Table 11b). As shown in Table 13, the City anticipates that demand could be reduced by 20%, the approximate magnitude of the maximum projected shortfall in the 2010 UWMP, by implementing the advisory and voluntary measures included in water use management plans 1-2. If necessary, Table 10 also shows that the City has the capacity to mandate additional demand reductions of 21%-49% under plan 3, and greater than 50% by implementing the measures included in water use management plan 4. These reduction levels would substantially exceed the maximum projected shortfalls in the 2010 UWMP. The 2010 UWMP projections, however, conservatively assume that none of the demand management measures identified in Table 13 would be implemented during potential shortfall

periods. As a result, the projections conservatively overstate the level of City water demand that would be expected to occur during dry years, multiple dry years or other periods of reduced water supply when these measures would be in effect.

The 2010 UWMP identifies several additional conservation programs that the City is implementing or expects to implement in the future. Although the 2010 UWMP reflects conservation savings from some of these measures (see Table 1a, 1b), the projections do not fully account for additional demand reductions, especially during drier periods. The conservation measures identified in the 2010 UWMP include the following:

(a) General Plan policies that focus on producing a reliable, safe potable water supply, promote water conservation, expand recycled water use, and facilitate water supply coordination with the SCVWD[27];

(b) City water supply management measures that increase reliability and reduce potential vulnerability to physical impacts, such as locating wells over a geographically distributed area and maintaining standby power supplies to operate water system facilities during emergencies[28];

(c) The adoption of City ordinances prohibiting wasteful water use[29];

(d) Authority to implement and enforce an outdoor watering schedule that would reduce the frequency and volume of external water use during drier periods[30];

(e) Tracking water consumption for City accounts in a manner that allows for email or other expedited communication regarding water use reduction requirements if necessary to address shortfalls[31];

(f) Providing technical assistance (e.g., water audits) to help reduce water use by high consumption accounts[32];

(g) Providing low-water use landscaping assistance for single family water consumers and for larger landscapes[33];

(h) Offering rebates with the SCVWD for high efficiency clothes washers[34];

(i) Commercial and industrial water conservation technical assistance, including audits, pre-rinse retrofits for food service businesses, and water efficiency rebates[35];

(j) Conservation and recycled water use incentive pricing[36];

(k) A high efficiency toilet retrofit rebate program administered by the SCVWD[37]; and

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[27] City of Santa Clara 2010 Urban Water Management Plan, pages 64-65 Table 36
[28] City of Santa Clara 2010 Urban Water Management Plan, pages 65-70
[29] City of Santa Clara 2010 Urban Water Management Plan, pages 65-71
[30] City of Santa Clara 2010 Urban Water Management Plan, page 71
[31] City of Santa Clara 2010 Urban Water Management Plan, page 78
[32] City of Santa Clara 2010 Urban Water Management Plan, page 87
[33] City of Santa Clara 2010 Urban Water Management Plan, pages 88, 90-91
[34] City of Santa Clara 2010 Urban Water Management Plan, pages 91-92
[35] City of Santa Clara 2010 Urban Water Management Plan, pages 92-94
[36] City of Santa Clara 2010 Urban Water Management Plan, page 94-96
[37] City of Santa Clara 2010 Urban Water Management Plan, pages 97-98

(l) Adoption of a landscaping water conservation ordinance in January, 2011 to reduce water use associated with external irrigation[38].

The 2010 UWMP demand projections do not consider the effects of the City's demand management authority and conservation programs beyond normal year conservation estimates. As a result, the projections overstate the City's demand in general and particularly during drier years when the City would act to reduce demand in response to potential supply shortfalls.[39]

## CONCLUSION

The proposed Santa Clara University Development Plan, consisting of 528,900 gross square feet (gsf) of institutional space and 151 residential units at 500 El Camino Real is projected to require 103.4 acre ft/yr of total water use. This represents an increase in total water demand within the City by 60.4 acre ft/yr from historical use on the Development Plan site. The analysis shows that a 60.4 acre ft/yr water demand increase from this Development Plan is consistent with the growth projections in the 2010 UWMP.

This Assessment analyzed the impacts of changes in contractual limitations on water supply, development projects, and other additional factors that have occurred since the original 2010 UWMP was developed. Therefore, based on the analysis contained in this Assessment, the City of Santa Clara Water Utility has determined that there are sufficient water supplies to provide service to the proposed Santa Clara University Development Plan.

[38] City of Santa Clara 2010 Urban Water Management Plan, Appendix M
[39] 3515 Monroe Street WSA approved by City Council Resolution #13-8090 on December 3, 2013, Appendix E

# APPENDIX A

SCVWD Contract

# CONTRACT BETWEEN SANTA CLARA VALLEY WATER DISTRICT AND CITY OF SANTA CLARA FOR A SUPPLY OF TREATED WATER

THIS CONTRACT is made and entered into on January 27, 1981, between the SANTA CLARA VALLEY WATER DISTRICT, hereinafter referred to as "District", and CITY OF SANTA CLARA, hereinafter referred to as "Contractor" and supersedes previous water service contracts between District and Contractor.

RECITALS:

A. District has executed contracts with the State of California Department of Water Resources and the United States Bureau of Reclamation, whereby District is and will be entitled to receive imported water and District intends to continue construction of a system within the boundaries of District to distribute water so received.

B. Included within said system are facilities to treat and filter such water; and Contractor is desirous of obtaining a supply of treated water from District.

AGREEMENT: For and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

## ARTICLE A. INTRODUCTORY PROVISIONS

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

a) "Fiscal Year" shall mean each 12-month period during the term hereof commencing July 1 of one year and terminating June 30 of the next succeeding year, both dates inclusive.

b) "Each Contractor", or "Other Contractor", shall mean any entity, public or private, contracting with District for a supply of treated water.

c) The "Act" shall mean the Santa Clara Valley Water District Act, as amended.

d) "Board" shall mean the Board of Directors of the Santa Clara Valley Water District.

2. Term of Contract

a) This contract shall become effective on the date first above written and shall remain in effect for a period of 70 years or until all loans and all bonds, the proceeds of sale of which have been used for the construction of water treatment and distribution facilities have been retired, whichever period shall be longer, provided, however, that in no event shall the term of this contract be deemed to extend beyond the period authorized by law.

b) The term of this contract may be extended for an additional term of years upon such terms and conditions as may be set forth in a written agreement of the parties hereto executed at least eighteen (18) months prior to expiration of the terms specified in the preceding Subsection 2a. If no such agreement shall be so executed, this contract shall terminate as specified in said Subsection 2a unless at least one year prior to said termination date Contractor shall notify District in writing that Contractor desires to extend the term hereof; in such event, said term shall be extended for an addtional period of five years upon the covenants, agreements and conditions herein contained.

3. Successors and Assigns - Subject to the provisions of the succeeding Section 4 hereof, this contract and all the terms, covenants, agreements and conditions herein contained shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

4. Assignment - No assignment or transfer by Contractor of this contract or any part hereof, or of any rights hereunder or interest herein of Contractor, shall be valid unless approved by District, which approval District agrees shall not be unreasonably withheld. The foregoing provisions of this Section 4 to the contrary notwithstanding, no consent shall be required on an assignment to a Public Agency with the power of eminent domain; provided, such Public Agency expressly assumes the obligations of this contract and provided, further, that if said Public Agency assumes only a portion of the obligations of this contract, Contractor shall remain obligated for the remainder, or in the event Contractor shall sell, transfer, or convey any part or parts or its water system to any entity, public or private, Contractor may assign to the purchaser thereof a portion of Contractor's rights, privileges and obligations hereunder and, in the event of any such assignment Contractor shall be relieved of such portion of such obligations of Contractor so assigned if, following such sale, transfer or conveyance, District shall commence to furnish treated water to such entity, or District under a contract with such entity existing prior to such sale, transfer or conveyance increases the amount of treated water delivered to such entity in order to meet in part the increased water requirements of such entity resulting from such sale, transfer or conveyance.

5. Adjustment of Schedule Purchases upon Other Water Service to Projected Service Area - Where Contractor has prepared and submitted a proposed water delivery schedule to District for an ensuing three-year period in accordance with Article B hereof in reasonable anticipation of and reliance upon projected water service by Contractor to its existing or future customers who receive or would receive service within a service area which shall be defined and may be amended from time to time by Contractor and attached hereto, as Exhibit A, and the schedule has been approved and made binding upon Contractor in accordance with Article B hereof, and where, in lieu of Contractor, any agency, public or private shall thereafter provide treated water service to any such customers and the existence of such circumstance and the necessity of Contractor to reduce its delivery schedule being shown to District and acknowledged by District to be facts (such acknowledgment to be in no case unreasonably withheld), then Contractor's said delivery schedule shall at its option be amended promptly in such manner as to reduce Contractor's scheduled water purchases from District hereunder by an amount fairly commensurate with such reduction of Contractor's anticipated or projected water service.

ARTICLE B. WATER SERVICE PROVISIONS

1. Water Delivery Schedules

a) On October 15, 1980, and every three years thereafter, Contractor shall submit in writing a proposed delivery schedule for the ensuing three-year period beginning July 1 of the following year. The proposed delivery schedule shall be submitted on a form provided by the District and shall indicate the amounts of treated water desired by Contractor during each year of the ensuing three-year period. Except as provided in Subsection c of this section, Contractor agrees that in submitting a proposed water delivery schedule it will not request an amount of water for each year which shall be less in total than 95 percent of the amount for the fiscal year containing the maximum amount in the then current three-year schedule unless Contractor shall have assigned or agreed to assign a portion of its rights, privileges, and obligations hereunder pursuant to the provisions of Article A, Section 4, hereof and i) District has consented to such assignment, or ii) Contractor otherwise shall have been relieved of a portion of its obligations hereunder pursuant to the provisions of said Article A, Section 4; that following occurrence of either event specified in the preceding clauses i) and ii), the foregoing provisions of this Subsection a) shall apply only to the unassigned portion of the Contractor's rights and obligations hereunder.

b) Upon receipt of such delivery schedule, District shall review same, and after consultation with Contractor and Other Contractors receiving treated water from District, shall approve such schedule or make such reductions therein as are consistent with District's ability to deliver water to Contractor and Other Contractors; provided, however, that subject to availability of funds, financing policies, construction schedules, and operating schedules, District will make every reasonable effort to approve each proposed delivery schedule submitted by Contractor and Other Contractors. Except as provided in Subsection c of this section, District agrees that it will approve a delivery schedule for said ensuing schedule period which will not be less in total amount for each fiscal year of said schedule period than 95 percent of the maximum fiscal year set forth in the then current schedule period.

c) Notwithstanding the provisions of Subsections a and b of this section, either Contractor or District may request that the minimum amount of water for each fiscal year in the ensuing three-year schedule period be reduced to a lesser minimum amount than prescribed in Subsections a and b. Upon written agreement by both Contractor and District, based on a showing of extraordinary circumstances, the delivery schedule may be approved at such lesser amount.

d) The approved delivery schedule shall be transmitted to Contractor prior to December 31 of the year in which the proposed delivery schedule is submitted. The approved delivery schedule for fiscal years 1976-77 through 1980-81 is set forth in Exhibit B, attached hereto and by this reference made a part hereof.

e) For operating and planning purposes, Contractor shall, on forms provided by District, annually supply District with Contractor's anticipated monthly delivery schedules for the ensuing year and such information reasonably needed by District to determine projected annual deliveries for the next ensuing five years. Contractor's anticipated monthly delivery schedules shall not constitute a committment by Contractor to receive the amounts of water set forth therein but shall establish the monthly schedule amounts of treated water to be delivered to Contractor for certain purposes under Article C hereof.

2. Amounts of Water - Rates of Flow

(a) District agrees to deliver to Contractor during each fiscal year or fractional fiscal year of this Contract, as the case may be, the amounts of treated water set forth on the approved delivery schedule for each year or fractional fiscal year, as the case may be.

(b) District agrees to deliver to Contractor on demand in any month during the term of this contract at least 15 percent of the total amount of treated water which District has theretofore agreed to deliver to Contractor during the applicable fiscal year as shown on the approved delivery schedule.

(c) District further agrees to provide facilities capable of delivering and will deliver the amounts of water prescribed by Subsections a and b of this section on demand of Contractor at rates of flow up to an instantaneous maximum flow rate equivalent to 205 percent of the then current annual volume shown on the approved delivery schedule expressed as an equivalent uniform flow rate over the full year for an aggregate of 72 hours in any month and for such additional hours in any month as District has the capability to deliver at said rate, provided that District, at such times during the remainder of such month when District does not have the capability to deliver at said rate, may reduce such rate to an instantaneous maximum flow rate not to exceed 180 percent of said annual volume expressed as an equivalent uniform flow rate over the full year.

d) Notwithstanding the foregoing, during the period July 1, 1979 to June 30, 1990, District may limit the maximum flow rate for each Contractor to 180 percent of the then current annual volume of that Contractor shown on the approved water delivery schedule expressed as an equivalent uniform rate over the full year. District will give Contractor reasonable prior notice of any such proposed limit of maximum flow rate.

3. Delivery Structures

a) Water delivered to Contractor pursuant to this contract shall be provided from District facilities through delivery structures to be located at such locations as may be mutually agreed upon. Such delivery structures shall be designed and constructed or caused to be constructed by District. Design and bid costs shall be subject to favorable review and approval by the Contractor prior to award of

construction contract for the delivery structure. District shall pay for the cost of the land, automated controls and reporting systems, nozzle turnout and shutoff valve portion of each of said structures, and Contractor shall pay the total cost of acquiring and installing the measuring devices, the vault or housing and the flow regulating devices, if any, of each of said structures as said devices and facilities are shown on Exhibit C attached hereto and by this reference made a part hereof. Upon thirty (30) days' written notice by District, Contractor shall deposit with District prior to such acquisition and installation an amount of money estimated by District to be sufficient to cover such cost to be borne by Contractor. In the event such estimate proves to be low, Contractor shall pay to District upon written demand therefor the difference between District's estimate and the actual cost to be borne by Contractor. In the event such estimate proves to be high, District shall refund to Contractor promptly the difference between the actual cost to be so borne by Contractor and the amount of said deposit.

b) Title to all delivery structures and to all appurtenances up to and including the control valve shall be in District and Contractor shall have no obligations or responsibilities with respect thereto and shall be under no obligation to operate, maintain, repair, replace or relocate the same.

4. Measurement of Water Deliveried - District shall measure all water delivered to Contractor and shall keep and maintain accurate and complete records thereof. For such purpose, District shall install, operate and maintain at all delivery structures such measuring devices and equipment as are satisfactory and acceptable to both parties.

5. Curtailment of Delivery During Maintenance Periods - District will make all reasonable effort to provide continuous service to Contractor but may temporarily discontinue or reduce the delivery of water to Contractor for the purpose of necessary investigation, inspection, maintenance, repair or replacement of any of the facilities necessary for the delivery of treated water to Contractor. District shall notify Contractor as far in advance as possible of any discontinuance or reduction and the estimated duration of such discontinuance or reduction. Recognizing that Contractor will rely on District for uninterrupted deliveries of water particularly during the high water consumption months each year, District agrees to use its best efforts throughout the term of this contract to make any such discontinuance or reduction in the delivery of water only during the period of November through March in any fiscal year. In the event of any discontinuance of or reduction in delivery of water, Contractor may elect to receive the amount of water which otherwise would have been delivered to it during such period under the approved water delivery schedule for that fiscal year at other times during such year, consistent with District's delivery ability considering the then current delivery schedules of all Other Contractors.

6. Suspension of Service Upon Default - In the event of any default by Contractor in the payment of any money required to be paid to District hereunder, District may, upon not less than three months' written notice to Contractor, suspend deliveries of water under this contract for so long as such default shall continue, provided, however, that during such period Contractor shall remain obligated to make all payments required under this contract and provided, further, that such delinquent amount shall accrue interest at the rate of one-half of one percent per month commencing on the

due date of such delinquent amount and continuing until both the principal amount of such charges and the interest thereon are paid in full. Such suspension of delivery taken pursuant to this Section 6 shall not deprive District of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract. In the event of any disagreement between Contractor and District as to the amount of any bill rendered to Contractor by District, water service shall not be discontinued if the disputed amount thereof is placed on deposit with District. Such deposit shall not preclude review and adjustment of any water bill as set forth in Article C, Section 8, hereof.

7. Water Quality - District agrees that all water to be delivered by it to Contractor pursuant to the terms of this contract will be pure, palatable, wholesome, potable and healthful and that all such water will be of such quality that the same may be used for domestic purposes at the points of delivery thereof to Contractor without further treatment. District understands that Contractor is a public utility furnishing water to its customers for domestic purposes and that water to be delivered by it to Contractor hereunder will be delivered by Contractor to said customers. District agrees that its system shall be constructed and operated during the term hereof in accordance with a permit or permits, including temporary permits, to be issued by the State Department of Health Services, copies of which will be furnished to Contractor upon receipt by District. District agrees that the treated water to be delivered to Contractor pursuant to this contract shall conform to the quality requirements set forth in the then current primary and secondary standards for domestic water quality and monitoring regulations adopted by the California State Department of Health. Should the need arise, District and Contractor will cooperate fully in adjusting their respective processes to the extent reasonably practicable, and provided such adjustments do not affect other Contractors, to aid the Contractor in conforming to such law within the Contractor's distribution system.

ARTICLE C. PAYMENT PROVISIONS

1. The payments to be made by Contractor and Each Contractor for delivery of treated water shall be a price per acre-foot based upon the pricing policy adopted by the Board, dated January 18, 1971, as from time to time amended, which is set forth in Exhibit D, attached hereto and by this reference made a part hereof, and shall be the total of the basic water charges and treated water surcharge as determined by the District Board for each period for which a rate schedule is effective.

2. In determining the above charges, the basic water charge shall be equal to District's groundwater charge for water other than agricultural water (said words "agricultural water" being defined in the Act) in Zone W-2, which shall be determined annually by the Board in accordance with the legal provisions and requirements of the Act; provided, however, that during each rate period the District will consider all anticipated costs for each such rate period and will endeavor to establish during the first year of such rate period a groundwater charge that is intended to remain constant for the full rate period.

3. District shall charge for the delivery of treated water in accordance with the rate schedule for water service as such rate schedule is established by the Board. The Board of Directors shall review said rate schedule every three years to determine whether the schedule is in accordance with the most recent and anticipated costs and revenues of District. Accordingly, the Board shall, on or about the second Tuesday in March 1981, but not later than April 15, 1981, establish a rate schedule for the rate period commencing July 1, 1981 through June 30, 1984, and shall follow said procedure

for each ensuing three-year period. Each such rate schedule shall be prospective in operation, but shall provide for the recovery of expenditures to be recovered by the basic water charge and the treated water surcharge during the period said rates are in effect and any shortages of revenue for said expenditures that may have been experienced during the preceding rate periods. It is agreed that the rates to be so established shall not be unreasonable or arbitrary, shall be based upon reasonable estimates of costs and water deliveries and shall be the same for Contractor and Other Contractors and all other persons, public or private, purchasing treated water from District, regardless of the point of delivery of such water by District; District agrees to use its best efforts throughout the term of this contract to collect from Other Contractors, and such other persons in accordance with such rate schedules, the appropriate sums of money without deduction or offset according to the respective amounts of treated water delivered by the District.

4. Contractor shall pay District the rate or rates set forth on the rate schedules during the period said rate schedules are effective for all water delivered to the Contractor; provided, however, that Contractor shall pay District at least a minimum charge each year applicable to water scheduled to be delivered in such year, which minimum charge shall be based upon an amount of treated water equal to 90 percent of the total amount of treated water to be delivered to Contractor during that fiscal year as shown on the approved delivery schedule; provided, however, that if Contractor during any other year of the current rate schedule period has purchased water in excess of 90 percent of the water scheduled to be delivered to Contractor during such other year, such delivery in excess of 90 percent for such other year may be used as a credit against years in such rate schedule period in which Contractor received less than 90 percent of the treated water as shown on the approved delivery schedule, and if Contractor has paid, purusant to such annual minimum charge, for water not delivered to it, Contractor shall have the right to receive such undelivered water without additional payment during the remainder of the then current rate schedule period at times when District has the delivery capability provided further, however, that:

a) If in any day of any year during the term hereof, District, for any reason, including reduced deliveries pursuant to the provisions of Article D hereof, shall be unable to deliver treated water to Contractor in an amount equal to 1/30 of the then current monthly scheduled amount as set forth in Article B, Section 1(e) as expressed as a uniform daily volume, the then minimum charge for that year shall be based upon an amount of water as calculated above in Section 4 reduced by an amount equal to the reduction required by District for each day a reduced delivery is required.

b) If in any day of any year during the term hereof District shall offer to deliver to Contractor water which shall fail to meet the quality requirements set forth in Article B, Section 7, hereof, then Contractor shall have the right to refuse to accept or reduce deliveries of water from District until such time as such water shall meet said quality requirements. In such event Contractor shall immediately notify District, and confirm in writing within 5 days of the beginning of any such period. In any such year the then minimum charge shall be reduced by an amount equal to the volume of water reduced by the Contractor up to an amount equal to 1/30 of the then current monthly scheduled amount as set forth in Article B, Section 1(e), as expressed as a uniform daily volume for each day that water service is so refused or reduced by the Contractor. If Contractor at

any time, or from time to time during the term hereof, should have the right to refuse to accept water from District by reason of the foregoing provisions of this Subsection 4b, but should nevertheless fail to exercise such right, such failure shall in no event be deemed to waive or limit exercise of such right by Contractor. Except as set forth by the foregoing provisions of this Section 4, Contractor shall not be obligated to pay for any water not accepted by it. Nothing contained in this Section 4 shall in any way be deemed to limit Contractor's obligation to pay for all water accepted by it from District in accordance with the appropriate rate set forth from time to time in District's then applicable rate schedule.

c) If in any year during the term hereof, the Board of Directors of District shall by Resolution place in effect a water reduction program in excess of 10 percent of normal usage, the monthly scheduled amounts or portions thereof, as set forth in Article B, Section 1e, for that portion of the year when such water reduction program is in effect shall be reduced by the same percentage as required by the water reduction program less 10 percent. The Contractor shall be notified in writing of such water reduction program.

5. Surplus - If District shall determine, in accordance with sound accounting practice, that the aggregate of the revenues received by it in any fiscal year, or any rate period, during the term hereof a) from the sale of treated water to Contractor and Other Contractors, b) from the sale of raw water, and c) through collection of the groundwater charges referred to in Article E hereof, has exceeded District's costs and expenses during such year, or rate period, District shall retain such excess and reserve the same for purchases of raw water, construction, maintenance or operation of existing or additional facilities for the importation, conservation, treatment or wholesale distribution of water, reduce its scheduled price of treated water or, subject to the provisions of the Act, reduce said groundwater charges. It is understood that the object in computing rates under this contract is to cover the costs related to the importation, conservation, treatment or wholesale distribution of water.

6. Non-Contract Water - The term "non-contract water" refers to treated water found by District to be available for delivery to the treated water contractors in addition to the scheduled amounts. Non-contract water may be available only at such times and such prices as determined by the District. District will notify Contractor in writing thereof. Deliveries of non-contract water to Contractor will only be made after Contractor has purchased 100 percent of the monthly scheduled amount as set forth in Article B, Section 1(e). Further, at the end of each fiscal year an adjustment in billing will be made and Contractor will be required to have paid for 100 percent of the approved delivery scheduled amount, less any other adjustments before the purchase of non-contract water is allowed. During any period in which non-contract water is not available and Contractor takes water in excess of its scheduled amount, such water will not be reclassified and will be charged for at the full contract price. Water taken in excess of scheduled amounts during periods when non-contract water is not available may be credited as a part of Contractor's minimum annual charge.

7. Billings - Billings shall be made monthly as follows: On or about the first of each month District will send to Contractor a bill calculated in accordance with the provisions of Article C hereof for all treated water accepted by Contractor from District during the preceding month. The final bill for each fiscal year shall include any sums due for the minimum charge required by Article C, Section 4, hereof. District shall make

every effort to make required meter readings on the last day of each calendar month, but District shall be entitled to make such readings three days prior to the close of any calendar month or within five days after the beginning of any calendar month.

8. Time and Method of Payment - Payments shall be made by Contractor to District within twenty (20) days after billing by District. In the event that Contractor in good faith contests the accuracy of any bill submitted to it pursuant to this contract, it shall give District notice thereof at least five (5) days prior to the day upon which payment of the stated amount is due. To the extent that District finds Contractor's contentions regarding the statement to be correct, it shall revise the statement accordingly and Contractor shall make payment of the amounts on or before the due date. To the extent that District does not find Contractor's contentions to be correct or where time is not available for a review of such contentions prior to the due date, Contractor shall pay the billed amount on or before the due date and may make the contested part of such payment under protest and seek to recover the amount in question from District.

ARTICLE D. AVAILABILITY OF WATER

1. In any year in which there may occur a water shortage by reason of drought or other temporary cause in the supply of water available for delivery to all users, District shall, before reducing other deliveries of water, reduce, or if necessary cease, to the extent permitted by the operation of District's facilities consistent with its obligations to receive water pursuant to the State and/or Federal Contract, all deliveries of untreated water for recharge of groundwaters.

2. If, despite such reduction or cessation of such deliveries of untreated water for groundwater recharge pursuant to the provisions of the preceding Section 1, a further reduction in deliveries shall become necessary if the treated water requirements set forth on the approved delivery schedule of Contractor and Other Contractors are to be met, District shall, before reducing deliveries to Contractor and Other Contractors, reduce the total amount of agricultural water (as defined in the Act) released to others for surface delivery during such fiscal year by an amount equal to the following: namely, the average of the releases of such surface-delivered agricultural water during the preceding three fiscal years multiplied by the percentage by which District's total receipt of water from State and Federal sources for agricultural use (as such use is defined in the State and Federal Contracts) is reduced in such year pursuant to provisions of said contracts.

3. If any reduction in deliveries of treated water shall become necessary following reductions in untreated water pursuant to the provisions of the preceding Sections 1 and 2, District shall reduce deliveries of treated water to Contractor and Other Contractors in an amount which bears the same proportion to the total amount of such reduction that the amount included in such treated water user's approved delivery schedule bears to the total of the amount included in the approved delivery schedule of Contractor and Other Contractors for that fiscal year, all as determined by District; provided that District may apportion on some other basis if such is required to meet minimum demands for domestic supply, fire protection, or sanitation during the year. District agrees to notify Contractor in writing promptly in the event any such reduction in deliveries to Contractor and Other Contractors shall be decided upon and concurrently of the amount of such reduction and of any changes in Contractor's approved delivery schedule.

4. District shall not be liable for failure to deliver water to Contractor hereunder in the amounts hereinabove provided if such failure shall be caused by drought or any other reason beyond the reasonable control of District.

5. District shall give Contractor written notice as far in advance as possible of any reduction in deliveries of treated water which may be necessary because of a shortage in water supply.

ARTICLE E. GROUNDWATER CHARGE

District agrees that in establishing or modifying the boundaries of any zone pursuant to the provisions of the Act, it will not act in an unreasonable, arbitrary, capricious or discriminatory manner. District further agrees that it will use its best efforts throughout the term of this contract to collect, without deduction or offset, from all persons operating groundwater-producing facilities (as said words are defined in Section 26.1 of the Act) the groundwater charges at the rates per acre-foot of water then applicable in the zone of the District in which each such facility is located.

ARTICLE F. REMEDIES

By reason of the specialized nature of the water service to be rendered, and for the further reason that the extent of any damage caused to either party by the other by reason of any breach of this contract may be extremely difficult to determine, it is agreed by the parties hereto that an action for damages is an inadequate remedy for any breach, and that specific performance, without precluding any other remedy available in equity or at law, will be necessary to furnish either party hereto with an adequate remedy for the breach hereof.

ARTICLE G. GENERAL PROVISIONS

1. Amendments - This Contract may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law. District agrees that in the event of legally enforceable action by a cognizant governmental body, either a) producing a prospective change in the volume of use of water by Contractor's customers, as by the imposition of an order suspending new services, or b) requiring reuse of wastewater or forbidding or limiting the discharge of wastewater into San Francisco Bay, District will make such amendments to Exhibit B of this contract as the circumstances may reasonably and equitability require.

2. Challenge of Laws - Nothing herein contained shall be construed as stopping or otherwise preventing Contractor or District from contesting by litigation or other lawful means the validity, constitutionality, construction, or application of any law of this State, any ordinance of District, or any rule, regulation or practice of District or Contractor.

3. Waiver of Rights - Any waiver at any time by either party hereto of its rights with respect to a default or any other matter arising in connection with this contract shall not be deemed to be a waiver with respect to any other default or matter. None of the covenants or agreements herein contained can be waived except by the written consent of the waiving party.

4. Notices - All notices or other writings in this contract provided to be given or made or sent, or which may be given or made or sent, by either party hereto to the other, shall be deemed to have been fully given or made or sent when made in writing and deposited in the United States mail, registered, or certified, postage prepaid, and addressed as follows:

| | |
|---|---|
| To District: | Santa Clara Valley Water District<br>5750 Almaden Expressway<br>San Jose, California 95118 |
| To Contractor: | City of Santa Clara Water Department<br>1500 Warburton Avenue<br>Santa Clara, California 95050 |

The address to which any notice or other writing may be given or made or sent to either party may be changed upon written notice given by such party as above provided.

5. Separability - If any one or more of the covenants or agreements set forth in this contract on the part of District or Contractor, or either of them, to be performed should be contrary to any provision of law or contrary to the policy of law to such extent as to be unenforceable in any court of competent jurisdiction, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements and shall in nowise affect the validity of this contract.

6. Paragraph Headings - Paragraph headings in this contract are for convenience only and are not to be construed as a part of this contract or in any way limiting or amplifying the provisions hereof.

7. Other Contracts - District agrees that each contract for the supply of treated water hereafter entered into by District with any Other Contractor shall contain provisions substantially similar to those herein set forth and shall not contain any provisions of a material nature more favorable to the Other Contractor than the provisions herein applicable to the Contractor.

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IN WITNESS WHEREOF, District has caused this contract to be executed by the Chairman of its Board of Directors and caused its Official Seal to be hereunto affixed and Contractor has caused these presents to be executed on
19 , by its duly authorized officer.

ATTEST: SUSAN A. EKSTRAND

SANTA CLARA VALLEY WATER DISTRICT

~~Clerk of the Board of Directors~~
CLERK PRO TEM OF THE BOARD OF DIRECTORS

By
Chairman of the Board of Directors
"District"

Approved as to form:

General Counsel, Santa Clara
Valley Water District

CITY OF SANTA CLARA

By
William A. Gissler, Mayor

ATTEST:

By
D. R. Von Raesfeld,
Its City Manager

A. S. Belick, City Clerk

"Contractor"

Approved as to form:

Attorney for Contractor
Michael R. Downey
Assistant City Attorney



10C312

# APPENDIX B

SFPUC Contract

DUPLICATE CITY CLERK FILE COPY
City of Santa Clara

# WATER SUPPLY AGREEMENT

between

THE CITY AND COUNTY OF SAN FRANCISCO

and

WHOLESALE CUSTOMERS
in
ALAMEDA COUNTY, SAN MATEO COUNTY AND
SANTA CLARA COUNTY

JULY 2009

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N-3 Schedule of Projected Water Sales, Wholesale Revenue Requirement and Wholesale Rates (Section 6.03.A.3.c)

O Statement of Wholesale Revenue Requirement/Changes in Balancing Account (Section 7.02.B.1)

P Management Representation Letter (Section 7.02.B.5)

Q San Jose and Santa Clara Service Areas (Section 9.06)

# WHOLESALE WATER SUPPLY AGREEMENT

## Introductory Statement

Both San Francisco, as the Regional Water System owner and operator, and its Wholesale Customers share a commitment to the Regional Water System providing a reliable supply of high quality water at a fair price, and achieving these goals in an environmentally sustainable manner.

## Article 1. Parties, Effective Date, and Defined Terms

### 1.01 Definitions

The capitalized terms used in this Agreement shall have the meanings set forth in Attachment A.

### 1.02 Parties

The parties to this Agreement are the City and County of San Francisco and such of the following entities (all of which purchase water from San Francisco) as have executed this Agreement:

Alameda County Water District
California Water Service Company
City of Brisbane
City of Burlingame
City of Daly City
City of East Palo Alto
City of Hayward
City of Menlo Park
City of Millbrae
City of Milpitas
City of Mountain View
City of Palo Alto
City of Redwood City

City of San Bruno
City of San José
City of Santa Clara
City of Sunnyvale
Coastside County Water District
Estero Municipal Improvement District
Guadalupe Valley Municipal Improvement District
Mid-Peninsula Water District
North Coast County Water District
Purissima Hills Water District
Skyline County Water District
Stanford University
Town of Hillsborough
Westborough Water District

The entities listed above which have executed this Agreement shall be collectively referred to as the "Wholesale Customers."

**1.03 Effective Date**

A. Except as provided in subsection C, this Agreement shall become effective only when it has been approved by San Francisco and by each of the entities listed in Section 1.02 and when San Francisco and each of those entities (except for the City of Hayward) have entered into an Individual Water Sales Contract as provided in Section 9.01.

B. If San Francisco and all of the entities listed in Section 1.02 approve this Agreement and (except for the City of Hayward) an Individual Water Sales Contract on or before July 1, 2009, the effective date shall be July 1, 2009. If San Francisco and all of the entities listed in Section 1.02 approve this Agreement and (except for the City of Hayward) an Individual Water Sales Contract after July 1, 2009 but on or before September 1, 2009, the effective date shall be the date on which the last entity listed in Section 1.02 approves this Agreement and, if required, an Individual Water Sales Contract.

C. If by September 1, 2009 this Agreement has been approved by fewer than all of the entities listed in Section 1.02 or fewer than all of such entities (other than the City of Hayward) have entered into an Individual Water Sales Contract, but it has been approved by entities representing at least 75% in number and 75% of the water purchased from SFPUC by

all listed agencies during FY 2007-08 (i.e., 173.39 MGD), then San Francisco shall have the option to waive the requirement in subsection A that all listed agencies have approved this Agreement and an Individual Water Sales Contract as a condition precedent to this Agreement and any Individual Water Sales Contract becoming effective. San Francisco shall have 60 days from September 1, 2009 (i.e., until October 31, 2009) within which to decide whether or not to waive the condition. If San Francisco decides to waive the condition, those listed agencies that have approved this Agreement and Individual Water Sales Contract before October 31, 2009 will be bound thereby and this Agreement and Individual Water Sales Contracts will become effective as to them, as of the date of San Francisco's waiver. For purposes of determining whether listed agencies that have approved this Agreement represent at least 75% of the water purchased during FY 2007-08, the quantity of water attributable to each listed entity shall be as set forth on Attachment B.

D. The provisions of Article 9 that apply to fewer than all Wholesale Customers (i.e., Sections 9.02 - 9.07) shall not become effective unless San Francisco and the entity to which the section applies have each approved (1) this Agreement, and (2) the underlying Individual Water Sales Contract, unless otherwise provided in Article 9. This provision does not affect the continued enforceability of provisions in those sections that derive from independently enforceable judgments, orders or agreements.

## Article 2. Term; Amendments During Term

### 2.01 Term

The term ("Term") of this Agreement shall be twenty five (25) years. The Term shall begin on July 1, 2009, regardless of whether the Effective Date is before or after that date, and shall end on June 30, 2034. Except as provided in Article 9, the term of all Individual Water Sales Contracts shall also begin on July 1, 2009 and end on June 30, 2034.

### 2.02 Extension and Renewal of Term

A. In December 2031, the SFPUC may provide written notice to the Wholesale Customers that it is willing to extend the Term of this Agreement. Between January 1, 2032 and June 30, 2032, any Wholesale Customer may accept the SFPUC's offer to extend the Term by providing a written notice of extension to the SFPUC. If such notices of extension are received from Wholesale Customers representing at least two-thirds in number as of June 30, 2032 and seventy five percent (75%) of the quantity of water delivered by the SFPUC to all Wholesale Customers during fiscal year 2030-31, the Term shall be extended for another five (5) years ("First Extension Term"), through June 30, 2039. No party to this Agreement which does not wish to remain a party during the Extension Term shall be compelled to do so by the actions of other parties under this section.

B. In December 2036, the SFPUC may provide written notice to the Wholesale Customers that it is willing to extend the Term of this Agreement. Between January 1, 2037 and June 30, 2037, any Wholesale Customer may accept the SFPUC's offer to extend the Term by providing a written notice of extension to the SFPUC. If such notices of extension are received from Wholesale Customers representing at least two-thirds in number as of June 30, 2037 and seventy five percent (75%) of the quantity of water delivered by the SFPUC to all Wholesale Customers during fiscal year 2035-36, the Term shall be extended for another five (5) years ("Second Extension Term"), through June 30, 2044. No party to this Agreement which does not wish to remain a party during the Extension Term shall be compelled to do so by the actions of other parties under this section.

C. After the expiration of the Term, and, if applicable, the Extension Terms, this Agreement may be renewed by mutual consent of the parties, subject to any modifications thereof which may be determined at that time. If fewer than all of the parties desire to renew this Agreement beyond its Term, with or without modifications, the SFPUC and the Wholesale

Customers who wish to extend the Agreement shall be free to do so, provided that no party to this Agreement which does not wish to become a party to such a renewed Agreement shall be compelled to do so by the actions of other parties under this section.

## 2.03 Amendments

### A. Amendments to Agreement; General

1. This Agreement may be amended with the written consent of all parties.

2. This Agreement may also be amended with the written consent of San Francisco and of Wholesale Customers representing at least two-thirds in number (i.e., 18 as of July 1, 2009) and seventy five percent (75%) of the quantity of water delivered by San Francisco to all Wholesale Customers during the fiscal year immediately preceding the amendment.

3. No amendment which adversely affects a Fundamental Right of a Wholesale Customer may be made without the written consent of that customer. Amendments to Article 5 which merely affect the allocation of costs between City Retail customers on the one hand and Wholesale Customers collectively on the other, and amendments to Articles 6 and 7 which merely alter budgetary, accounting and auditing procedures do not affect Fundamental Rights and may be made with the consent of parties meeting the requirements of Section 2.03.A.2.

4. When an amendment has been approved by San Francisco and the number of Wholesale Customers required in Section 2.03.A.2, San Francisco shall notify each of the Wholesale Customers in writing of the amendment's adoption. Notwithstanding any provision of law or this Agreement, any Wholesale Customer that claims that the amendment violates its Fundamental Rights under Section 2.03.A.3, shall have 30 days from the date San Francisco delivers the notice of its adoption in which to challenge the amendment's validity through a judicial action. If no such action is filed within 30 days, the amendment shall be finally and conclusively deemed to have been adopted in compliance with this section.

### B. Amendments to Article 9

1. Notwithstanding the provisions of Sections 2.03.A.2 and 2.03.A.3, any provision of Article 9 which applies only to an individual Wholesale Customer may be amended with the written concurrence of San Francisco and the Wholesale Customer to which it applies;

provided that the amendment will not, directly or indirectly, adversely affect the Fundamental Rights of the other Wholesale Customers.

2. Before making any such amendment effective, San Francisco shall give notice, with a copy of the text of the proposed amendment, to all other Wholesale Customers. The Wholesale Customers shall have 30 days in which to object to the amendment on the ground that it is not permissible under this subsection. If no such objection is received by San Francisco, the proposed amendment shall become effective. If one or more Wholesale Customers object to the amendment, San Francisco, the individual Wholesale Customer with which San Francisco intends to effect the amendment, and the Wholesale Customer(s) which lodged the objection shall meet to discuss the matter.

3. If the dispute cannot be resolved and San Francisco and the Wholesale Customer involved elect to proceed with the amendment, either San Francisco or the Wholesale Customer shall give written notice of such election to each Wholesale Customer that has objected. Any Wholesale Customer that has objected to such amendment shall have 30 days from receipt of this notice within which to commence an action challenging the validity of such amendment, and such amendment shall be deemed effective as of the end of this 30-day period unless restrained by order of court.

C. **Amendments to Attachments**. The following attachments may be amended with the written concurrence of San Francisco and BAWSCA on behalf of the Wholesale Customers:

| Attachment | Name |
|---|---|
| G | January 2006 Water Quality Notification and Communications Plan |
| J | Water Use Measurement and Tabulation |
| L-1 | Identification of WSIP Projects as Regional/Retail |
| N-1 | Balancing Account/Rate Setting Calculation Table |
| N-2 | Wholesale Revenue Requirement Schedules |
| N-3 | Schedule of Projected Water Sales, Wholesale Revenue Requirement and Wholesale Rates |
| P | Management Representation Letter |

Amendments to these attachments shall be approved on behalf of San Francisco by the Commission and on behalf of BAWSCA by its Board of Directors, unless the Commission by resolution delegates such authority to the General Manager of the SFPUC or the Board of Directors by resolution delegates such authority to the General Manager/CEO of BAWSCA.

D. **Amendments to Individual Water Sales Contracts**. Individual Water Sales Contracts described in Section 9.01 may be amended with the written concurrence of San Francisco and the Wholesale Customer which is a party to that Individual Water Sales Contract; provided that the amendment is not inconsistent with this Agreement or in derogation of the Fundamental Rights of other Wholesale Customers under this Agreement.

## Article 3. Water Supply

### 3.01 Supply Assurance

A. San Francisco agrees to deliver water to the Wholesale Customers up to the amount of the Supply Assurance. The Supply Assurance is for the benefit of the entities listed in Section 1.02, irrespective of whether or not they have executed this Agreement. Water delivered by San Francisco to Retail Customers shall not be included in the Supply Assurance. Until December 31, 2018, the foregoing commitment is subject to Article 4.

B. Both the Supply Assurance and the Individual Supply Guarantees identified in Section 3.02 are expressed in terms of daily deliveries on an annual average basis and do not themselves constitute a guarantee by San Francisco to meet peak daily or hourly demands of the Wholesale Customers, irrespective of what those peak demands may be. The parties acknowledge, however, that the Regional Water System has been designed and constructed to meet peak daily and hourly demands and that its capacity to do so has not yet been reached. San Francisco agrees to operate the Regional Water System to meet peak requirements of the Wholesale Customers to the extent possible without adversely affecting its ability to meet peak demands of Retail Customers. This Agreement shall not preclude San Francisco from undertaking to meet specific peak demand requirements of individual Wholesale Customers in their Individual Water Sales Contracts.

C. The Supply Assurance is perpetual and shall survive the expiration or earlier termination of this Agreement. Similarly, the Individual Supply Guarantees identified in Section 3.02 and/or the Individual Water Sales Contracts are perpetual and shall survive the expiration or earlier termination of this Agreement or the Individual Water Sales Contracts.

D. Notwithstanding the Supply Assurance established by this section, the Individual Supply Guarantees identified in Section 3.02 and the Individual Water Sales Contracts, the amount of water made available by San Francisco to the Wholesale Customers is subject to reduction, to the extent and for the period made necessary by reason of water shortage, Drought, Emergencies, or by malfunctioning or rehabilitation of facilities in the Regional Water System. Any such reduction will be implemented in accordance with Section 3.11. The amount of water made available to the Wholesale Customers may not be reduced, however, merely because the water recycling and groundwater projects which the WSIP envisions to be constructed within San Francisco, or the conservation programs intended to reduce water use

by Retail Customers that are included in the WSIP, do not generate the yield or savings (10 MGD combined) anticipated by San Francisco.

### 3.02 Allocation of Supply Assurance

A. Pursuant to Section 7.02 of the 1984 Agreement, a portion of the Supply Assurance has been allocated among 24 of the 27 Wholesale Customers. These Individual Supply Guarantees are also expressed in terms of annual average metered deliveries of millions of gallons per day and are listed in Attachment C.

B. Three Wholesale Customers do not have Individual Supply Guarantees. The cities of San Jose and Santa Clara do not have an Individual Supply Guarantees because San Francisco has provided water to them on a temporary and interruptible basis as described in Sections 4.05 and 9.06. The City of Hayward does not have an Individual Supply Guarantee because of the terms of the 1962 contract between it and San Francisco, as further described in Section 9.03.

C. If the total amount of water delivered by San Francisco to Hayward and to the Wholesale Customers that are listed on Attachment C exceeds 184 MGD over a period of three consecutive fiscal years (i.e., July 1 through June 30), then the Individual Supply Guarantees of those Wholesale Customers listed on Attachment C shall be reduced pro rata so that their combined entitlement and the sustained use by Hayward does not exceed 184 MGD. The procedure for calculating the pro rata reduction in Individual Supply Guarantees is set out in Attachment D.

1. The provisions of this subsection C are not in derogation of the reservation of claims to water in excess of the Supply Assurance which are contained in Section 8.07. Nor do they constitute an acknowledgement by Wholesale Customers other than Hayward that San Francisco is obligated or entitled to reduce their Individual Supply Guarantees in the circumstances described herein. The provisions of this subsection C shall, however, be operative unless and until a court determines that its provisions violate rights of the Wholesale Customers derived independently of this Agreement.

2. The foregoing paragraph is not intended to and shall not constitute a contractual commitment on the part of San Francisco to furnish more water than the Supply Assurance to the Wholesale Customers or a concession by San Francisco that the provisions of this subsection violate any rights of the Wholesale Customers.

D. Notwithstanding the reservation of claims contained in Sections 3.02.C and 8.07, it shall be the responsibility of each Wholesale Customer to limit its purchases of water from San Francisco so as to remain within its Individual Supply Guarantee. San Francisco shall not be liable to any Wholesale Customer or be obligated to supply more water to any Wholesale Customer individually or to the Wholesale Customers collectively than the amount to which it or they are otherwise entitled under this Agreement due to the use by any Wholesale Customer of more water than the amount to which it is entitled under this Agreement.

E. San Francisco shall install such new connections between the Regional Water System and the distribution system of any Wholesale Customer that are necessary to deliver the quantities of water to which the Wholesale Customer is entitled under this Agreement. San Francisco shall have the right to determine the location of such connections, in light of the need to maintain the structural integrity of the Regional Water System and, where applicable, the need to limit peaking directly off of Regional Water System pipelines by a Wholesale Customer's individual retail customers, the need to ensure that a Wholesale Customer's individual retail customers have access to alternative sources of water in the event of a reduction in San Francisco's ability to provide them with water, and other factors which may affect the desirability or undesirability of a particular location. San Francisco's decisions regarding the location of new connections and the location, size and type of any new meters shall not be reviewable by a court except for an abuse of discretion or failure to provide a Wholesale Customer with connections and meters adequate to deliver the quantity of water to which it is entitled under this Agreement.

### 3.03 Wholesale Customer Service Areas

A. Each of the Individual Water Sales Contracts described in Section 9.01 will contain, as an exhibit, a map of the Wholesale Customer's service area. A Wholesale Customer may not deliver water furnished to it by San Francisco outside the boundary of its service area without the prior written consent of San Francisco, except for deliveries to another Wholesale Customer on an emergency and temporary basis pursuant to Section 3.07.B.

B. If a Wholesale Customer wishes to expand its service area, it shall request San Francisco's consent to the expansion and provide information reasonably requested by San Francisco about the amount of water projected to be purchased from San Francisco to meet demand within the area proposed to be added to the service area.

C. San Francisco may refuse a Wholesale Customer's request to expand its service area on any reasonable basis. If San Francisco denies a request by a Wholesale Customer to expand its service area, or fails to act on the request for six months after it has been submitted, the Wholesale Customer may challenge San Francisco's denial or delay in court. Such a challenge may be based on the Wholesale Customers' claim, reserved in Section 8.07, that San Francisco is obligated under federal or state law to furnish water, included within its Individual Supply Guarantee, to it for delivery outside its then-existing service area and that it is entitled to enlarge its service area to supply water to such customers. San Francisco reserves the right to contest any such claim on any applicable ground. This subsection does not apply to San Jose and Santa Clara, whose maximum service areas are fixed pursuant to Section 9.06.

D. This section will not prevent San Francisco and any Wholesale Customer, other than San Jose and Santa Clara, from agreeing in an Individual Water Sales Contract or an amendment thereto that:

- the Wholesale Customer may expand its service area without subsequent San Francisco approval to a definitive size but no larger, or
- the Wholesale Customer will not expand its service area beyond its present limits without San Francisco approval

and waiving the provisions of this section with respect to any additional expansion.

E. If two or more Wholesale Customers agree to adjust the boundaries of their respective service areas so that one assumes an obligation to serve customers in an area that was previously within the service area of another Wholesale Customer, they may also correspondingly adjust their respective Individual Supply Guarantees. Such adjustments are not subject to the requirements of Section 3.04 and shall require only the consent of San Francisco and the Wholesale Customers involved, so long as the Supply Assurance and the Individual Supply Guarantees of other Wholesale Customers are not affected. Service area boundary adjustments that would result in the expansion of any California Water Service Company service areas are subject to the requirements of Section 9.02.D. Any adjustment of service area boundaries that would result in the supply of water in violation of this Agreement or the Act shall be void.

F. San Francisco acknowledges that it has heretofore consented in writing to deliveries of water by individual Wholesale Customers outside their service area boundaries and

agrees that nothing in this Agreement is intended to affect such prior authorizations, which remain in full force and effect according to their terms. Such authorizations shall be identified in the Individual Water Sales Contracts.

### 3.04 Permanent Transfers of Individual Supply Guarantees

A. A Wholesale Customer that has an Individual Supply Guarantee may transfer a portion of it to one or more other Wholesale Customers, as provided in this section.

B. Transfers of a portion of an Individual Supply Guarantee must be permanent. The minimum quantity that may be transferred is 1/10th of a MGD.

C. Transfers of portions of Individual Supply Guarantees are subject to approval by the SFPUC. SFPUC review is limited to determining (1) whether a proposed transfer complies with the Act, and (2) whether the affected facilities in the Regional Water System have sufficient capacity to accommodate delivery of the increased amount of water to the proposed transferee.

D. The participants in a proposed transfer shall provide notice to the SFPUC specifying the amount of the Individual Supply Guarantee proposed to be transferred, the proposed effective date of the transfer, which shall not be less than 60 days after the notice is submitted to the SFPUC, and the Individual Supply Guarantees of both participants resulting from the transfer. The SFPUC may require additional information reasonably necessary to evaluate the operational impacts of the transfer. The SFPUC will not unreasonably withhold or delay its approval; if the SFPUC does not act on the notice within 60 days, the transfer will be deemed to have been approved.

E. Within 30 days after the transfer has become effective, both the transferor and the transferee will provide notice to the SFPUC and BAWSCA. By September 30 of each year during the Term, the SFPUC and BAWSCA will prepare an updated Attachment C to reflect transfers occurring during the immediately preceding fiscal year.

F. Amounts transferred will remain subject to pro rata reduction under the circumstances described in Section 3.02.C and according to the formula set forth in Attachment D.

### 3.05 Restrictions on Resale

Each Wholesale Customer agrees that it will not sell any water purchased from San Francisco to a private party for resale by such private party to others in violation of the Act.

Each Wholesale Customer also agrees that it will not sell water purchased from San Francisco to another Wholesale Customer without prior written approval of the SFPUC, except on a temporary and emergency basis as permitted in Section 3.07.B.2. The SFPUC agrees that it will not unreasonably withhold its consent to a request by a Wholesale Customer to deliver water to another Wholesale Customer for resale.

**3.06 Conservation; Use of Local Sources; Water Management Charge**

A. In order to support the continuation and expansion of water conservation programs, water recycling, and development of alternative supplies within the Wholesale Customers' service areas, the SFPUC will, if requested by BAWSCA, include the Water Management Charge in water bills sent to Wholesale Customers. The SFPUC will deliver all Water Management Charge revenue to BAWSCA monthly and shall deliver an annual accounting of Water Management Charge revenue to BAWSCA within 90 days after the end of each fiscal year. The SFPUC's obligations to collect and deliver Water Management Charge revenue to BAWSCA under this subsection are conditioned on BAWSCA's delivery to the SFPUC of an annual report describing the projects and programs on which Water Management Charge funds received from the SFPUC during the previous fiscal year were expended and an estimate of the amount of water savings attributable to conservation programs and of the yield of alternative supplies developed. This report will be due within 180 days after the end of each fiscal year during which Water Management Charge funds were received.

B. The SFPUC will work together with BAWSCA to explore ways to support water conservation programs, recycling projects, and conjunctive use alternatives outside the Wholesale Service Area, in particular projects and programs that have the potential to increase both flows in the lower Tuolumne River (downstream of New Don Pedro Reservoir) and water deliveries to the Regional Water System.

C. Each Wholesale Customer shall take all actions within its legal authority related to water conservation that are necessary to insure that the SFPUC (a) remains eligible for (i) state and federal grants and (ii) access to the Drought Water Bank operated by the California Department of Water Resources, as well as other Drought-related water purchase or transfer programs, and (b) complies with future legal requirements imposed on the Regional Water System by the federal government, the State, or any other third party as conditions for receiving funding or water supply.

D. San Francisco and each Wholesale Customer agree that they will diligently apply their best efforts to use both surface water and groundwater sources located within their respective service areas and available recycled water to the maximum feasible extent, taking into account the environmental impacts, the public health effects and the effects on supply reliability of such use, as well as the cost of developing such sources.

**3.07 Restrictions on Purchases of Water from Others; Minimum Annual Purchases**

A. Each Wholesale Customer (except for Alameda County Water District and the cities of Milpitas, Mountain View and Sunnyvale) agrees that it will not contract for, purchase or receive, with or without compensation, directly or indirectly, from any person, corporation, governmental agency or other entity, any water for delivery or use within its service area without the prior written consent of San Francisco.

B. The prohibition in subsection A does not apply to:

1. recycled water;

2. water necessary on an emergency and temporary basis, provided that the Wholesale Customer promptly gives San Francisco notice of the nature of the emergency, the amount of water that has been or is to be purchased, and the expected duration of the emergency; or

3. water in excess of a Wholesale Customer's Individual Supply Guarantee.

C. Alameda County Water District and the cities of Milpitas, Mountain View and Sunnyvale may purchase water from sources other than San Francisco, provided that San Francisco shall require that each purchase a minimum annual quantity of water from San Francisco. These minimum quantities are set out in Attachment E and shall also be included in the Individual Water Sales Contracts between San Francisco and each of these four Wholesale Customers. The minimum purchase requirement in these Individual Water Sales Contracts will be waived during a Drought or other period of water shortage if the water San Francisco makes available to these Wholesale Customers is less than its minimum purchase quantity.

**3.08 Water Quality**

A. San Francisco shall deliver treated water to Wholesale Customers (except Coastside County Water District, which receives untreated water from Crystal Springs and Pilarcitos Reservoirs) that complies with primary maximum contaminant level and treatment

technique standards at the regulatory entry points designated in the San Francisco Regional Water System Domestic Water Supply Permit (currently Permit No. 02-04-04P3810001) issued by the California Department of Public Health (CDPH).

B. San Francisco will provide notice to the Wholesale Customers in accordance with the Water Quality Notification and Communications Plan (current version dated January 2006), attached hereto as Attachment G. San Francisco will regularly update its plan in consultation with the Wholesale Customers and the CDPH. The next update will be completed one year after the Effective Date and include expanded coverage of secondary maximum contaminant level exceedances and water quality communication triggers. The plan will note that the Wholesale Customers will receive the same notification no later than the San Francisco water system (currently Permit No. 02-04-01P3810011) except for distribution-related issues.

C. San Francisco and the Wholesale Customers will establish a Water Quality Committee. The Water Quality Committee will meet at least quarterly to collaboratively address water quality issues, such as Water Quality Notification and Communications Plan updates, regulatory issues, and water quality planning studies/ applied research. San Francisco and each Wholesale Customer will designate a representative to serve on the committee. There will be a Chair and Vice Chair position for the Water Quality Committee. The Chair and Vice Chair positions will be held by San Francisco and the Wholesale Customers and rotate between them on an annual basis.

### 3.09 Completion of WSIP

San Francisco will complete construction of the physical facilities in the WSIP by December 31, 2015. The SFPUC agrees to provide for full public review and comment by local and state interests of any proposed changes that delay previously adopted project completion dates or that delete projects. The SFPUC shall meet and consult with BAWSCA before proposing to the Commission any changes in the scope of WSIP projects which reduce their capacity or ability to achieve adopted levels of service goals. The SFPUC retains discretion to determine whether to approve the physical facilities in the WSIP until after it completes the CEQA process as set forth in Section 4.07.

### 3.10 Regional Water System Repair, Maintenance and Operation

A. San Francisco will keep the Regional Water System in good working order and repair consistent with prudent utility practice.

B. San Francisco will submit reports to its Retail and Wholesale Customers on the "State of the Regional Water System," including reports on completed and planned maintenance, repair or replacement projects or programs, by September of every even-numbered year, with reports to start in September 2010.

C. San Francisco will cooperate with any audit of the SFPUC's asset management practices that may be initiated and financed by BAWSCA or the Wholesale Customers. BAWSCA may contract with third parties to conduct the audits. San Francisco will consider the findings and recommendations of such audits and will provide a written response indicating agreement with the recommendations, or disagreement with particular recommendations and the reasons why, within 90 calendar days after receipt.

D. San Francisco will continue to operate its reservoirs in a manner that assigns higher priority to the delivery of water to the Bay Area and the environment than to the generation of electric power. The SFPUC, as the Regional Water System operator, is solely responsible for making day-to-day operational decisions.

### 3.11 Shortages

A. **Localized Water Reductions.** Notwithstanding San Francisco's obligations to deliver the Supply Assurance to the Wholesale Customers collectively and the Individual Supply Guarantees to Wholesale Customers individually, San Francisco may reduce the amount of water available or interrupt water deliveries to specific geographical areas within the Regional Water System service area to the extent that such reductions are necessary due to Emergencies, or in order to install, repair, rehabilitate, replace, investigate or inspect equipment in, or perform other maintenance work on, the Regional Water System. Such reductions or interruptions may be imposed by San Francisco without corresponding reductions or interruptions in the amount of water available to SFPUC water users outside the specific geographical area where reductions or interruptions are necessary, if the system's ability to supply water outside the specific geographical area has not been impaired. In the event of such a reduction or interruption, San Francisco will restore the supply of water to the specific geographical area as soon as is possible. Except in cases of Emergencies (during which oral notice shall be sufficient), San Francisco will give the affected Wholesale Customer(s) reasonable written notice of such localized reductions or interruptions, the reasons therefor, and the probable duration thereof.

B. **System-Wide Shortages and SFPUC Response to Regional Emergencies.** Following a major system emergency event, the SFPUC will work closely with its Wholesale Customers to monitor customer demand, including the demand source. In the event that any individual Wholesale Service Area or Retail Service Area customer's uncontrolled distribution system leaks could result in major water waste and endanger the supply provided by the Regional Water System as a whole, flow through some customer connections may need to be temporarily reduced or terminated. SFPUC will work closely with customers to assess the nature of the demand (e.g. fire-fighting versus leakage), so that public health and safety protection can be given top priority.

1. All emergencies that require use of non-potable source water will require use of chlorine, or other suitable disinfectant, if feasible.

2. San Francisco will use its best efforts to meet the seismic reliability and delivery reliability level of service goals adopted by the Commission in conjunction with the WSIP. San Francisco will distribute water on an equitable basis throughout the Regional Water System service area following a regional Emergency, subject to physical limitations caused by damage to the Regional Water System.

3. San Francisco's response to Emergencies will be guided by the then-current version of the ERRP. The SFPUC shall periodically review, and the Commission may amend, the ERRP to ensure that it remains an up-to-date and effective management tool.

4. The SFPUC will give the Wholesale Customers notice of any proposal to amend the ERRP in a manner that would affect them. The notice will be delivered at least thirty days in advance of the date on which the proposal is to be considered by the Commission and will be accompanied by the text of the proposed amendment.

C. **Shortages Caused by Drought; Acquisition of Dry Year Supplies.** Notwithstanding San Francisco's obligations to deliver the Supply Assurance to the Wholesale Customers collectively and the Individual Supply Guarantees to Wholesale Customers individually, San Francisco may reduce the amount of water available to the Wholesale Customers in response to Drought.

1. The Tier 1 Shortage Plan (Attachment H) will continue to be used to allocate water from the Regional Water System between Retail and Wholesale Customers during system-wide shortages of 20% or less.

2. San Francisco and the Wholesale Customers may negotiate in good faith revisions to the Tier 1 Shortage Plan to adjust for and accommodate anticipated changes due to demand hardening in the SFPUC's Wholesale and Retail Service Areas. Until agreement is reached, the current Tier 1 Shortage Plan will remain in effect.

3. The SFPUC will honor allocations of water among the Wholesale Customers ("Tier 2 Allocations") provided by BAWSCA or if unanimously agreed to by all Wholesale Customers. If BAWSCA or all Wholesale Customers do not provide the SFPUC with Tier 2 Allocations, then the SFPUC may make a final allocation decision after first meeting and discussing allocations with BAWSCA and the Wholesale Customers. For Regional Water System shortages in excess of 20%, San Francisco shall (a) follow the Tier 1 Shortage Plan allocations up to the 20% reduction, (b) meet and discuss how to implement incremental reductions above 20% with the Wholesale Customers, and (c) make a final determination of allocations above the 20% reduction. After the SFPUC has made the final allocation decision, the Wholesale Customers shall be free to challenge the allocation on any applicable legal or equitable basis.

4. San Francisco will use its best efforts to identify potential sources of dry year water supplies and establish the contractual and other means to access and deliver those supplies in sufficient quantity to meet a goal of not more than 20 percent system-wide shortage in any year of the design drought.

5. San Francisco will cooperate with BAWSCA to improve water supply reliability. As an example of such cooperation, San Francisco may invite a representative of BAWSCA to attend and participate in meetings with third parties for development of dry year water supplies. If San Francisco does not invite a BAWSCA representative to attend a specific scheduled meeting, it will promptly (within 30 days of any such meeting) provide BAWSCA with a written or oral report on the meeting, including any decisions reached at it, as well as information about planned subsequent meetings. Progress in securing dry year water supplies will be reported to the SFPUC and the BAWSCA board of directors during the first quarter of each calendar year.

### 3.12 Wheeling of Water from Outside SFPUC System

Subject to the Wheeling Statute, the SFPUC will not deny use of Regional Water System unused capacity for wheeling when such capacity is available for wheeling purposes during

periods when the SFPUC has declared a water shortage emergency under Water Code Section 350 if the following conditions are met:

A. The transferor pays reasonable charges incurred by the SFPUC as a result of the wheeling, including capital, operation, maintenance, administrative and replacement costs (as such are defined in the Wheeling Statute).

B. Wheeled water that is stored in the Regional Water System spills first.

C. Wheeled water will not unreasonably: (1) impact fish and wildlife resources in Regional Water System reservoirs; (2) diminish the quality of water delivered for consumptive uses; or (3) increase the risk of exotic species impairing Regional Water System operations. The transferor may at its own expense provide for treatment to mitigate these effects.

D. Priority will be given to wheeling by Wholesale Customers or BAWSCA over arrangements for third-party public entities.

**3.13 Limits on New Customers**

**A. New Wholesale Customers Prior to December 31, 2018.** Until December 31, 2018, San Francisco will not enter into contracts to supply water to any entity other than a Wholesale Customer (whether permanent or temporary, firm or interruptible) unless:

1. It completes any necessary environmental review under CEQA of the proposed new wholesale water service obligations as provided in Section 4.07;

2. It concurrently completes any necessary environmental review under CEQA as provided in Section 4.07 and commits to make both San Jose and Santa Clara permanent customers with Individual Supply Guarantees equal to at least 9 MGD; and

3. This Agreement is amended to incorporate any commitments to proposed new wholesale customers and to San Jose and Santa Clara, and to address the effects, if any, of the new customer(s) on water supply reliability, water quality and cost to existing customers of the Regional Water System.

**B. New Wholesale Customers After December 31, 2018.** As of January 1, 2019, San Francisco will not enter into contracts to supply water to any entity other than a Wholesale Customer (whether permanent or temporary, firm or interruptible) unless:

1. It completes any necessary environmental review under CEQA of the proposed new wholesale water service obligations as provided in Section 4.07;

2. It concurrently completes any necessary environmental review under CEQA as provided in Section 4.07 and commits to make both San Jose and Santa Clara permanent customers with Individual Supply Guarantees equal to at least 9 MGD;

3. Doing so increases the reliability of the Regional Water System; and

4. This Agreement is concurrently amended (a) to reflect that increased reliability by means of an increased commitment by San Francisco to deliver water during Droughts and (b) to address the effects, if any, of the new customer(s) on water supply, water quality and cost to existing customers of the Regional Water System.

C. **New Retail Customers.** San Francisco may enter into new retail water service obligations outside of the City and County of San Francisco:

1. Only in Alameda, San Mateo, Santa Clara, San Joaquin and Tuolumne Counties;

2. That are within or immediately adjacent to areas in which it currently serves other Retail Customers; and

3. Until the aggregate additional demand represented by the new retail customers reaches 0.5 MGD.

The limitations on serving new Retail Customers described in this subsection do not apply to historical obligations to supply water that may be contained in prior agreements between the SFPUC or its predecessor the Spring Valley Water Company, and individual users or property owners located adjacent to Regional Water System transmission pipelines.

D. **Water Exchanges and Cost Sharing Agreements with Other Water Suppliers.** Subject to completion of necessary environmental review under CEQA, San Francisco may at any time enter into water exchanges or cost sharing agreements with other water suppliers to enhance dry year or normal year water deliveries, provided that San Francisco cannot incur new water service obligations to such other water suppliers unless the requirements for taking on new wholesale customers in subsections A and B above are met.

### 3.14 Measurement of Water

A. The parties recognize that continuous and accurate measurement of water deliveries to and from the Regional Water System and maintenance of complete and accurate records of those measurements is necessary (1) for the costs of the Regional Water System to be allocated in accordance with this Agreement, (2) for implementation of other provisions of this Agreement, and (3) for effective operation and maintenance of a water system serving a large urbanized region.

B. It is the responsibility of the SFPUC to obtain and record these measurements. To do so, the SFPUC shall install, maintain and operate measuring and recording equipment at the following locations: (1) inputs to the Regional Water System from all water sources ("System Input Meters"), (2) internal flow meters to support operation of the Regional Water System ("In-Line Meters"), (3) deliveries to the City at the San Francisco-San Mateo County line ("County-Line Meters") and to three reservoirs in San Francisco ("In-City Terminal Reservoir Meters"), (4) deliveries to SFPUC Retail Customers located outside the boundaries of the City, and (5) deliveries to the Wholesale Customers, as described and illustrated in Attachment J.

C. The SFPUC shall inspect, test, service, and calibrate the measuring and recording equipment installed at the locations described in subsection B and will repair or replace them when necessary, in order to ensure that their accuracy is consistent with specifications provided in Attachment J.

D. The SFPUC shall continue to contract with a qualified independent metering consultant to perform periodic inspection, testing, servicing and calibration of the County-Line Meters, the In-City Terminal Reservoir Meters, and the System Input and In-Line Meters described in Attachment J, as well as the portion of the SFPUC's Supervisory Control and Data Acquisition (SCADA) system that utilizes the flow signals produced by that measuring and recording equipment. The method, schedule and frequency for calibration and maintenance of the County-Line Meters and the In-City Terminal Reservoir Meters are specified in Attachment J. The SFPUC shall provide copies of the metering consultant's reports to BAWSCA.

E. System Input Meters measure water deliveries into the Regional Water System from sources such as Hetch Hetchy and the SFPUC's water treatment plants. System Input Meters also measure deliveries from the Regional Water System to outside sources or from

such sources to the Regional Water System through interties with the Santa Clara Valley Water District and the East Bay Municipal Utility District. In-Line Meters measure internal system flows and are located on the Bay Division Pipelines and other main transmission pipelines. These meters are collectively referred to as the "System Input and In-line Meters." Similar to the County-Line Meters, the System Input and In-Line Meters have secondary metering equipment, such as differential pressure transmitters and flow recorders. The System Input and In-Line Meters, and all associated secondary metering equipment, shall be calibrated and maintained according to the method, schedule, and frequency specified in the Procedures Manual described in subsection G, below.

F. The locations of the smaller and more numerous meters described in subsection B (4) and (5) are not illustrated in Attachment J; however, they are also critical in the determination of cost allocations, and accordingly require continued maintenance and calibration. It is the responsibility of the SFPUC to maintain the accuracy of these meters and their secondary metering equipment.

G. The SFPUC will prepare a Procedures Manual which will describe in detail the procedures for periodic inspection, testing, servicing and calibration of the measuring and recording equipment described in subsection B. Once the Procedures Manual is completed, the SFPUC and BAWSCA may agree that it should supersede some or all of the requirements in Attachment J regarding the County-Line and the In-City Terminal Reservoir Meters. Unless and until such an agreement is reached and documented, however, the requirements in Attachment J, Section D will continue in force as minimum standards for meter maintenance and calibration of the County-Line and In-City Terminal Reservoir Meters (subject to modification under the circumstances described in Attachment J, Section A.4).

H. If BAWSCA and the SFPUC are unable to agree on the water use calculations required by Attachment J for a particular year, the Wholesale Customers may file a demand for arbitration challenging the SFPUC's determination of the Wholesale Revenue Requirement for that year on the basis of its reliance on disputed water use calculations. Such a challenge must be brought in the manner and within the time specified in Section 8.01.

### 3.15 New Sources of Water Supply to Maintain Supply Assurance

A. **Urgent Reductions of Existing Surface Water Supplies.** Sudden and unanticipated events may require San Francisco to act promptly to protect the health, safety and

economic well-being of its Retail and Wholesale Customers. Such sudden events include, but are not limited to drought, earthquakes, terrorist acts, catastrophic failures of facilities owned and operated by San Francisco, and other natural or man-made events. If such events diminish San Francisco's ability to maintain the Supply Assurance, San Francisco may increase the Wholesale Revenue Requirement to pay for planning, evaluation and implementation of replacement sources of supply when such needs arise and without the prior approval of the Wholesale Customers. San Francisco will keep the Wholesale Customers informed of actions being taken under this subsection, progress made, and contingency actions the Wholesale Customers may need to consider taking. To the extent appropriate and applicable, San Francisco will act in accordance with Section 3.11 and the ERRP. Nothing in this subsection limits San Francisco's obligations under Section 3.11 to pursue additional sources of supply to augment supplies available during drought.

B. **Non-Urgent Reductions of Existing Surface Water Supplies**. Climate change, regulatory actions and other events may impact San Francisco's ability to maintain the Supply Assurance from its existing surface water supplies, but on timescales long enough to permit San Francisco to collaborate with its Wholesale Customers on how best to address possible impacts to water supply. If such events diminish San Francisco's ability to maintain the Supply Assurance, San Francisco may increase the Wholesale Revenue Requirement to pay for planning, evaluation and implementation of replacement sources of supply when such needs arise and without the prior approval of the Wholesale Customers. San Francisco will keep the Wholesale Customers informed of actions being taken under this subsection, progress made, and contingency actions the Wholesale Customers may need to consider taking. San Francisco will solicit input and recommendations from BAWSCA and the Wholesale Customers, and take those recommendations into consideration. Prior to Commission approval of plans or taking other actions that would impact the Wholesale Revenue Requirement, San Francisco will hold a public hearing to receive written and oral comments. Nothing in this subsection modifies San Francisco's obligation to maintain the ability to provide the Supply Assurance under this Agreement.

### 3.16 New Sources of Water Supply to Increase Supply Assurance

A. **Surface Water Supplies From Existing Watersheds After 2018**. The Commission action in SFPUC Resolution Number 08-0200, adopted October 30, 2008 requires certain decisions by San Francisco regarding whether to supply more than 265 MGD from its

watersheds following 2018. Such decisions are to be made by December 31, 2018, subject to the exercise of San Francisco's retained CEQA discretion in Section 4.07. San Francisco's future decisions may include an offer to increase the Supply Assurance at the request of some or all of its Wholesale Customers. Costs associated with providing additional water from its existing water supplies in San Mateo, Santa Clara, Alameda, Tuolumne, and Stanislaus Counties shall be allocated to Wholesale and Retail Customers as described in Article 5.

B. **New Water Supplies.** If San Francisco seeks to develop additional water supplies from new sources to increase the Supply Assurance available to Wholesale Customers, studies and resulting water supply projects will be conducted jointly with BAWSCA under separate agreement(s) specifying the purpose of the projects, the anticipated regional benefits and how costs of studies and implementation will be allocated and charged. Nothing in this Agreement shall serve as precedent for the allocation of such new supply capital costs between Retail and Wholesale Customers or associated operational expenses, which shall only occur following approval of both parties and amendment of this Agreement, if necessary, under Section 2.03.

### 3.17 Westside Basin Conjunctive Use Program

Subject to completion of necessary CEQA review as provided in Section 4.07, the SFPUC may enter into an agreement with the cities of Daly City and San Bruno and the California Water Service Company, South San Francisco Service Area ("Participating Pumpers") governing the operation of the South Westside Basin Conjunctive Use Program ("Program"), a WSIP Project. The Program would produce Regional benefits for all customers of the Regional Water System by making use of available groundwater storage capacity in the Southern portion of the Westside Basin through the supply of additional surface water ("In Lieu Water") to the Participating Pumpers from the Regional Water System, in exchange for a corresponding reduction in groundwater pumping at existing wells owned by the Participating Pumpers. The new groundwater supply that would accrue to storage as a result of delivery of In Lieu Water would then be recovered from the SFPUC basin storage account during water shortages using new SFPUC Regional Program wells operated by the Participating Pumpers and the SFPUC. Program annual operations and maintenance expenses and water supplies are expected to be allocated as follows:

A. All In Lieu Water delivered to the Participating Pumpers shall be (1) temporary and interruptible in nature and (2) at the sole discretion of the SFPUC based on the total volume of water available to the Regional Water System.

B. All In Lieu Water delivered to the Participating Pumpers shall be considered a delivery of water to storage and shall not be construed to affect or increase the Individual Supply Guarantees of these wholesale customers or to otherwise entitle them to any claim of water in excess of their Individual Supply Guarantees or their Interim Supply Allocations. Furthermore, Environmental Enhancement Surcharges authorized under Section 4.04 will not be applied by the SFPUC to any quantity of In Lieu Water that is delivered to the Participating Pumpers, but will instead be based solely on Participating Pumper water deliveries in excess of their respective Interim Supply Allocations.

C. Any operation and maintenance expenses incurred by the Participating Pumpers and the SFPUC that are related to the operation of Regional Program wells and related assets shall be included as Regional pumping expenses under Section 5.05.B and included as part of the Wholesale Revenue Requirement. For rate setting purposes, estimated Regional Program operation and maintenance expenses shall be used as set forth in Section 6.01. Operation and maintenance expenses associated with the Participating Pumpers' existing wells that do not provide Regional benefits shall not be included in the Wholesale Revenue Requirement. On a case-by-case basis, the SFPUC may include Participating Pumper existing well operation and maintenance expenses in the Wholesale Revenue Requirement provided that such expenses (1) are solely attributable to Regional Program operations and (2) are not caused by the Participating Pumper's failure to operate and maintain its existing wells in a reasonable and prudent manner consistent with water utility industry standards.

D. The SFPUC will audit operation and maintenance expenses submitted by the Participating Pumpers for reimbursement to confirm that such costs were incurred as a result of operating Regional Program wells and related assets. Costs associated with the use of Program facilities for Direct Retail or Direct Wholesale purposes, or that do not otherwise provide Regional benefits, shall not be included in the Wholesale Revenue Requirement. The SFPUC is responsible for resolving disputes with the Participating Pumpers concerning expense allocations. Program expense documentation, including documentation of negotiation and settlement of disputed costs, will be available for review during the Compliance Audit described

in Section 7.04. The Wholesale Customers may dispute the SFPUC's resolution of expense allocations through the arbitration provisions in Section 8.01 of this Agreement.

E. The SFPUC may direct the Participating Pumpers to recover water from the SFPUC basin storage account for any type of shortage referenced in Section 3.11. Water recovered from the SFPUC basin storage account using Regional Program wells may be used for (1) the benefit of all Regional Water System customers; (2) Retail Customers; or (3) one or more of the Participating Pumpers. The Wholesale Revenue Requirement shall only include operation and maintenance expenses incurred due to the operation of Program wells for Regional benefits.

F. All water recovered from the SFPUC basin storage account by the Participating Pumpers and by the SFPUC for delivery to Retail Customers during Shortages caused by Drought shall be used to free up a comparable volume of surface water from the Regional Water System for allocation in accordance with the Tier 1 Shortage Plan.

G. If the Program is terminated for any reason, including breach of the Program agreement by the Participating Pumpers or SFPUC, or due to regulatory action or legal action, then

1. Any water remaining SFPUC Regional storage account shall be used for the benefit of all customers of the Regional Water System;

2. Outstanding eligible operation and maintenance expenses, including costs incurred during recovery of remaining stored water, will be allocated as provided in this section; and

3. The Wholesale Customers will be credited with their share of proceeds from disposition of Program facilities or reimbursed their share of such capital costs for any Program facilities which are retained by the SFPUC for Direct Retail benefit and not used for the benefit of the Wholesale Customers, on the basis of (a) original cost less depreciation and outstanding related Indebtedness or (b) original cost less accumulated depreciation for revenue funded Regional Program facilities.

## Article 4. Implementation of Interim Supply Limitation.

### 4.01 Interim Supply Limitation Imposed by SFPUC

In adopting the WSIP in Res. No. 08-0200, the Commission included full implementation of all proposed WSIP capital improvement projects to achieve level of service goals relating to public health, seismic safety, and delivery reliability, but decided to adopt a water supply element that includes the Interim Supply Limitation. This article describes how the parties will implement the Interim Supply Limitation imposed by the SFPUC between the Effective Date and December 31, 2018.

### 4.02 Retail and Wholesale Customer Allocations Under Interim Supply Limitation

The Interim Supply Limitation is allocated as follows between Retail and Wholesale Customers:

| | |
|---|---|
| Retail Customers' allocation: | 81 MGD |
| Wholesale Customers' allocation: | 184 MGD |

The Wholesale Customers' collective allocation of 184 MGD under the Interim Supply Limitation includes the demand of the cities of San Jose and Santa Clara, whose demand is not included in the Supply Assurance, as provided in Section 3.02.B. By December 31st, 2010, the Commission will establish each Wholesale Customer's Interim Supply Allocation at a public meeting.

### 4.03 Transfers of Interim Supply Allocations

A. Any Wholesale Customer, including Hayward, may transfer a portion of its Interim Supply Allocation to one or more other Wholesale Customers, as provided in this section. All Wholesale Customers are also eligible transferees, including California Water Service Company up to its Individual Supply Guarantee.

B. Transfers of a portion of an Interim Supply Allocation must be prospective. The duration of a transfer cannot be less than the balance of the fiscal year. The minimum quantity that may be transferred is 1/10th of a MGD.

C. Transfers of portions of Interim Supply Allocations are subject to approval by the SFPUC. SFPUC review is limited to determining (1) whether a proposed transfer complies with

the Act, and (2) whether the affected facilities in the Regional Water System have sufficient capacity to accommodate delivery of the increased amount of water to the proposed transferee.

D. The participants in a proposed transfer shall provide notice to the SFPUC specifying the amount of the Interim Supply Allocation proposed to be transferred and the proposed effective date of the transfer, which shall not be less than 60 days after the notice is submitted to the SFPUC. The SFPUC may require additional information reasonably necessary to evaluate the operational impacts of the transfer. The SFPUC will not unreasonably withhold or delay its approval; if the SFPUC does not act on the notice within 60 days, the transfer will be deemed to have been approved.

E. Within 30 days after the transfer has become effective, both the transferor and the transferee will provide written notice to the SFPUC and BAWSCA.

F. Transfers of Interim Supply Allocations shall continue in effect until the earlier of (1) delivery of written notice to the SFPUC by the transfer participants that the transfer has been rescinded or (2) December 31, 2018.

**4.04 Environmental Enhancement Surcharge**

**A. Establishment of Environmental Enhancement Surcharge.** Beginning with wholesale water rates for fiscal year 2011-2012, and continuing for the duration of the Interim Supply Limitation, the Commission will establish the Environmental Enhancement Surcharge concurrently with the budget-coordinated rate process set forth in Article 6 of this Agreement. The monetary amount of the Environmental Enhancement Surcharge per volume of water, such as dollars per acre-foot, will be equivalent for Retail Customer use in excess of 81 MGD and Wholesale Customer use in excess of 184 MGD. The Environmental Enhancement Surcharge will be simple to calculate so that Wholesale Customers can estimate potential surcharges for budgeting purposes and establish retail rates within their service areas.

**B. Application of Environmental Enhancement Surcharge.** Beginning in fiscal year 2011-12, the Environmental Enhancement Surcharge will be levied only if and when combined Retail Customer and Wholesale Customer purchases exceed the Interim Supply Limitation of 265 MGD and if the fund described in subsection D below has been established by the San Francisco Board of Supervisors. In that event, the Environmental Enhancement Surcharge will apply to Retail Customers for use in excess of 81 MGD and to individual

Wholesale Customers for use in excess of their Interim Supply Allocations established by the Commission pursuant to Section 4.02.

1. Environmental Enhancement Surcharges related to the Retail Customers' use in excess of their 81 MGD Retail Customer Allocation will be paid by the SFPUC, and no portion of such surcharges may be allocated to Wholesale Customers. The method of recovering the Environmental Enhancement Surcharges imposed upon Retail Customers shall be within the sole discretion of the SFPUC.

2. Environmental Enhancement Surcharges related to the individual Wholesale Customers' use in excess of their respective Interim Supply Allocations will be paid to the SFPUC by individual Wholesale Customers.

C. **Collection of Environmental Enhancement Surcharge**. Notwithstanding the budget-coordinated rate setting process contemplated in Article 6 of this Agreement, the Environmental Enhancement Surcharge for any given year will be determined retrospectively based on actual annual usage during the fiscal year in excess of the Interim Supply Allocation and paid in equal monthly installments over the remainder of the immediately following fiscal year.

D. **Establishment of Fund for Environmental Enhancement Surcharge Proceeds**. Environmental Enhancement Surcharges paid by the SFPUC and by Wholesale Customers will be placed into a restricted reserve fund. The SFPUC will request the San Francisco Board of Supervisors to establish this fund by ordinance and, if adopted, the fund will be subject to the following restrictions:

1. Interest earnings will stay in the reserve fund.

2. The reserve fund shall (a) be subject to automatic appropriation; (b) require unexpended and unencumbered fund balances to be carried forward from year to year; and (c) not be transferred to the San Francisco General Fund.

3. The reserve fund may be used only for specific environmental restoration and enhancement measures for the Sierra and local watersheds, such as those included in the Watershed Environmental Improvement Program.

4. Environmental Enhancement Surcharge proceeds shall be expended in an expeditious manner. Any Environmental Enhancement Surcharge proceeds that remain in

the reserve fund as of December 31, 2018 shall be used to complete projects previously approved under subsection E. Upon completion of the identified projects, the balance of any unexpended sums in the reserve fund shall be distributed to BAWSCA and the SFPUC in proportion to the total amount of surcharges assessed to the Wholesale and Retail Customers, respectively.

E. **Use of Environmental Enhancement Surcharge Proceeds**. Specific uses of Environmental Enhancement Surcharges will be decided by the SFPUC and BAWSCA General Managers following input from environmental stakeholders and other interested members of the public. If parties are unable to agree, then they will jointly select a third person to participate in making the decision.

**4.05 San Jose/ Santa Clara Interim Supply Allocation and Process for Reduction/ Termination.**

San Francisco will supply a combined annual average of 9 MGD to the cities of San Jose and Santa Clara through 2018. Water supplied by San Francisco may only be used in the existing defined service areas in the northern portions of San Jose and Santa Clara shown on Attachment Q. San Francisco may reduce the quantity of water specified in this section when it establishes the Interim Supply Allocations for Wholesale Customers in Section 4.02. The establishment of Interim Supply Allocations for San Jose and Santa Clara shall not be considered a reduction of supply within the meaning of this section, provided that the Interim Supply Allocations assigned to San Jose and Santa Clara do not effect a reduction greater than the aggregate average reduction in Individual Supply Guarantees for Wholesale Customers that have such guarantees. The application of Interim Supply Allocations to San Jose and Santa Clara is subject to the following provisions:

A. In December 2010 and in each December thereafter through 2017, the SFPUC shall prepare and the Commission shall consider, at a regularly scheduled public meeting, a Water Supply Development Report detailing progress made toward meeting the Interim Supply Limitation by June 30, 2018.

B. The annual Water Supply Development Report shall be based on water purchase projections and work plans for achieving the Interim Supply Limitation in the Retail and Wholesale Service Areas. The projections and work plans will be prepared by the SFPUC for

the Retail Customers and by BAWSCA for the Wholesale Customers, respectively, and submitted to the Commission in June of each year beginning in 2010.

C. If the Commission finds that the projections in the Water Supply Development Report show that the Interim Supply Limitation will not be met by June 30, 2018, as a result of Wholesale Customers' projected use exceeding 184 MGD, the Commission may issue a conditional five-year notice of interruption or reduction in supply of water to San Jose and Santa Clara.

D. Upon issuance of the conditional notice of interruption or reduction, the SFPUC will prepare a new analysis of water supply that will be utilized by the San Francisco Planning Department in its preparation of any necessary documentation under CEQA pursuant to Section 4.07 on the impacts of interrupting or reducing service to San Jose and Santa Clara.

E. Such notice of interruption or reduction will be rescinded if the Commission finds, based upon a subsequent annual Water Supply Development Report, that sufficient progress has been made toward meeting the Interim Supply Limitation or projections show that the Interim Supply Limitation will be met by June 30, 2018.

F. In no case shall any interruption or reduction of service to San Jose or Santa Clara pursuant to this section become effective less than two years from the completion of the CEQA process (not including resolution of any appeals or litigation) or five years from the notice, whichever is longer. If the five-year notice is issued after 2013, such interruption or reduction would occur after 2018.

G. If deliveries to San Jose and Santa Clara are interrupted, existing turnout facilities to San Jose and Santa Clara will remain in place for possible use during emergencies.

H. San Francisco and the cities of San Jose and Santa Clara will cooperate with BAWSCA and the Santa Clara Valley Water District in the identification and implementation of additional water sources and conservation measures for the cities' service areas that are relevant to the water supply and the possible offer of permanent status for the two cities by the SFPUC.

**4.06 <u>San Francisco Decisions in 2018 Regarding Future Water Supply</u>**

A. By December 31, 2018, San Francisco will have completed any necessary CEQA review pursuant to Section 4.07 that is relevant to making San Jose and Santa Clara

permanent customers of the Regional Water System and will decide whether or not to make San Jose and Santa Clara permanent customers of the Regional Water System. San Francisco will make San Jose and Santa Clara permanent customers only if, and to the extent that, San Francisco determines that Regional Water System long term water supplies are available. In the event that San Francisco decides to afford permanent status to San Jose and Santa Clara, this Agreement will be amended pursuant to Section 2.03.

B. By December 31, 2018, San Francisco will have completed any necessary CEQA review pursuant to Section 4.07 and will decide how much water if any, in excess of the Supply Assurance it will supply to Wholesale Customers from the Regional Water System to meet their projected future water demands until the year 2030, and whether to offer a corresponding increase in the Supply Assurance as a result of its determination.

**4.07 Retained Discretion of SFPUC and Wholesale Customers**

A. This Agreement contemplates discretionary actions that the SFPUC and the Wholesale Customers may choose to take in the future that could result in physical changes to the environment ("Discretionary Actions"). The Discretionary Actions include decisions to:

1. Develop additional or alternate water resources by the SFPUC or one or more Wholesale Customers;

2. Implement the physical facilities comprising the WSIP by December 31, 2015;

3. Approve wheeling proposals by Wholesale Customers;

4.. Approve new wholesale customers and water exchange or cost sharing agreements with other water suppliers;

5. Provide additional water to San Jose and/or Santa Clara;

6. Offer permanent status to San Jose and/or Santa Clara;

7. Reduce or terminate supply to San Jose and/or Santa Clara;

8. Provide additional water to Wholesale Customers in excess of the Supply Assurance to meet their projected future water demands; and

9. Offer a corresponding volumetric increase in the Supply Assurance.

The Discretionary Actions may require the SFPUC or Wholesale Customers to prepare environmental documents in accordance with CEQA prior to the SFPUC or the Wholesale Customers determining whether to proceed with any of the Discretionary Actions. Accordingly, and notwithstanding any provision of this Agreement to the contrary, nothing in this Agreement commits the SFPUC or the Wholesale Customers to approve or carry out any Discretionary Actions that are subject to CEQA. Furthermore, the SFPUC's or Wholesale Customers' decisions to approve any of these Discretionary Actions are subject to the requirement that San Francisco and each Wholesale Customer, as either a "Lead Agency" (as defined in Section 21067 of CEQA and Section 15367 of the CEQA Guidelines) or a "Responsible Agency" (as defined in Section 21069 of CEQA and Section 15381 of the CEQA Guidelines) shall have completed any CEQA-required environmental review prior to approving a proposed Discretionary Action.

B. In considering any proposed Discretionary Actions, the SFPUC and Wholesale Customers retain absolute discretion to: (1) make such modifications to any of the proposed Discretionary Actions as may be necessary to mitigate significant environmental impacts; (2) select feasible alternatives to the proposed Discretionary Actions that avoid significant adverse impacts; (3) require the implementation of specific measures to mitigate the significant adverse environmental impacts as part of the decision to approve the Discretionary Actions; (4) balance the benefits of the proposed Discretionary Actions against any significant environmental impacts before taking final actions to approve the proposed Discretionary Actions if such significant impacts cannot otherwise be avoided; or (5) determine not to proceed with the proposed Discretionary Actions.

# Article 5. Wholesale Revenue Requirement

## 5.01 Scope of Agreement

This Article shall be applicable only to the water rates charged by San Francisco to the Wholesale Customers. Nothing contained in this Agreement shall limit, constrain, or in any way affect the rates which San Francisco may charge for water sold to Retail Customers or the methodology by which such rates are determined.

## 5.02 General Principles

This Article sets forth the method by which the Wholesale Customers' collective share of expenses incurred by the SFPUC in delivering water to them will be determined. This collective share is defined as the "Wholesale Revenue Requirement."

A. The SFPUC currently operates several enterprises, including the Water Enterprise, the Wastewater Enterprise, and the Hetch Hetchy Enterprise.

B. The Wastewater Enterprise is responsible for treating sewage within San Francisco and provides no benefit to the Wholesale Customers.

C. The Hetch Hetchy Enterprise is responsible for storing and transmitting water to the Water Enterprise, generating hydroelectric power and transmitting it to San Francisco, generating electric power within San Francisco, and distributing electricity and steam heat within San Francisco. Its water supply operations provide benefits to the Wholesale Customers.

D. The Water Enterprise delivers water to both Retail Customers, which are located both within and outside San Francisco, and to the Wholesale Customers, all of which are located outside San Francisco.

E. This Article implements two general principles as follows: (1) the Wholesale Customers should not pay for expenses of SFPUC operations from which they receive no benefit and (2) the Wholesale Customers should pay their share of expenses incurred by the SFPUC in delivering water to them on the basis of Proportional Annual Use unless otherwise explicitly provided in this Agreement.

F. To implement these general principles, the Wholesale Revenue Requirement will consist of, and be limited to, the Wholesale Customers' shares of the following categories of expense:

1. Capital cost recovery of Water Enterprise Existing Assets, and Hetch Hetchy Enterprise Existing Assets classified as Water-Only and the Water-Related portion of Joint assets (Section 5.03)

2. Contribution to the capital cost of Water Enterprise New Regional Assets (Section 5.04)

3. Water Enterprise operation and maintenance expenses, including power purchased from the Hetch Hetchy Enterprise that is used in the operation of the Water Enterprise (Section 5.05)

4. Water Enterprise administrative and general expenses (Section 5.06)

5. Water Enterprise property taxes (Section 5.07)

6. The Water Enterprise's share of the Hetch Hetchy Enterprise's operation and maintenance, administrative and general, and property tax expenses (Section 5.08)

7. The Water Enterprise's share of the Hetch Hetchy Enterprise's capital cost of New Assets classified as Water-Only and the Water-Related portion of Joint assets (Section 5.09)

In each of these cost categories, Direct Retail Expenses will be allocated entirely to Retail Customers. Direct Wholesale Expenses will be allocated entirely to the Wholesale Customers. Regional Expenses will be allocated between Retail Customers and Wholesale Customers as provided in this Article.

G. For purposes of establishing the rates to be charged Wholesale Customers, expenses will be based on the budget for, and estimates of water purchases in, the following fiscal year, as provided in Article 6. For purposes of accounting, the Wholesale Revenue Requirement will be determined on the basis of actual expenses incurred and actual water use, as provided in Article 7.

H. In addition, rates charged to Wholesale Customers may include the Wholesale Customers' contribution to a Wholesale Revenue Coverage Reserve, as provided in Section 6.06, which is not included in the Wholesale Revenue Requirement itself.

## 5.03 Capital Cost Recovery - Existing Regional Assets

A. SFPUC has previously advanced funds to acquire or construct Existing Assets used and useful in the delivery of water to both Wholesale Customers and Retail Customers. The parties estimate that the Wholesale Customers' share of the net book value of these assets, as of the expiration of the 1984 Agreement on June 30, 2009, will be approximately $366,734,424, as shown on Attachment K-1.

B. In addition, SFPUC has also previously advanced funds received from Retail Customer revenues to acquire or construct assets included in Construction-Work-In-Progress (CWIP) as of June 30, 2009. The parties estimate that the Wholesale Customers' share of the book value of these revenue funded capital expenditures, as of the expiration of the 1984 Agreement on June 30, 2009, will be approximately $15,594,990, as shown on Attachment K-2. The Wholesale Customers shall pay their share of the cost of Existing Assets and revenue-funded CWIP by amortizing the amounts shown on Attachment K-1 and Attachment K-2 over 25 years at an interest rate of 5.13 percent. The amounts to be included in the Wholesale Revenue Requirement pursuant to this section shall be the sum of the annual principal and interest amounts shown on Attachments K-3 (for Water Enterprise Regional Assets and the one Direct Wholesale Asset) and K-4 (for Hetch Hetchy Enterprise Water-Only Assets and the Water-Related portion [45 percent] of Joint assets) calculated on the basis of monthly amortization of principal as set forth on Attachments K-3 and K-4.

C. In addition, the Commission has previously appropriated funds, advanced through rates charged to Retail Customers, for construction of capital projects. Some of these projects are active, and have unexpended balances of appropriated funds that are not included in CWIP as of June 30, 2009. These projects, and the associated balances, are shown on Attachment K-5. Expenditures of funds from these balances during FY 2009-10, FY 2010-11 and FY 2011-12 will be reviewed in FY 2012-13. The SFPUC will prepare a report showing the amount expended in each year on each project and the total expended during all years on all projects that are categorized as Regional or, in the case of Hetch Hetchy Enterprise, are categorized as either Water-Only or Joint. The wholesale share of that total will be determined using the allocation principles in this Agreement based on Proportional Water Use during those three years. The result, plus accrued interest at the rate specified in Section 6.05.B, will be calculated by the SFPUC and its calculation reviewed by the Compliance Auditor as part of the Compliance Audit for FY 2012-13. The audited total will be paid based on a schedule of level annual principal and interest amounts over ten years at an interest rate of 4.00%, calculated on

a monthly amortization basis. All or any portion of the balance may be prepaid. The first year's payment will be included in the Wholesale Revenue Requirement for FY 2014-15.

D. The parties agree that the Wholesale Customers' share of the net book values of Existing Regional Assets as of June 30, 2008 as shown on Attachment K-1 are accurate. The compliance audit conducted on the calculation of the FY 2008-09 Suburban Revenue Requirement required by the 1984 Agreement will determine the actual amounts of depreciation on, and capital additions to, plant in service during that fiscal year. Those amounts will be compared to the corresponding estimates shown on Attachments K-1 and K-2. The differences will be added to or subtracted from the estimated asset values shown on Attachments K-1 and K-2 and the amortization schedules in Attachments K-3 and K-4 will be recalculated. The wholesale allocation factors shall be fixed at 70.1% for the Water Enterprise Existing Assets and 64.2% for Hetch Hetchy Enterprise Existing Assets for both the preliminary and final payment schedules. The SFPUC will prepare and provide to the Wholesale Customers revised Attachments K-1 through K-4 based on the Wholesale Customers' share of the net book value of the assets placed in service as of June 30, 2009 used to provide water service to the Wholesale Customers and the net book value of revenue-funded CWIP expended as of June 30, 2009. The revised Attachments K-1 through K-4 shall be approved by the General Manager of the SFPUC and the General Manager/CEO of BAWSCA and will be substituted for the original Attachments K-1 through K-4.

E. The original Attachments K-1 through K-4, based on estimates, shall be used for estimating the Wholesale Revenue Requirement for the fiscal year beginning July 1, 2009. The revised Attachments, based on audited actuals, shall be used to determine the actual Wholesale Revenue Requirement for FY 2009-10 and to determine the Wholesale Revenue Requirement(s) in all subsequent years, except as may be provided elsewhere in this Agreement.

F. The Wholesale Customers, acting through BAWSCA, may prepay the remaining unpaid Existing Assets principal balance, in whole or in part, at any time without penalty or early payment premium. Any prepayments will be applied in the month immediately following the month in which the prepayment is made and the revised monthly amount(s) will be used to calculate the Wholesale Revenue Requirement. Any partial prepayments must be in an amount at least equal to $10 million. In the event of a partial prepayment, an updated schedule for the remaining payments shall be prepared reflecting the unpaid balance after prepayment,

amortized through the end of FY 2034, calculated as provided in this section. The updated schedule, approved by the General Manager of the SFPUC and the General Manager/CEO of BAWSCA, will be substituted for Attachment K-3 and/or Attachment K-4.

### 5.04 Capital Cost Contribution - New Regional Assets

A. **Debt-Funded Capital Additions**. The Wholesale Customers shall pay the wholesale share of Net Annual Debt Service for New Regional Assets. The Regional projects in the WSIP are identified in Attachment L-1.

1. The amount of Net Annual Debt Service for New Regional Assets will be determined for each series of Indebtedness issued. Until the proceeds of a particular series are Substantially Expended, the amount attributable to specific projects will be based on the expected use of proceeds shown in the "Certificate Regarding Use of Proceeds" executed by the SFPUC General Manager on behalf of the Commission in connection with the sale of the Indebtedness, provided such certificate identifies the use of proceeds at a level of detail equivalent to that shown on Attachment L-2, which is a copy of the certificate prepared for the 2006 Revenue Bonds, Series A. If a certificate does not identify the use of proceeds at that level of detail, the SFPUC General Manager shall prepare and execute a separate certificate which does identify the use of proceeds at the level of detail shown on Attachment L-2 and deliver it to BAWSCA within 15 days from the closing of the sale of the Indebtedness.

2. After the proceeds of a series are Substantially Expended, the SFPUC General Manager will prepare and execute a certificate showing the actual expenditure of proceeds at a level of detail equivalent to the initial General Manager certificate. The resulting allocation of Net Debt Service to New Regional Assets for a series of bonds will be used in the fiscal year in which the proceeds have been Substantially Expended and thereafter. Differences between the amount of Net Debt Service paid by Wholesale Customers prior to that year and the amount of Net Debt Service that they should have paid during that time based on the actual expenditure of proceeds will be taken into account in calculation of the balancing account for the fiscal year in which the proceeds were Substantially Expended. The application of the remaining proceeds shall be proportionate to the allocation of the Net Debt Service to New Regional Assets.

3. The Wholesale Customers' share of Net Annual Debt Service for the New Regional Assets that are categorized as Direct Wholesale will be 100 percent. (None of the

projects in the WSIP are categorized as Direct Wholesale.) The Wholesale Customers' share of Net Annual Debt Service for all other New Regional Assets will be determined each year and will be equal to the Wholesale Customers' Proportional Annual Use.

4. If Indebtedness is issued by the SFPUC to refund the 2006 Revenue Bonds, Series A or to refund any other long-term Indebtedness issued after July 1, 2009, the Net Annual Debt Service attributable to proceeds used for refunding will be allocated on the same basis as the Indebtedness being refunded.

5. The SFPUC will prepare an annual report showing for each issue of Indebtedness and through the most recently completed fiscal year: (1) net financing proceeds available to pay project costs, (2) actual earnings on proceeds, (3) actual expenditures by project. The report shall be substantially in the form of Attachment L-3 and shall be delivered to BAWSCA on or before November 30 of each year, commencing November 2009.

6. In addition to Net Debt Service, Wholesale Customers will pay a proportionate share of annual administrative costs associated with Indebtedness, such as bond trustee fees, credit rating agency fees, letter of credit issuer fees, San Francisco Revenue Bond Oversight Committee fees, etc., but only to the extent such fees are neither paid from proceeds of Indebtedness nor included in SFPUC operation and maintenance or administrative and general expenses.

B. **Revenue-Funded Capital Additions**. The Wholesale Customers shall pay the wholesale share of the appropriation contained in the SFPUC annual budget for each year to be used to acquire or construct New Regional Assets. If such appropriations are reimbursed from proceeds of Indebtedness, the Wholesale Customers will be credited for prior payments made under this Section 5.04.B.

The Wholesale Customers' share of the annual appropriation for revenue-funded New Regional Assets that are categorized as Direct Wholesale will be 100 percent. (None of the Repair and Replacement projects in the SFPUC's most recent capital improvement program updated on February 10, 2009, is categorized as Direct Wholesale.) The Wholesale Customers' share of the annual appropriation for all other revenue-funded New Regional Assets will be determined each year and will be equal to the Wholesale Customers' Proportional Annual Use in each fiscal year. The amount appropriated in each fiscal year for the wholesale share of New

Regional Assets shall be contributed to the Wholesale Capital Fund described in Section 6.08 and reported on and administered as shown in that section and Attachments M-1 through M-3.

**5.05 Water Enterprise Operation and Maintenance Expenses**

There are five categories of Water Enterprise Operation and Maintenance Expenses, described below:

**A. Source of Supply**

1. Description: This category consists of the costs of labor, supervision and engineering; materials and supplies; and other expenses incurred in the operation and maintenance of collecting and impounding reservoirs, dams, wells and other water supply facilities located outside San Francisco; watershed protection; water supply planning; and the purchase of water.

2. Allocation: Direct Retail expenses, including water supply planning for Retail operations (such as City Retail water conservation programs), will be assigned to the Retail Customers. Regional expenses will be allocated between Retail Customers and Wholesale Customers on the basis of Proportional Annual Use. Direct Wholesale expenses will be assigned to the Wholesale Customers. (As of the Effective Date there are no Direct Wholesale expenses in the Source of Supply category.)

**B. Pumping**

1. Description: This category consists of the costs of labor, supervision and engineering; materials and supplies; and other expenses incurred in the operation and maintenance of water pumping plants, ancillary structures and equipment and surrounding grounds; and fuel and power purchased for pumping water.

2. Allocation: Direct Retail expenses will be assigned to the Retail Customers. Regional expenses will be allocated between Retail Customers and Wholesale Customers on the basis of Proportional Annual Use. Direct Wholesale expenses will be assigned to the Wholesale Customers. (As of the Effective Date there are no Direct Wholesale expenses in the Pumping category.)

**C. Treatment**

1. Description: This category consists of the costs of labor, supervision and engineering; materials and supplies and other expenses incurred in the operation and

maintenance of water treatment plants and drinking water quality sampling and testing. The cost of water quality testing will not include expenses incurred on behalf of the Wastewater Enterprise. Any remaining costs, after adjusting for the Wastewater Enterprise, will be reduced by the amount of revenue received for laboratory analyses of any type performed for agencies, businesses and/or individuals other than the Water and Hetch Hetchy Enterprises.

2. Allocation: Direct Retail expenses will be assigned to the Retail Customers. Regional expenses will be allocated between Retail Customers and Wholesale Customers on the basis of Proportional Annual Use. Direct Wholesale expenses will be assigned to the Wholesale Customers. (As of the Effective Date there are no Direct Wholesale expenses in the Treatment category.)

D. **Transmission and Distribution**

1. Description: This category consists of the cost of labor, supervision and engineering; materials and supplies; and other expenses incurred in the operation and maintenance of transmission and distribution pipelines, appurtenances, meters (other than those expenses payable by individual Wholesale Customers pursuant to Section 5.10.C.3), distribution reservoirs storing treated water, craft shops and auto shops servicing vehicles used for operation and maintenance of the Regional Water System rather than for Direct Retail facilities, and miscellaneous facilities related to the transmission and distribution of water.

2. Allocation: Direct Retail Transmission and Distribution expenses will be assigned to the Retail Customers. Regional Transmission and Distribution expenses will be allocated between Retail and Wholesale Customers on the basis of Proportional Annual Use. Expenses incurred for the operation and maintenance of three terminal reservoirs, i.e., Sunset Reservoir (North and South Basins), University Mound Reservoir (North and South Basins), and Merced Manor Reservoir, as well as transmission pipelines delivering water to them, are classified as Regional expenses notwithstanding the location of the reservoirs within San Francisco. Direct Wholesale expenses will be assigned to the Wholesale Customers. (As of the Effective Date the only Direct Wholesale expenses in the Transmission and Distribution category are associated with the Palo Alto pipeline.)

E. **Customer Services**

1. Description: This category consists of labor; materials and supplies; and other expenses incurred for meter reading, customer record keeping, and billing and collection for the Water Enterprise.

2. Allocation: Customer Services expenses will be allocated among the Water Enterprise, the Wastewater Enterprise, and Hetch Hetchy Enterprise in proportion to the time spent by employees in Customer Services for each operating department/enterprise. The Water Enterprise's share of Customer Services expense will be allocated 98 percent to the Retail Customers and two percent to the Wholesale Customers, as illustrated on Attachment N-2, Schedule 1.

**5.06 Water Enterprise Administrative and General Expenses**

Administrative and General expenses consist of the Water Enterprise's share of the cost of general government distributed through the full-cost Countywide Cost Allocation Plan, the services of SFPUC support bureaus, Water Enterprise administrative and general expenses that cannot be directly assigned to a specific operating and maintenance category, and the cost of the Compliance Audit. These four subcategories, and the method by which costs in each are to be calculated and allocated, are as follows:

A. **Countywide Cost Allocation Plan**

1. Description: This subcategory consists of the Water Enterprise's share of the costs of San Francisco general government and other City central service departments which are not directly billed to the Water Enterprise or other operating departments. All San Francisco operating departments are assigned a prorated share of these costs through the full-cost Countywide Cost Allocation Plan (COWCAP) prepared annually by the San Francisco Controller.

2. Allocation: The Water Enterprise's assigned share of central government costs as shown in the annual full-cost COWCAP prepared by the San Francisco Controller, will be allocated between Retail Customers and Wholesale Customers on the basis of the composite percentage of the allocated expenses in the five categories of operation and maintenance expense described in Section 5.05. The composite wholesale percentage shown on Attachment N-2, Schedule 1 is 42.07 percent, derived by dividing the wholesale share of

Operation and Maintenance expenses ($46,573,883) by total Operation and Maintenance expenses ($110,700,133).

B. **Services of SFPUC Bureaus**

1. Description: This subcategory consists of the support services provided to the Water Enterprise by the SFPUC Bureaus, which presently consist of the General Manager's Office, Business Services, External Affairs, and Infrastructure Bureau. Business Services presently includes Financial Services, Information Technology Services, Human Resource Services, Fleet Management, and Customer Services.

2. Allocation: There are three steps involved in determining the Wholesale Customers' share of SFPUC Bureau costs.

a. Step One: Bureau expenses which have either been recovered separately or which provide no benefit to Wholesale Customers will be excluded. Examples of Bureau expenses recovered separately include (1) Customer Services expenses, which are recovered as provided in Section 5.05.E, and (2) Infrastructure expenses, which are assigned to individual projects and capitalized. An example of a Bureau expense that provides no benefit to Wholesale Customers is Information Technology Services expenses for support of the San Francisco Municipal Railway. In addition, the SFPUC will continue its practice of assigning City Attorney Office expenses charged to the General Manager's Office for projects or lawsuits that relate to only one enterprise directly to that enterprise. For example, costs related to a lawsuit involving the Wastewater Enterprise will not be assigned to the Water Enterprise.

b. Step Two: Bureau expenses adjusted as provided in Step One will be allocated among the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Enterprise on the basis of the actual salaries of employees in each enterprise or department, as illustrated on Attachment N-2, Schedule 7.

c. Step Three: The amount allocated to the Water Enterprise through Step Two will be allocated between Retail Customers and Wholesale Customers on the basis of Proportional Annual Use.

C. **Water Enterprise Administrative and General**

1. Description: This category includes expenses incurred by the Water Enterprise that are not readily assignable to specific operating divisions. This category includes the following expenses:

a. Water Administration: This includes the costs of labor and other expenses of the administrative section of the Water Enterprise, supervision and engineering expenses, professional services, travel and training, equipment purchases, and materials and supplies not directly assignable to a specific operating unit.

b. Services Provided by Other City Departments: This includes charges of other San Francisco departments directly billed to the Water Enterprise administration by other San Francisco departments for services ordered by the Water Enterprise, such as legal services, risk management, telecommunications, employee relations, purchasing, mail services, and workers compensation claims paid.

c. Litigation and Claims Paid: This includes charges incurred for attorney services and claims and judgments paid in litigation arising from the operation of the Water Enterprise.

2. Allocation: In each of these three subcategories, expenses that benefit only Retail Customers will be excluded. For example, the cost of claims and judgments resulting from a break in or leak from pipelines or reservoirs in the Retail Service Area (with the exception of the three terminal reservoirs and pipelines delivering water to them) will be assigned to the Retail Customers. Remaining Water Enterprise Administrative and General expenses will be allocated between Retail Customers and Wholesale Customers on the basis of the composite percentage of allocated operation and maintenance expense categories described in Section 5.05.

D. **Compliance Audit**. The cost of the Compliance Audit described in Section 7.04 will be assigned 50 percent to the Retail Customers and 50 percent to the Wholesale Customers.

## 5.07 Water Enterprise Property Taxes

A. Description: This category consists of property taxes levied against property owned by San Francisco located in Alameda, San Mateo and Santa Clara counties and used and managed by the SFPUC.

B. Allocation: All property taxes paid, net of (1) reimbursements received from lessees and permit holders, and (2) refunds from the taxing authority, are Regional expenses. Net property taxes will be allocated between Retail Customers and Wholesale Customers on the basis of Proportional Annual Use.

## 5.08 Hetch Hetchy Enterprise Expenses

A. **Introduction**. There are two steps involved in determining the amount of the Wholesale Customers' share of Hetch Hetchy Enterprise expenses.

1. The first step is to determine the Water Enterprise's share of Hetch Hetchy Enterprise operation expenses, maintenance expenses, administrative and general expenses, and property taxes.

2. The second step is to determine the Wholesale Customers' share of expenses allocable to the Water Enterprise.

B. **Determination of the Water-Related Portion of Hetch Hetchy Enterprise Expenses**

1. Operation and Maintenance Expenses: This category consists of the cost of labor, materials and supplies, and other expenses incurred in operating and maintaining Hetch Hetchy Enterprise physical facilities.

a. Description: Expenses associated exclusively with the production and distribution of hydroelectric power (e.g., generating plants and power transmission lines and towers, transformers and associated electric equipment, purchased power, wheeling charges, rental of power lines, etc.) are categorized as Power-Only and are allocated to power. Expenses associated exclusively with the operation and maintenance of facilities that serve only the water function (e.g., water transmission pipelines and aqueducts, activities related to compliance with federal and state drinking water quality laws, etc.) are categorized as Water-Only and are allocated entirely to water. Expenses associated with the operation and maintenance of facilities that serve both the water and power functions (e.g., dams, security

programs, etc.) are categorized as Joint and are reallocated as 55 percent Power-Related and 45 percent Water-Related.

2. Administrative and General Expenses: There are three subcategories of Hetch Hetchy Enterprise Administrative and General expenses.

a. Full-Cost Countywide Cost Allocation Plan: This subcategory consists of the cost of San Francisco general government and other City central service departments which are not directly billed to operating departments but allocated through the full-cost Countywide Cost Allocation Plan described in Section 5.06.A. Costs in this subcategory are classified as Joint, and are reallocated as 55 percent Power-Related and 45 percent Water-Related.

b. SFPUC Bureau Costs: This subcategory consists of the expenses described in Section 5.06.B. One hundred percent of Customer Services expenses allocated to the Hetch Hetchy Enterprise are categorized as Power-Only. The remaining amount of Bureau expenses allocated to the Hetch Hetchy Enterprise pursuant to Section 5.06.B will be reallocated between power and water in proportion to the salaries of Hetch Hetchy Enterprise employees assigned to each function as shown on Attachment N-2, Schedule 7.1.

c. Other Administrative and General: This subcategory includes payments to the United States required by the Act, labor, supervision and engineering and other costs not readily assignable to a specific operation or maintenance function or program. Costs related to power administration (such as long range planning and policy analysis for energy development, administration of power contracts, and administration of work orders to City departments for energy services) are Power-Only costs. Costs related to water administration (such as legal and professional services for the protection of the City's water rights) are Water-Only costs and will be assigned to the Water Enterprise. Costs related to both power administration and water administration (such as general administration, office rents, office materials and supplies, and services of other City departments benefitting to both power and water are Joint administrative and general costs and are reallocated as 55 percent Power-Related and 45 percent Water-Related.

3. Property Taxes. This category consists of property taxes levied against property owned by San Francisco in Tuolumne, Stanislaus, San Joaquin, and Alameda counties and operated and managed by the Hetch Hetchy Enterprise.

Allocation: Property taxes are classified as Joint costs. They will be reallocated as 55 percent Power-Related and 45 percent Water-Related.

C. **Calculation of Wholesale Customers' Share of Hetch Hetchy Enterprise Expenses**. The Water Enterprise's share of Hetch Hetchy Enterprise expenses consist of 100 percent of Water-Only expenses and the Water-Related portion (45%) of Joint expenses.

The Wholesale Customers' share of the sum of the Water Enterprise's share of Hetch Hetchy Enterprise expenses determined under subsection B shall be calculated by multiplying that dollar amount by Adjusted Proportional Annual Use.

## 5.09 Hetch Hetchy Enterprise Capital Costs

A. **Introduction**. Wholesale Customers are also allocated a share of Hetch Hetchy Enterprise capital costs.

B. **Components of Capital Costs**. The components of Hetch Hetchy Enterprise capital costs are as follows:

1. Existing Assets Cost Recovery. The Wholesale Customers' repayment of their share of Hetch Hetchy Existing Assets (Water-Only and the Water-Related portion [45 percent] of Joint assets) is shown on Attachment K-4 accompanying Section 5.03.

2. Debt Service on New Assets. The Water Enterprise will be assigned 100 percent of Net Annual Debt Service attributable to acquisition and construction of New Hetch Hetchy Enterprise assets that are Water-Only and the Water-Related portion (45 percent) of Net Annual Debt Service on New Hetch Hetchy Enterprise Joint assets. The provisions of Section 5.04.A apply to debt service on New Hetch Hetchy Enterprise assets.

3. Revenue-Funded Capital Additions. The Water Enterprise will be assigned 100 percent of capital expenditures from revenues for New Hetch Hetchy Enterprise assets that are Water-Only and the Water-Related portion (45 percent) of such expenditures for new Hetch Hetchy Enterprise Joint assets. The provisions of Section 5.04.B apply to the payment of New revenue-funded Hetch Hetchy Enterprise assets.

C. **Calculation of Wholesale Customers' Share of Hetch Hetchy Enterprise Capital Costs**. The Wholesale Customers' share of the Net Annual Debt Service and revenue funded capital expenditures determined under subsections B.2 and 3 shall be calculated by multiplying that dollar amount by Adjusted Proportional Annual Use.

## 5.10 Additional Agreements Related to Financial Issues

A. **Wholesale Customers Not Entitled to Certain Revenues**. The Wholesale Customers have no entitlement to any of the following sources of revenue to the SFPUC.

1. Revenues from leases or sales of SFPUC real property.

2. Revenues from the other utility services such as the sale of electric power, natural gas and steam.

3. Revenues from the sale of water to customers and entities other than the Wholesale Customers.

4. Revenues earned from the investment of SFPUC funds other than funds contributed by the Wholesale Customers to the Wholesale Revenue Coverage Reserve described in Section 6.06 or the Wholesale Capital Fund described in Section 6.08. Wholesale Customers are also entitled to the benefit of earnings on proceeds of Indebtedness (through expenditure on New Regional Assets and /or application to Debt Service) and to interest on the Balancing Account as provided in Section 6.05.B.

5. Revenues not related to the sale of water.

B. **Wholesale Customers Not Charged with Certain Expenses**. The Wholesale Customers will not be charged with any of the following expenses:

1. Capital costs for assets constructed or acquired prior to July 1, 1984 other than Existing Asset costs that are repaid pursuant to Section 5.03.

2. Expenses incurred by the SFPUC for generation and distribution of electric power, including Hetch Hetchy Enterprise Power-Only expenses and the Power-Related share of Hetch Hetchy Enterprise Joint expenses. An exception to this is Regional energy costs incurred by the Water Enterprise, for which Wholesale Customers are charged on the basis of Proportional Annual Use.

3. Expenses incurred by SFPUC in providing water to Retail Customers.

4. Expenses associated with the SFPUC's accruals or allocations for uncollectible Retail Water accounts.

5. Attorneys' fees and costs incurred by the Wholesale Customers that a court of competent jurisdiction orders San Francisco to pay as part of a final, binding judgment against San Francisco as provided in Section 8.03.B.2.

6. Any expenses associated with funding any reserves (other than the required Wholesale Revenue Coverage Reserve described in Section 6.06) accrued and not anticipated to be paid within one year unless such reserve is established by mutual agreement of the SFPUC and BAWSCA.

7. Any expenses accrued in respect to pending or threatened litigation, damage or personal injury claims or other loss contingencies unless projected to be paid within one year. Otherwise, such expenses will be charged to the Wholesale Customers when actually paid.

8. Any expense associated with installing, relocating, enlarging, removing or modifying meters and service connections at the request of an individual Wholesale Customer.

9. The Retail Customers' portion of any Environmental Enhancement Surcharges imposed to enforce the Interim Supply Limitation set forth in Section 4.04.

C. **Revenues Not Credited to Payment of Wholesale Revenue Requirement**. The following payments by Wholesale Customers, individually or collectively, are not credited as Wholesale revenues for purposes of Section 6.05.B:

1. Payments by individual Wholesale Customers of the Environmental Enhancement Surcharge imposed to enforce the Interim Supply Limitation set forth in Section 4.04.

2. Payments of attorneys' fees and costs incurred by San Francisco that a court of competent jurisdiction orders the Wholesale Customers to pay as part of a final, binding judgment against the Wholesale Customers, as provided in Section 8.03.B.3.

3. Payments by individual Wholesale Customers for installation, relocation, enlargement, removal or modification of meters and service connections requested by, and charged to, a Wholesale Customer.

4. Payments applied to the amortization of the ending balance in the balancing account under the 1984 Agreement, pursuant to Section 6.05.A.

5. Payments of the Water Management Charge which are delivered to BAWSCA pursuant to Section 3.06.

6. Payments directed to the Wholesale Revenue Coverage Reserve pursuant to Section 6.06.

7. Prepayments authorized by Sections 5.03.C and 5.03.F.

**D. Other**

1. The Wholesale Customers will receive a proportional benefit from funds received by the SFPUC from (a) governmental grants, rebates, reimbursements or other subventions, (b) private-sector grants for Regional capital or operating purposes of the Water Enterprise and the Water-Only and Water-related portion of Joint Hetch Hetchy Water Enterprise expenses, or (c) a SFPUC use of taxable bonds.

2. The Wholesale Customers will receive a proportionate benefit from recovery of damages, including liquidated damages, by SFPUC from judgments against or settlements with contractors, suppliers, sureties, etc., related to Regional Water System projects and the Water-Only and Water-Related portion of Joint Hetch Hetchy Enterprise projects.

3. The SFPUC will continue to charge Wholesale Customers for assets acquired or constructed with proceeds of Indebtedness on which Wholesale Customers paid Debt Service during the Term of this Agreement on the "cash" basis (as opposed to the "utility" basis) after the expiration or earlier termination of this Agreement. The undertaking in this Section 5.10.D.3 will survive the expiration or earlier termination of this Agreement.

## Article 6. Integration of Wholesale Revenue Requirement with SFPUC Budget Development and Rate Adjustments

### 6.01 General

A. The purpose of the allocation bases set forth in Article 5 is to determine the Wholesale Revenue Requirement for each fiscal year. The Wholesale Revenue Requirement can only be estimated in advance, based on projected costs and water deliveries. These projections are used to establish water rates applicable to the Wholesale Customers.

B. After the close of each fiscal year, the procedures described in Article 7 will be used to determine the actual Wholesale Revenue Requirement for that year, based on actual costs incurred, allocated according to the provisions of Article 5, and using actual water delivery data. The amount properly allocated to the Wholesale Customers shall be compared to the amount billed to the Wholesale Customers for the fiscal year, other than those identified in Section 5.10.C. The difference will be entered into a balancing account to be charged to, or credited to, the Wholesale Customers, as appropriate.

C. The balancing account shall be managed as described in Section 6.05.

### 6.02 Budget Development

The SFPUC General Manager will send a copy of the proposed SFPUC budget to BAWSCA at the same time as it is sent to the Commission. In addition, a copy of materials submitted to the Commission for consideration at meetings prior to the meeting at which the overall SFPUC budget is considered (including (a) operating budgets for the Water Enterprise and the Hetch Hetchy Enterprise, (b) budgets for SFPUC Bureaus, and (c) capital budgets for the Water Enterprise and the Hetch Hetchy Enterprise) will also be sent to BAWSCA concurrently with their submission to the Commission.

### 6.03 Rate Adjustments

A. **Budget Coordinated Rate Adjustments**. Adjustments to the rates applicable to the Wholesale Customers shall be coordinated with the budget development process described in this section except to the extent that Sections 6.03.B and 6.03.C authorize emergency rate increases and drought rate increases, respectively.

If the SFPUC intends to increase wholesale water rates during the ensuing fiscal year, it will comply with the following procedures:

1. Adjustments to the wholesale rates will be adopted by the Commission at a regularly scheduled meeting or at special meeting, properly noticed, called for the purpose of adjusting rates or for taking any other action under the jurisdiction of the Commission.

2. The SFPUC will send a written notice by mail or electronic means to each Wholesale Customer and to BAWSCA of the recommended adjustment at least thirty (30) days prior to the date of the meeting at which the Commission will consider the proposed adjustment. The notice will include the date, time and place of the Commission meeting.

3. The SFPUC shall prepare and provide to each Wholesale Customer and to BAWSCA the following materials: (a) a table illustrating how the increase or decrease in the Wholesale Revenue Requirement and wholesale rates were calculated, substantially in the form of Attachment N-1, (b) a schedule showing the projected expenses included in the Wholesale Revenue Requirement for the fiscal year for which the rates are being proposed, and supporting materials, substantially in the form of Attachment N-2, and (c) a schedule showing projected water sales, Wholesale Revenue Requirements and wholesale rates for the fiscal year for which rates are being set and the following four years, substantially in the form of Attachment N-3. These materials will be included with the notification required by Section 6.03.A.2.

4. Rate adjustments will be effective no sooner than thirty (30) days after adoption of the wholesale rate by the Commission.

5. San Francisco will use its best efforts to provide the Wholesale Customers with the information described above. San Francisco's failure to comply with the requirements set forth in this section shall not invalidate any action taken by the Commission (including, but not limited to, any rate increase or decrease adopted). In the event of such failure, the Wholesale Customers may either invoke arbitration, as set forth in Section 8.01, or seek injunctive relief, to compel San Francisco to remedy the failure as soon as is reasonably practical, and San Francisco shall be free to oppose the issuance of the requested judicial or arbitral relief on any applicable legal or equitable basis. The existence of this right to resort to arbitration shall not be deemed to preclude the right to seek injunctive relief.

6. Because delays in the budget process or other events may cause San Francisco to defer the effective date of Wholesale Customer rate adjustments until after the beginning of San Francisco's fiscal year, nothing contained in this Agreement shall require San Francisco to make any changes in the water rates charged to Wholesale Customers effective at

the start of San Francisco's fiscal year or at any other specific date. Nothing in the preceding sentence shall excuse non-compliance with the provisions of Section 6.02 and this section.

B. **Emergency Rate Increases**. The Commission may adjust the Wholesale Customers' rates without complying with the requirements of Section 6.03.A in response to an Emergency that damages the Regional Water System and disrupts San Francisco's ability to maintain normal deliveries of water to Retail and Wholesale Customers. In such an Emergency, the Commission may adopt an emergency rate surcharge applicable to Wholesale Customers without following the procedures set forth in this section, provided that any such rate surcharge imposed by the Commission shall be applicable to both Retail and Wholesale Customers and incorporate the same percentage increase for all customers. Any emergency rate surcharge adopted by the Commission shall remain in effect only until the next-budget coordinated rate-setting cycle.

C. **Drought Rates**. If the Commission declares a water shortage emergency under Water Code Section 350, implements the Tier 1 Shortage Plan (Attachment H) described in Section 3.11.C, and imposes drought rates on Retail Customers, it may concurrently adjust wholesale rates independently of coordination with the annual budget process. Those adjustments may be designed to encourage water conservation and may constitute changes to the structure of the rates within the meaning of Section 6.04. The parties agree, however, that, in adopting changes in rates in response to a declaration of water shortage emergency, the Commission shall comply with Section 6.03.A.1 and 2 but need not comply with Section 6.04.B. Drought Rate payments and payments of excess use charges levied in accordance with the Tier 1 Shortage Plan described in Section 3.11.C constitute Wholesale Customer Revenue and count towards the Wholesale Revenue Requirement. The SFPUC may use these revenues to purchase additional water for the Wholesale Customers from the State Drought Water Bank or other willing seller.

**6.04 Rate Structure**

A. This Agreement is not intended and shall not be construed to limit the Commission's right (a) to adjust the structure of the rate schedule applicable to the Wholesale Customers (i.e., the relationship among the several charges set out therein) or (b) to add, delete, or change the various charges which make up the rate schedule, provided that neither such charges nor the structure of the rate schedule(s) applicable to the Wholesale Customers shall be arbitrary, unreasonable, or unjustly discriminatory as among said customers. The

SFPUC will give careful consideration to proposals for changes in the rate schedule made jointly by the Wholesale Customers but, subject to the limitations set out above, shall retain the sole and exclusive right to determine the structure of the rate schedule.

B. If the SFPUC intends to recommend that the Commission adopt one or more changes to the structure of wholesale rates (currently set forth in SFPUC Rate Schedule W-25), it shall prepare and distribute to the Wholesale Customers and BAWSCA a report describing the proposed change(s), the purpose(s) for which it/they are being considered, and the estimated financial effect on individual Wholesale Customers or classes of customers. Wholesale Customers may submit comments on the report to the SFPUC for sixty (60) days after receiving the report. The SFPUC will consider these comments and, if it determines to recommend that the Commission adopt the change(s), as described in the report or as modified in response to comments, the SFPUC General Manager shall submit a report to the Commission recommending specific change(s) in the rate structure. Copies of the General Manager's report shall be sent to all Wholesale Customers and BAWSCA at least thirty (30) days prior to the Commission meeting at which the changes will be considered.

C. The SFPUC may recommend, and the Commission may adopt, changes in the structure of wholesale rates at any time. However, the new rate schedule implementing these changes will become effective at the beginning of the following fiscal year.

**6.05 Balancing Account**

**A. Balancing Account Established Under 1984 Agreement**. The amount of credit in favor of San Francisco as of the expiration of the term of 1984 Agreement (June 30, 2009) is not known with certainty as of preparation and execution of this Agreement. It will not be known with certainty until the Compliance Audit for FY 2008-09 is completed and disputes, if any, that the Wholesale Customers or the SFPUC may have with the calculation of the Suburban Revenue Requirement for that fiscal year and for previous fiscal years have been settled or decided by arbitration.

The parties anticipate that the amount of the credit in favor of San Francisco as of June 30, 2009 may be within the range of $15 million to $20 million.

In order to reduce the credit balance due San Francisco under the 1984 Agreement in an orderly manner, while avoiding unnecessary fluctuations in wholesale rates, the parties agree to implement the following procedure.

1. In setting wholesale rates for FY 2009-10, SFPUC will include a balancing account repayment of approximately $2 million.

2. In setting wholesale rates for FY 2010-11 and following years, SFPUC will include a balancing account repayment of not less than $2 million and not more than $5 million annually until the full amount of the balance due, plus interest at the rate specified in Section 6.05.B, is repaid.

3. The actual ending balance as of June 30, 2009 will be determined, by the parties' agreement or arbitral ruling, after the Compliance Audit report for FY 2008-09 is delivered to BAWSCA. That amount, once determined, will establish the principal to be amortized through subsequent years' repayments pursuant to this Section 6.05.A.

**B. Balancing Account Under This Agreement**

1. Operation. After the close of each fiscal year, the SFPUC will compute the costs allocable to the Wholesale Customers for that fiscal year pursuant to Article 5, based on actual costs incurred by the SFPUC and actual amounts of water used by the Wholesale Customers and the Retail Customers. That amount will be compared to the amounts billed to the Wholesale Customers for that fiscal year (including any Excess Use Charges, but excluding revenues described in Section 5.10.C). The difference will be posted to a "balancing account" as a credit to, or charge against, the Wholesale Customers. Interest shall also be posted to the balancing account calculated by multiplying the amount of the opening balance by the average net interest rate, certified by the Controller as earned in the San Francisco Treasury for the previous fiscal year on the San Francisco County Pooled Investment Account. Interest, when posted, will carry the same mathematical sign (whether positive or negative) as carried by the opening balance. The amount posted to the balancing account in each year shall be added to, or subtracted from, the balance in the account from previous years. The calculation of the amount to be posted to the balancing account shall be included in the report prepared by the SFPUC pursuant to Section 7.02.

The opening balance for fiscal year 2009-10 shall be zero.

2. Integration of Balancing Account with Wholesale Rate Setting Process. If the amount in the balancing account is owed to the Wholesale Customers (a positive balance), the SFPUC shall take it into consideration in establishing wholesale rates. However, the SFPUC need not apply the entire amount to reduce wholesale rates for the immediately ensuing

year. Instead, the SFPUC may prorate a positive ending balance over a period of up to three successive years in order to avoid fluctuating decreases and increases in wholesale rates.

a. If a positive balance is maintained for three successive years and represents 10 percent or more of the Wholesale Revenue Requirement for the most recent fiscal year, the SFPUC shall consult with BAWSCA as to the Wholesale Customers' preferred application of the balance. The Wholesale Customers shall, through BAWSCA, direct that the positive balance be applied to one or more of the following purposes: (a) transfer to the Wholesale Revenue Coverage Reserve, (b) amortization of any remaining negative balance from the ending balancing account under the 1984 Agreement, (c) prepayment of the existing asset balance under Section 5.03, (d) water conservation or water supply projects administered by or through BAWSCA, (e) immediate reduction of wholesale rates, or (f) continued retention for future rate stabilization purposes. In the absence of a direction from BAWSCA, the SFPUC shall continue to retain the balance for rate stabilization in subsequent years.

b. If the amount in the balancing account is owed to the SFPUC (a negative balance), the SFPUC shall not be obligated to apply all or any part of the negative balance in establishing wholesale rates for the immediately ensuring year. Instead, the SFPUC may prorate the negative balance in whole or in part over multiple years in order to avoid fluctuating increases and decreases in wholesale rates.

**6.06 <u>Wholesale Revenue Coverage Reserve</u>**

A. . The SFPUC may include in wholesale rates for any fiscal year an additional dollar amount ("Wholesale Revenue Coverage"), which for any fiscal year shall equal the following:

1. The lesser of (i) 25% of the Wholesale Customers' share of Net Annual Debt Service for that fiscal year determined as described in Section 5.04.A, or (ii) the amount necessary to meet the Wholesale Customers' proportionate share of Debt Service coverage required by then-current Indebtedness for that fiscal year, minus

2. A credit for (i) the actual amounts previously deposited in the "Wholesale Revenue Coverage Reserve" (as defined in subsection B below), (ii) accrued interest on the amounts on deposit in the Wholesale Revenue Coverage Reserve, and (iii) an amount equal to any additional interest that would have accrued on the actual amounts previously deposited in

the Wholesale Revenue Coverage Reserve assuming no withdrawals had been made therefrom.

B. During each fiscal year, the SFPUC will set aside and deposit that portion of revenue equal to Wholesale Revenue Coverage into a separate account that the SFPUC will establish and maintain, to be known as the "Wholesale Revenue Coverage Reserve." Deposits into the Wholesale Revenue Coverage Reserve shall be made no less frequently than monthly. The Wholesale Revenue Coverage Reserve shall be credited with interest at the rate specified in Section 6.05.B. The SFPUC may use amounts in the Wholesale Revenue Coverage Reserve for any lawful purpose. Any balance in the Wholesale Revenue Coverage Reserve in excess of the Wholesale Revenue Coverage amount as of the end of any fiscal year (as calculated in subsection 6.06(A) above) shall be applied as a credit against wholesale rates in the immediately following fiscal year unless otherwise directed by BAWSCA.

C. Within 180 days following the later of expiration of the Term or final payment of Debt Service due on Indebtedness issued during the Term to which Wholesale Customers were contributing, SFPUC shall rebate to the Wholesale Customers an amount equal to the Wholesale Revenue Coverage amount in effect for the fiscal year during which the Term expires or the final payment of Debt Service on Indebtedness is made based on each Wholesale Customer's Proportional Annual Use in the fiscal year during which the Term expires or the final payment of debt service on Indebtedness is made.

D. SFPUC shall provide a schedule of debt issuance (with assumptions), and the Wholesale Customers' share of Net Annual Debt Service (actual and projected) expected to be included in wholesale rates starting in 2009-10 through the expected completion of the WSIP. The schedule is to be updated annually prior to rate setting. If estimated Debt Service is used in rate setting, the SFPUC must be able to demonstrate that the Water Enterprise revenues will be sufficient to meet the additional bonds test for the proposed bonds and rate covenants for the upcoming year.

E. Conditions in the municipal bond market may change from those prevailing in 2009. If, prior to expiration of the Term, the SFPUC determines that it would be in the best financial interest of both Retail Customers and Wholesale Customers of the Regional Water System for the Debt Service coverage requirement to be increased in one or more series of proposed new Indebtedness above 1.25%, or for the coverage covenant to be strengthened in

other ways, it will provide a written report to BAWSCA. The report will contain (1) a description of proposed covenant(s) in the bond indenture; (2) an explanation of how savings are expected to be achieved (e.g., increase in the SFPUC's credit rating over the then-current level; ability to obtain credit enhancement, etc.); (3) the estimated all-in true interest cost savings; (4) a comparison of the Wholesale Revenue Requirements using the Debt Service coverage limitation in subsection A and under the proposed methodology; and (5) a comparison of the respective monetary benefits expected to be received by both Retail and Wholesale Customers. The SFPUC and BAWSCA agree to meet and confer in good faith about the proposed changes.

F. Any increase in Debt Service coverage proposed by the SFPUC shall be commensurate with Proportional Water Use by Retail and Wholesale Customers. If the SFPUC demonstrates that an increase in Debt Service coverage will result in equivalent percentage reductions in total Wholesale and Retail Debt Service payments over the life of the proposed new Indebtedness, based on Proportional Water Use, BAWSCA may agree to a modification of the Wholesale Revenue Coverage requirement in subsection A. If BAWSCA does not agree to a proposed modification in coverage requirements in the covenants for new Indebtedness, SFPUC may nevertheless proceed with the modification and the issuance of new Indebtedness. Any Wholesale Customer, or BAWSCA, may challenge an increase in the Wholesale Revenue Requirement resulting from the modification in Debt Service coverage through arbitration as provided in Section 8.01.A. If the arbitrator finds that the increase in Debt Service coverage (1) did not and will not result in equivalent percentage reductions in total Wholesale and Retail Debt Service payments over the life of the proposed new Indebtedness, based on Proportional Water Use, or (2) was not commensurate with Proportional Water Use, the arbitrator may order the Wholesale Revenue Requirement to be recalculated both retrospectively and prospectively to eliminate the differential impact to Wholesale or Retail Customers, subject to the limitation in Section 8.01.C.

**6.07 <u>Working Capital Requirement</u>**

A. The SFPUC maintains working capital in the form of unappropriated reserves for the purpose of bridging the gap between when the SFPUC incurs operating expenses required to provide service and when it receives revenues from its Retail and Wholesale Customers. The Wholesale Customers shall fund their share of working capital as part of the annual Wholesale Revenue Requirement calculation. The amount of wholesale working capital for which the Wholesale Customers will be responsible will be determined using the 60-day standard formula approach.

B. Applying this approach, annual wholesale working capital equals one-sixth of the wholesale allocation of operation and maintenance, administrative and general, and property tax expenses for the Water and Hetch Hetchy Enterprises. Wholesale working capital shall be calculated separately for the Water and Hetch Hetchy Enterprises.

C. Each month, the sum of the Water Enterprise and Hetch Hetchy Enterprise working capital components will be compared with the ending balance in the Wholesale Revenue Coverage Reserve to determine if the Wholesale Customers provided the minimum required working capital. If the Wholesale Revenue Coverage Reserve is greater than the total Water Enterprise and Hetch Hetchy Enterprise working capital requirement, the Wholesale Customers will have provided their share of working capital. If the Wholesale Revenue Coverage Reserve is less than the total Water Enterprise and Hetch Hetchy Enterprise working capital requirement, the Wholesale Customers will be charged interest on the difference, which will be included in the adjustment to the Balancing Account under Section 6.05.B for the subsequent fiscal year.

**6.08 <u>Wholesale Capital Fund</u>**

A. The SFPUC currently funds revenue-funded capital projects through annual budget appropriations that are included in rates established for that fiscal year and transferred to a capital project fund from which expenditures are made. Consistent with the San Francisco Charter and Administrative Code, the SFPUC appropriates funds in advance of construction in order to maintain a positive balance in the capital project fund. The capital project fund also accrues interest and any unspent appropriations in excess of total project costs. It is the SFPUC's practice to regularly monitor the capital project fund balance to determine whether a surplus has accumulated, which can be credited against the next fiscal year's capital project appropriation.

B. The SFPUC shall establish a comparable Wholesale Revenue-Funded Capital Fund (Wholesale Capital Fund) to enable the Wholesale Customers to fund the wholesale share of revenue-funded New Regional Assets. The Wholesale Capital Fund balance is zero as of July 1, 2009. The SFPUC may include in wholesale rates for any fiscal year an amount equal to the wholesale share of the SFPUC's appropriation for revenue funded New Regional Assets for that year, which sum will be credited to the Wholesale Capital Fund. The wholesale share of other sources of funding, where legally permitted and appropriately accounted for under GAAP,

will also be credited to the Wholesale Capital Fund, together with interest earnings on the Wholesale Capital Fund balance.

C. The SFPUC will expend revenues appropriated and transferred to the Wholesale Capital Fund only on New Regional Assets. The annual capital appropriation included in each fiscal year's budget will be provided to BAWSCA in accordance with Section 6.02 and will take into account the current and projected balance in the Wholesale Capital Fund, as well as current and projected unexpended and unencumbered surplus, as shown on attachment M-1, which will be prepared by the SFPUC each year.

D. Commencing on November 30, 2010 and thereafter in each fiscal year during the Term, the SFPUC will also provide an annual report to BAWSCA on the status of individual revenue-funded New Regional Assets, substantially in the form of Attachment M-2.

E. In order to prevent the accumulation of an excessive unexpended and unencumbered surplus in the Wholesale Capital Fund, the status of the fund balance will be reviewed through the Compliance Audit at five-year intervals, commencing in FY 2014-15. Any excess fund balance (i.e., an accumulated unexpended, unencumbered amount in excess of ten percent (10%) of the wholesale share of total capital appropriations for New Regional Assets during the five preceding years) will be transferred to the credit of the Wholesale Customers to the Balancing Account described in Section 6.05. Attachment M-3 illustrates the operation of this review process, covering FY 2009-10 through FY 2013-14 and FY 2014-15 through 2018-19.

F. Three years prior to the end of the Term, the SFPUC and BAWSCA will discuss the disposition of the Wholesale Capital Fund balance at the end of the Term. Absent agreement, any balance remaining in the Wholesale Capital Fund at the end of the Term shall be transferred to the Balancing Account, to the credit of the Wholesale Customers.

## Article 7. Accounting Procedures; Compliance Audit

### 7.01 SFPUC Accounting Principles, Practices

A. **Accounting Principles**. San Francisco will maintain the accounts of the SFPUC and the Water and Hetch Hetchy Enterprises in conformity with Generally Accepted Accounting Principles. San Francisco will apply all applicable pronouncements of the Governmental Accounting Standards Board (GASB) as well as statements and interpretations of the Financial Accounting Standards Board and Accounting Principles Board opinions issued on or before March 30, 1989, unless those pronouncements or opinions conflict with GASB pronouncements.

B. **General Rule**. San Francisco will maintain the accounting records of the SFPUC and the Water and Hetch Hetchy Enterprises in a format and level of detail sufficient to allow it to determine the annual Wholesale Revenue Requirement in compliance with this Agreement and to allow its determination of the Wholesale Revenue Requirement to be audited as provided in Section 7.04.

C. **Water Enterprise**. San Francisco will maintain an account structure which allows utility plant and operating and maintenance expenses to be segregated by location (inside San Francisco and outside San Francisco) and by function (Direct Retail, Regional and Direct Wholesale).

D. **Hetch Hetchy Enterprise**. San Francisco will maintain an account structure which allows utility plant and operating and maintenance expenses to be segregated into Water Only, Power Only and Joint categories.

E. **SFPUC**. San Francisco will maintain an account structure which allows any expenses of SFPUC bureaus that benefit only the Wastewater Enterprise, the Power-Only operations of the Hetch Hetchy Enterprise or Retail Customers to be excluded from the Wholesale Revenue Requirement.

F. **Utility Plant Ledgers**. San Francisco will maintain subsidiary plant ledgers for the Water and Hetch Hetchy Enterprises that contain unique identifying numbers for all assets included in the rate base and identify the original cost, annual depreciation, accumulated depreciation, date placed in service, useful life, salvage value if any, source of funding (e.g., bond series, revenues, grants), and classification for purposes of this Agreement.

G. **Debt.** San Francisco will maintain documentation identifying:

1. The portion of total bonded debt outstanding related to each series of each bond issue.

2. The portion of total interest expense related to each series of each bond issue.

3. The use of proceeds of each bond issue (including proceeds of commercial paper and/or other interim financial instruments redeemed or expected to be redeemed from bonds and earnings on the proceeds of financings) in sufficient detail to determine, for each bond issue, the proceeds and earnings of each (including proceeds and earnings of interim financing vehicles redeemed by a bond issue) and the total amounts expended on Direct Retail improvements and the total amounts expended on Regional improvements.

H. **Changes in Accounting.** Subject to subsections A thru G, San Francisco may change the chart of accounts and accounting practices of the SFPUC and the Water and Hetch Hetchy Enterprises. However, the allocation of any expense to the Wholesale Customers that is specified in the Agreement may not be changed merely because of a change in (1) the accounting system or chart of accounts used by SFPUC, (2) the account to which an expense is posted or (3) a change in the organizational structure of the SFPUC or the Water or Hetch Hetchy Enterprises.

I. **Audit.** San Francisco will arrange for an audit of the financial statements of Water and Hetch Hetchy Enterprises to be conducted each year by an independent certified public accountant, appointed by the Controller, in accordance with Generally Accepted Auditing Standards.

**7.02 Calculation of and Report on Wholesale Revenue Requirement**

A. Within five months after the close of each fiscal year, San Francisco will prepare a report showing its calculation of the Wholesale Revenue Requirement for the preceding fiscal year and the change in the balancing account as of the end of that fiscal year. The first such report will be prepared by November 30, 2010 and will cover fiscal year 2009-10 and the balancing account as of June 30, 2010.

B. The report will consist of the following items:

1. Statement of changes in the balancing account for the fiscal year being reported on, and for the immediately preceding fiscal year, substantially in the form of Attachment O.

2. Detailed supporting schedules 8.1 through 8.2 substantially in the form of Attachment N-2.

3. Description and explanation of any changes in San Francisco's accounting practices from those previously in effect.

4. Explanation of any line item of expense (shown on Attachment N-2, schedules 1 and 4) for which the amount allocated to the Wholesale Customers increased by (a) ten percent or more from the preceding fiscal year, or (b) more than $1,000,000.

5. Representation letter signed by the SFPUC General Manager and by other SFPUC financial staff shown on Attachment P, as the General Manager may direct, subject to change in position titles at the discretion of the SFPUC.

C. The report will be delivered to the BAWSCA General Manager by the date identified in Subsection A.

Once the report has been delivered to BAWSCA, San Francisco will, upon request:

1. Provide BAWSCA with access to, and copies of, all worksheets and supporting documents used or prepared by San Francisco during its calculation of the Wholesale Revenue Requirement;

2. Make available to BAWSCA all supporting documentation and calculations used by San Francisco in preparing the report; and

3. Promptly provide answers to questions from BAWSCA staff about the report.

## 7.03 Appointment of Compliance Auditor

A. **Purpose**. The purpose of this section is to provide for an annual Compliance Audit by an independent certified public accountant of the procedures followed and the underlying data used by San Francisco in calculating the Wholesale Revenue Requirement for the preceding fiscal year. The annual Compliance Audit shall also determine whether the Wholesale Revenue Requirement has been calculated in accordance with the terms of the Agreement and whether amounts paid by the Wholesale Customers in excess of or less than the Wholesale Revenue Requirement have been posted to the balancing account, together with interest as provided in Section 6.05.

B. **Method of Appointment**. The Controller shall select an independent certified public accountant ("Compliance Auditor") to conduct the Compliance Audit described below. The Compliance Auditor may be the same certified public accountant engaged by the Controller to audit the financial statements of the Water and Hetch Hetchy Enterprises. Subject to approval by the Controller and the General Manager of the SFPUC, the Compliance Auditor shall have the authority to engage such consultants as it deems necessary or appropriate to assist in the audit. The terms of this Article shall be incorporated into the contract between San Francisco and the Compliance Auditor, and the Wholesale Customers shall be deemed to be third-party beneficiaries of said contract.

## 7.04 Conduct of Compliance Audit

A. **Standards**. The Compliance Auditor shall perform the Compliance Audit in accordance with Generally Accepted Auditing Standards. In particular, its review shall be governed by the standards contained in Section AU 623 (Reports on Specified Elements, Accounts or Items of a Financial Statement) of the AICPA, *Professional Standards*, as amended from time to time.

B. **Preliminary Meeting; Periodic Status Reports; Access to Data**. Prior to commencing the audit, the Compliance Auditor shall meet with San Francisco and BAWSCA to discuss the audit plan, the procedures to be employed and the schedule to be followed. During the course of the audit, the Compliance Auditor shall keep San Francisco and BAWSCA informed of any unforeseen problems or circumstances which could cause a delay in the audit or any material expansion of the audit's scope. The Compliance Auditor shall be given full

access to all records of the SFPUC and the Water and Hetch Hetchy Enterprises that the Auditor deems necessary for the audit.

C. **Audit Procedures**. The Compliance Auditor shall review San Francisco's calculation of the Wholesale Revenue Requirement and the underlying data in order to carry out the purpose of the audit described in Section 7.03.A and to issue the report described in Section 7.05. At a minimum, the Compliance Auditor shall address the following:

1. Water Enterprise Operating and Maintenance Expenses. The Compliance Auditor shall review Water Enterprise cost ledgers to determine whether the recorded operating and maintenance expenses fairly reflect the costs incurred, were recorded on a basis consistent with applicable Generally Accepted Accounting Principles, and were allocated to the Wholesale Customers as provided in this Agreement.

2. Water Enterprise Administrative and General Expenses. The Compliance Auditor shall review Water Enterprise cost ledgers and other appropriate financial records, including those of the SFPUC, to determine whether the recorded administrative and general expenses fairly reflect the costs incurred by or allocated to the Water Enterprise, whether they were recorded on a basis consistent with applicable Generally Accepted Accounting Principles, whether SFPUC charges were allocated to the Water Enterprise in accordance with this Agreement, and whether the amount of administrative and general expenses allocated to the Wholesale Customers was determined as provided by this Agreement.

3. Property Taxes. The Compliance Auditor shall review Water Enterprise cost ledgers to determine whether the amount of property taxes shown on the report fairly reflects the property tax expense incurred by San Francisco for Water Enterprise property outside of San Francisco and whether there has been deducted from the amount to be allocated (1) all taxes actually reimbursed to San Francisco by tenants of Water Enterprise property under leases that require such reimbursement and (2) any refunds received from the taxing authority. The Compliance Auditor also shall determine whether the amount of property taxes allocated to the Wholesale Customers was determined as provided in this Agreement.

4. Debt Service. The Compliance Auditor shall review SFPUC records to determine whether debt service, and associated coverage requirements, were allocated to the Wholesale Customers as provided in this Agreement.

5. Amortization of Existing Assets in Service as of June 30, 2009. The Compliance Auditor shall review both Water and Hetch Hetchy Enterprise records to determine whether the payoff amount for Existing Assets allocated to the Wholesale Customers as shown on Attachment K-1 through K-4 was calculated as provided in Section 5.03 of this Agreement.

6. Revenue-Funded Capital Appropriations/Expenditures. The Compliance Auditor shall review San Francisco's calculation of actual expenditures on the wholesale share of revenue-funded New Regional Assets and remaining unexpended and unencumbered project balances in the "Wholesale Capital Fund" described in Section 6.08, to determine whether the procedures contained in that section were followed.

7. Hetch Hetchy Expenses. The Compliance Auditor shall determine whether Hetch Hetchy Enterprise expenses were allocated to the Wholesale Customers as provided in this Agreement.

**D. Use of and Reliance on Audited Financial Statements and Water Use Data**

1. In performing the audit, the Compliance Auditor shall incorporate any adjustments to the cost ledgers recommended by the independent certified public accountant, referred to in Section 7.01.I, which audited the financial statements of the Water and Hetch Hetchy Enterprises. The Compliance Auditor may rely upon the work performed by that independent certified public accountant if the Compliance Auditor reviews the work and is willing to take responsibility for it as part of the compliance audit.

2. In performing the Compliance Audit and issuing its report, the Compliance Auditor may rely on water use data furnished by the Water Enterprise, regardless of whether the Wholesale Customers contest the accuracy of such data. The Compliance Auditor shall have no obligation to independently verify the accuracy of the water use data provided by San Francisco; however, the Compliance Auditor shall disclose in its report any information which came to its attention suggesting that the water use data provided by San Francisco are inaccurate in any significant respect.

E. **Exit Conference**. Upon completion of the audit, the Compliance Auditor shall meet with San Francisco and BAWSCA to discuss audit findings, including (1) any material weakness in internal controls and (2) adjustments proposed by the Compliance Auditor and San Francisco's response (i.e., booked or waived).

## 7.05 Issuance of Compliance Auditor's Report

A. San Francisco will require the Compliance Auditor to issue its report no later than nine months after the fiscal year under audit (i.e., March 31 of the following calendar year). The Compliance Auditor's report shall be addressed and delivered to San Francisco and BAWSCA. The report shall contain:

1. A statement that the Auditor has audited the report on the calculation of the Wholesale Revenue Requirement and changes in the balancing account, and supporting documents, prepared by San Francisco as required by Section 7.02.

2. A statement that the audit was conducted in accordance with auditing standards generally accepted in the United States of America, and that the audit provides a reasonable basis for its opinion.

3. A statement that in the Compliance Auditor's opinion the Wholesale Revenue Requirement was calculated by San Francisco in accordance with this Agreement and that the change in the balancing account shown in San Francisco's report was calculated as required by this Agreement and presents fairly, in all material respects, changes in and the balance due to (or from) the Wholesale Customers as of the end of the fiscal year under audit.

## 7.06 Wholesale Customer Review

A. One or more Wholesale Customers, or BAWSCA, may engage an independent certified public accountant (CPA) to conduct a review (at its or their expense) of San Francisco's calculation of the annual Wholesale Revenue Requirement and a review of changes in the balancing account.

B. If a Wholesale Customer or BAWSCA wishes such a review to be conducted it will provide written notice to SFPUC within 30 days of the date the Compliance Auditor's report is issued. The notice will identify the CPA or accounting/auditing firm that will conduct the review and the specific aspects of the Compliance Auditor's report that are the subject of the review. If more than one notice of review is received by the SFPUC, the requesting Wholesale Customers shall combine and coordinate their reviews and select a lead auditor to act on their behalf for the purposes of requesting documents and conducting on-site investigations.

C. San Francisco will cooperate with the CPA appointed by a Wholesale Customer or BAWSCA. This cooperation includes making requested records promptly available, making

knowledgeable SFPUC personnel available to timely and truthfully answer the CPA's questions and directing the Compliance Auditor to cooperate with the CPA.

D. The Wholesale Customer's review shall be completed within 60 days after the date the Compliance Auditor's report is issued. At the conclusion of the review, representatives of San Francisco and BAWSCA shall meet to discuss any differences between them concerning San Francisco's compliance with Articles 5 or 6 of this Agreement during the preceding fiscal year or San Francisco's calculation of the Wholesale Revenue Requirement for the preceding fiscal year. If such differences cannot be resolved, the dispute shall be submitted to arbitration in accordance with Section 8.01.

## Article 8. Other Agreements of the Parties

### 8.01 Arbitration and Judicial Review

A. **General Principles re Scope of Arbitration.** All questions or disputes arising under the following subject areas shall be subject to mandatory, binding arbitration and shall not be subject to judicial determination:

1. the determination of the Wholesale Revenue Requirement, which shall include both the calculations used in the determination and the variables used in those calculations;

2. the SFPUC's adherence to accounting practices and conduct of the Compliance Audit; and

3. the SFPUC's classification of new assets for purposes of determining the Wholesale Revenue Requirement.

All other questions or disputes arising under this Agreement shall be subject to judicial determination. Disputes about the scope of arbitrability shall be resolved by the courts.

B. **Demand for Arbitration.** If any arbitrable question or dispute should arise, any Wholesale Customer or the SFPUC may commence arbitration proceedings hereunder by service of a written Demand for Arbitration. Demands for arbitration shall set forth all of the issues to be arbitrated, the general contentions relating to those issues, and the relief sought by the party serving the Demand. Within 45 days after service of a Demand upon it, any Wholesale Customer or the SFPUC may serve a Notice of Election to become a party to the arbitration and a Response to the issues set forth in the Demand. The Response shall include the party's general contentions and defenses with respect to the claims made in the Demand, and may include any otherwise arbitrable claims, contentions and demands that concern the fiscal year covered by the Demand. If a timely Notice of Election and Response is not filed by any such entity, it shall not be a party to the arbitration but shall nonetheless be bound by the award of the arbitrator. If no party to this Agreement serves a timely Notice of Election and Response, the party seeking arbitration shall be entitled to the relief sought in its Demand for Arbitration without the necessity of further proceedings. Any claims not made in a Demand or Response shall be deemed waived.

If a Demand or Notice of Election is made by the SFPUC, it shall be served by personal delivery or certified mail to each Wholesale Customer at the address of such customer as set forth in the billing records of the SFPUC. If a Demand or Notice of Election is made by a Wholesale Customer, service shall be by certified mail or personal delivery to the General Manager, SFPUC, 1155 Market Street, 11th Floor, San Francisco, California 94103, and to each of the other Wholesale Customers. If arbitration is commenced, the Wholesale Customers shall use their best efforts to formulate a single, joint position with respect thereto. In any event, with respect to the appointment of arbitrators, as hereinafter provided, all Wholesale Customers that take the same position as to the issues to be arbitrated shall jointly and collectively be deemed to be a single party.

C. **Limitations Period.** All Demands For Arbitration shall be served within twelve months of receipt by BAWSCA of the Wholesale Revenue Requirement Compliance Auditor's Report for that year. If a party fails to file a Demand within the time period specified in this subsection, that party waives all present and future claims with respect to the fiscal year in question. If no such Demand is served within the twelve month period specified above, the SFPUC's determination of the Wholesale Revenue Requirement for that year shall be final and conclusive. Whether any particular claim is barred by the twelve month limitations period provided for herein shall be for the arbitrator to determine. Prior to the expiration of the twelve month limitations period, the parties to the dispute may agree by written stipulation to extend the period by up to six additional months.

The Arbitrator may order the alteration or recalculation of underlying Water Enterprise and/or Hetch Hetchy Enterprise accounts or asset classifications. Such changes shall be used to calculate the Wholesale Revenue Requirement for the fiscal year in dispute and shall also be used to determine future Wholesale Revenue Requirements, if otherwise applicable, even though the existing entries in such accounts or the asset classifications, in whole or in part, predate the twelve month period described above, so long as a timely arbitration Demand has been filed in accordance with this subsection.

D. **Number and Appointment of Arbitrators.** All arbitration proceedings under this section shall be conducted by a single arbitrator, selected by the SFPUC and a designated representative of the Wholesale Customers or each group of Wholesale Customers that take the same position with respect to the arbitration, within 75 days after service of the Demand. If the parties to the arbitration cannot agree on an arbitrator within 75 days, any party may petition

the Marin County Superior Court for the appointment of an arbitrator pursuant to Code of Civil Procedure Section 1281.6 (or any successor provision).

E. **Guidelines for Qualifications of Arbitrators**. The Wholesale Customers and the SFPUC acknowledge that the qualifications of the arbitrator will vary with the nature of the matter arbitrated, but, in general, agree that such qualifications may include service as a judge or expertise in one or more of the following fields: public utility law, water utility rate setting, water system and hydraulic engineering, utility accounting methods and practices, and water system operation and management. The parties to the arbitration shall use their best efforts to agree in advance upon the qualifications of any arbitrator to be appointed by the Superior Court.

F. **Powers of Arbitrator; Conduct of Proceedings**

1. Except as provided in this section, arbitrations under this section shall be conducted under and be governed by the provisions of California Code of Civil Procedure Sections 1282.2 through 1284.2 (hereinafter, collectively, "Code sections"), and arbitrators appointed hereunder shall have the powers and duties specified by the Code sections.

2. Within the meaning of the Code sections, the term "neutral arbitrator" shall mean the single arbitrator selected by the parties to the arbitration.

3. Unless waived in writing by the parties to the arbitration, the notice of hearing served by the arbitrator shall not be less than 90 days.

4. The lists of witnesses (including expert witnesses), and the lists of documents (including the reports of expert witnesses) referred to in Code of Civil Procedure Section 1282.2 shall be mutually exchanged, without necessity of demand therefore, no later than 60 days prior to the date of the hearing, unless otherwise agreed in writing by the parties to the arbitration. Upon application of any party, or on his or her own motion, the arbitrator may schedule one or more prehearing conferences for the purposes of narrowing and/or expediting resolution of the issues in dispute. Strict conformity to the rules of evidence is not required, except that the arbitrator shall apply applicable law relating to privileges and work product. The arbitrator shall consider evidence that he or she finds relevant and material to the dispute, giving the evidence such weight as is appropriate. The arbitrator may limit testimony to exclude evidence that would be immaterial or unduly repetitive, provided that all parties are afforded the opportunity to present material and relevant evidence.

5. Within thirty days after the close of the arbitration hearing, or such other time as the arbitrator shall determine, the parties will submit proposed findings and a proposed remedy to the arbitrator. The parties may file objections to their adversary's proposed findings and remedy within a time limit to be specified by the arbitrator. The arbitrator shall not base his or her award on information not obtained at the hearing.

6. The arbitrator shall render a written award no later than twelve months after the arbitrator is appointed, either by the parties or by the court, provided that such time may be waived or extended as provided in Code of Civil Procedure Section 1283.8.

7. The provisions for discovery set forth in Code of Civil Procedure Section 1283.05 are incorporated into and made part of this Agreement, except that: (a) leave of the arbitrator need not be obtained for the taking of depositions, including the depositions of expert witnesses; (b) the provisions of Code of Civil Procedure Section 2034.010 et seq., relating to discovery of expert witnesses, shall automatically be applicable to arbitration proceedings arising under this Agreement without the necessity for a formal demand pursuant to Section 2034.210 and the date for the exchange of expert discovery provided by Sections 2034.260 and 2034.270 shall be not later than 60 days prior to the date for the hearing; and (c) all reports, documents, and other materials prepared or reviewed by any expert designated to testify at the arbitration shall be discoverable. In appropriate circumstances, the arbitrator may order any party to this Agreement that is not a party to the arbitration to comply with any discovery request.

8. For the purposes of allocation of expenses and fees, as provided in Code of Civil Procedure Section 1284.2, if any two or more Wholesale Customers join together in a single, joint position in the arbitration, those Wholesale Customers shall be deemed to be a single party. If any Wholesale Customer or customers join together with the SFPUC in a single joint position in the arbitration, those Wholesale Customers and the SFPUC together shall be deemed to be a single party.

9. Subject to any other limitations imposed by the Agreement, the arbitrator shall have power to issue orders mandating compliance with the terms of the Agreement or enjoining violations of the Agreement. With respect to any arbitration brought to redress a claimed wholesale overpayment to the SFPUC, the arbitrator's power to award monetary relief

shall be limited to entering an order requiring that an adjustment be made in the amount posted to the balancing account for the fiscal year covered by the Demand.

10. All awards of the arbitrator shall be binding on the SFPUC and the Wholesale Customers regardless of the participation or lack thereof by any Wholesale Customer or the SFPUC as a party to the arbitration proceeding. The parties to an arbitration shall have the power to modify or amend any arbitration award by mutual consent. The arbitrator shall apply California law.

**8.02 Attorneys' Fees**

**A. Arbitration or Litigation Between San Francisco and Wholesale Customers Arising under the Agreement or Individual Water Sales Contracts**. Each party will bear its own costs, including attorneys' fees, incurred in any arbitration or litigation arising under this Agreement or the Individual Water Sales Contracts between San Francisco and the Wholesale Customers. Notwithstanding the foregoing, and subject to the limitations contained herein, the SFPUC may allocate to the Wholesale Customers as an allowable expense, utilizing the composite rate used for allocating other Water Enterprise administrative and general expenses, any attorneys' fees and costs incurred by the SFPUC in connection with arbitration and/or litigation arising under this Agreement and/or the Individual Water Sales Contracts. Attorneys' fees incurred by the SFPUC for attorneys employed in the San Francisco City Attorney's office shall be billed at the hourly rates charged for the attorneys in question by the San Francisco City Attorney's Office to the SFPUC. Attorneys' fees incurred by the SFPUC for attorneys other than those employed in the San Francisco City Attorney's Office shall be limited to the hourly rates charged to the SFPUC for attorneys and paralegals with comparable experience employed in the San Francisco City Attorney's office and in no event shall exceed the highest hourly rate charged by any attorney or paralegal employed in the City Attorney's Office to the SFPUC.

**B. Arbitration or Litigation Outside of Agreement Concerning the SFPUC Water System or Reserved Issues**

1. The attorneys' fees and costs incurred by the SFPUC in litigation between San Francisco and one or more of the Wholesale Customers arising from matters outside of the Agreement, including, without limitation, litigation and/or arbitration concerning the issues specifically reserved in the Agreement, shall be allocated between the Retail Customers and the

Wholesale Customers utilizing the composite rate used for allocating other Water Enterprise administrative and general expenses.

2. If, in any litigation described in subsection B.1 above, attorneys' fees and costs are awarded to one or more of the Wholesale Customers as prevailing parties, the SFPUC's payment of the Wholesale Customers' attorneys' fees and costs shall not be an allowable expense pursuant to subsection A.

3. If, in any litigation described in subsection B.1, the SFPUC obtains an award of attorneys' fees and costs as a prevailing party against one or more of the Wholesale Customers, any such award shall be reduced to offset the amount of the SFPUC's fees and costs, if any, that have already been paid by the Wholesale Customers in the current or any prior fiscal years pursuant to subsection B.1 and the provisions of Articles 5 and 6 of the Agreement.

4. Nothing contained in this Agreement, including this subsection, shall authorize a court to award attorneys' fees and costs to a prevailing party as a matter of contract and/or the provisions of Civil Code Section 1717, in litigation between San Francisco and one or more of the Wholesale Customers arising from matters outside of the Agreement, including, without limitation, litigation and/or arbitration concerning the issues specifically reserved in the Agreement.

C. **Attorneys Fees and Costs Incurred by the SFPUC in Connection with the Operation and Maintenance of the SFPUC Water Supply System**. All attorneys' fees and costs incurred by the SFPUC in connection with the operation and maintenance of the SFPUC's water supply system shall be allocated between Retail Customers and the Wholesale Customers utilizing the composite rate used for allocating other Water Enterprise administrative and general expenses.

**8.03 Annual Meeting and Report**

A. The parties wish to ensure that the Wholesale Customers may, in an orderly way, be informed of matters affecting the Regional Water System, including matters affecting the continuity and adequacy of their water supply from San Francisco.

For this purpose, the General Manager of the SFPUC shall meet annually with the Wholesale Customers and BAWSCA during the month of February, commencing

February 2010. At these annual meetings, the SFPUC shall provide the Wholesale Customers a report on the following topics:

1. Capital additions under construction or being planned for the Regional Water System, including the status of planning studies, financing plans, environmental reviews, permit applications, etc.;

2. Water use trends and projections for Retail Customers and Wholesale Customers;

3. Water supply conditions and projections;

4. The status of any administrative proceedings or litigation affecting San Francisco's water rights or the SFPUC's ability to deliver water from the watersheds which currently supply the Regional Water System;

5. Existing or anticipated problems with the maintenance and repair of the Regional Water System or with water quality;

6. Projections of Wholesale Revenue Requirements for the next five years;

7. Any other topic which the SFPUC General Manager places on the agenda for the meeting;

8. Any topic which the Wholesale Customers, through BAWSCA, request be placed on the agenda, provided that the SFPUC is notified of the request at least 10 days before the meeting.

B. The General Manager of the SFPUC, the Assistant General Manager of the Water Enterprise, and the Assistant General Manager of Business Services-CFO will use their best efforts to attend the annual meetings. If one or more of these officers are unable to attend, they will designate an appropriately informed assistant to attend in their place.

**8.04 <u>Administrative Matters Delegated to BAWSCA</u>**

A. The Wholesale Customers hereby delegate the authority and responsibility for performing the following administrative functions contemplated in this Agreement to BAWSCA:

1. Approval of calculations of Proportional Annual Water Use required by Section 3.14 and Attachment J, "Water Use Measurement and Tabulation";

2. Approval of amendments to Attachments J and K-3 and K-4, "25-Year Payoff Schedules for Existing Rate Base";

3. Agreement that the Water Meter and Calibration Procedures Manual to be prepared by the SFPUC may supersede some or all of the requirements in Attachment J, as described in Section 3.14;

4. Conduct of Wholesale Customer review of SFPUC's calculation of annual Wholesale Revenue Requirement/Change in Balancing Account described in Section 7.06;

5. Approval of an adjustment to Wholesale Revenue Coverage as described in Section 6.06.

B. A majority of the Wholesale Customers may, without amending this Agreement, delegate additional administrative functions to BAWSCA. To be effective, such expanded delegation must be evidenced by resolutions adopted by the governing bodies of a majority of the Wholesale Customers.

C. Unless otherwise explicitly stated, the administrative authority delegated to BAWSCA may be exercised by the General Manager/CEO of BAWSCA, rather than requiring action by the BAWSCA Board of Directors. In addition, the Wholesale Customers may, with the consent of BAWSCA, delegate to BAWSCA the initiation, defense, and settlement of arbitration proceedings provided for in Section 8.01.

**8.05 <u>Preservation of Water Rights; Notice of Water Rights Proceedings</u>**

A. It is the intention of San Francisco to preserve all of its water rights, irrespective of whether the water held under such water rights is allocated under this Agreement. Nothing in this Agreement shall be construed as an abandonment, or evidence of an intent to abandon, any of the water rights that San Francisco presently possesses.

B. San Francisco shall use its best efforts to give prompt notice to BAWSCA of any litigation or administrative proceedings to which San Francisco is a party involving water rights to the Regional Water System. The failure of San Francisco to provide notice as required by this section, for whatever reason, shall not give rise to any monetary liability.

## 8.06 SFPUC Rules and Regulations

The sale and delivery of all water under this Agreement shall be subject to such of the "Rules and Regulations Governing Water Service to Customers" of the Water Enterprise adopted by the Commission, as those rules and regulations may be amended from time to time, as are (1) applicable to the sale and delivery of water to the Wholesale Customers, (2) reasonable, and (3) not inconsistent with either this Agreement or with an Individual Water Sales Contract. The SFPUC will give the Wholesale Customers notice of any proposal to amend the Rules and Regulations in a manner that would affect the Wholesale Customers. The notice will be delivered at least thirty days in advance of the date on which the proposal is to be considered by the Commission and will be accompanied by the text of the proposed amendment.

## 8.07 Reservations of, and Limitations on, Claims

A. **General Reservation of Raker Act Contentions**. The 1984 Agreement resolved a civil action brought against San Francisco by certain of the Wholesale Customers. Plaintiffs in that action contended that they, and other Wholesale Customers that are municipalities or special districts, were "co-grantees" within the meaning of Section 8 of the Act and were entitled to certain rights, benefits and privileges by virtue of that status. San Francisco disputed those claims.

Nothing in this Agreement, or in the Individual Water Sales Contracts, shall be construed or interpreted in any way to affect the ultimate resolution of the controversy between the parties concerning whether any of the Wholesale Customers are "co-grantees" under the Act and, if so, what rights, benefits and privileges accrue to them by reason of that claimed status.

B. **Claims Reserved but not Assertable During Term or Portions Thereof**. The following claims, which San Francisco disputes, are reserved but may not be asserted during the Term (or portions thereof, as indicated):

1. The Wholesale Customers' claim that the Act entitles them to water at cost.

2. The Wholesale Customers' claim that San Francisco is obligated under the Act or state law to supply them with additional water in excess of the Supply Assurance. This claim may not be asserted unless and until San Francisco decides not to meet projected

water demands of Wholesale Customers in excess of the Supply Assurance pursuant to Section 4.06.

3. The claim by San Jose and Santa Clara that they are entitled under the Act, or any other federal or state law, to permanent, non-interruptible status and to be charged rates identical to those charged other Wholesale Customers. This claim may not be asserted unless and until San Francisco notifies San Jose or Santa Clara that it intends to interrupt or terminate water deliveries pursuant to Section 4.05.

4. The Wholesale Customers' claim that the SFPUC is not entitled to impose a surcharge for lost power generation revenues attributable to furnishing water in excess of the Supply Assurance. This claim may not be asserted unless and until SFPUC furnishes water in excess of the Supply Assurance during the Term and also includes such a surcharge in the price of such water.

5. Claims by Wholesale Customers (other than San Jose and Santa Clara, whose service areas are fixed) that SFPUC is obligated under the Act or state law to furnish water, within their Individual Supply Guarantee, for delivery to customers outside their existing service area and that Wholesale Customers are entitled to enlarge their service areas to supply those customers. Such claims may be asserted only after compliance with the procedure set forth in Section 3.03, followed by SFPUC's denial of, or failure for six months to act on, a written request by a Wholesale Customer to expand its service area.

C. **Waived Activities**. The Wholesale Customers (and the SFPUC, where specified) will refrain from the following activities during the Term (or portions thereof, as specified):

1. The Wholesale Customers and the SFPUC will not contend before any court, administrative agency or legislative body or committee that the methodology for determining the Wholesale Revenue Requirement (or the requirements for (a) amortization of the ending balance under the 1984 Agreement, or (b) contribution to the Wholesale Revenue Coverage) determined in accordance with this Agreement violates the Act or any other provision of federal law, state law, or San Francisco's City Charter, or is unfair, unreasonable or unlawful.

2. The Wholesale Customers will not challenge the transfer of funds by the SFPUC to any other San Francisco City department or fund, provided such transfer complies with the San Francisco City Charter. The transfer of its funds, whether or not permitted by the

City Charter, will not excuse the SFPUC from its failure to perform any obligation imposed by this Agreement.

3. The Wholesale Customers and the SFPUC will not assert monetary claims against one another based on the 1984 Agreement other than otherwise arbitrable claims arising from the three fiscal years immediately preceding the start of the Term (i.e., FYs 2006-07, 2007-08 and 2008-09). Such claims, if any, shall be governed by the dispute resolution provisions of this Agreement, except that the time within which arbitration must be commenced shall be 18 months from delivery of the Compliance Auditor's report.

**D. Other**

1. This Agreement shall determine the respective monetary rights and obligations of the parties with respect to water sold by the SFPUC to the Wholesale Customers during the Term. Such rights and obligations shall not be affected by any judgments or orders issued by any court in litigation, whether or not between parties hereto, and whether or not related to the controversy over co-grantee status, except for arbitration and/or litigation expressly permitted in this Agreement. No judicial or other resolution of issues reserved by this section will affect the Wholesale Revenue Requirement which, during the Term, will be determined exclusively as provided in Articles 5, 6 and 7 of this Agreement.

2. Because delays in the budget process or other events may cause the SFPUC to defer the effective date of changes in wholesale rates until after the beginning of the fiscal year, this Agreement does not require the SFPUC to make changes in wholesale rates effective at the start of the fiscal year or at any other specific date.

3. The Wholesale Customers do not, by executing this Agreement, concede the legality of the SFPUC's establishing Interim Supply Allocations, as provided in Article 4 or imposing Environmental Enhancement Surcharges on water use in excess of such allocations. Any Wholesale Customer may challenge such allocation when imposed and/or such surcharges if and when levied, in any court of competent jurisdiction.

4. The furnishing of water in excess of the Supply Assurance by San Francisco to the Wholesale Customers shall not be deemed or construed to be a waiver by San Francisco of its claim that it has no obligation under any provision of law to supply such water to the Wholesale Customers, nor shall it constitute a dedication by San Francisco to the Wholesale Customers of such water.

## 8.08 Prohibition of Assignment

A. This Agreement shall be binding on, and shall inure to the benefit of, the parties and their respective successors and permitted assigns. Each Wholesale Customer agrees that it will not transfer or assign any rights or privileges under this Agreement, either in whole or in part, or make any transfer of all or any part of its water system or allow the use thereof in any manner whereby any provision of this Agreement will not continue to be binding on it, its assignee or transferee, or such user of the system. Any assignment or transfer in violation of this covenant, and any assignment or transfer that would result in the supply of water in violation of the Act, shall be void.

B. Nothing in this section shall prevent any Wholesale Customer (except the California Water Service Company and Stanford) from entering into a joint powers agreement or a municipal or multi-party water district with any other Wholesale Customer (except the two listed above) to exercise the rights and obligations granted to and imposed upon the Wholesale Customers hereunder, nor shall this section prevent any Wholesale Customer (except the two listed above) from succeeding to the rights and obligations of another Wholesale Customer hereunder as long as the Wholesale Service Area served by the Wholesale Customers involved in the succession is not thereby enlarged.

## 8.09 Notices

A. All notices and other documents that San Francisco is required or permitted to send to the Wholesale Customers under this Agreement shall be sent to each and all of the Wholesale Customers by United States mail, first class postage prepaid, addressed to each Wholesale Customer at the address to which monthly water bills are mailed by the Water Enterprise.

B. All notices or other documents which the Wholesale Customers are required or permitted to send to San Francisco under this Agreement shall be sent by United States mail, first class postage prepaid, addressed as follows:

General Manager
San Francisco Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, CA 94103

C. Each Wholesale Customer is a member of BAWSCA. San Francisco shall send a copy of each notice or other document which it is required to send to all Wholesale Customers to BAWSCA addressed as follows:

General Manager/CEO
Bay Area Water Supply and Conservation Agency
155 Bovet Road, Suite 302
San Mateo, CA 94402

The failure of San Francisco to send a copy of such notices or documents to BAWSCA shall not invalidate any rate set or other action taken by San Francisco.

D. Any party (or BAWSCA) may change the address to which notice is to be sent to it under this Agreement by notice to San Francisco (in the case of a change desired by a Wholesale Customer or BAWSCA ) and to the Wholesale Customer and BAWSCA (in the case of a change desired by San Francisco).

The requirements for notice set forth in Section 8.01 concerning arbitration shall prevail over this section, when they are applicable.

**8.10 Incorporation of Attachments**

Attachments A through Q, referred to herein, are incorporated in and made a part of this Agreement.

**8.11 Interpretation**

In interpreting this Agreement, or any provision thereof, it shall be deemed to have been drafted by all signatories, and no presumption pursuant to Civil Code Section 1654 may be invoked to determine the Agreement's meaning. The marginal headings and titles to the sections and paragraphs of this Agreement are not a part of this Agreement and shall have no effect upon the construction or interpretation of any part hereof.

**8.12 Actions and Approvals by San Francisco**

Whenever action or approval by San Francisco is required or contemplated by this Agreement, authority to act or approve shall be exercised by the Commission, except if such action is required by law to be taken, or approval required to be given, by the San Francisco Board of Supervisors. The Commission may delegate authority to the General Manager in

accordance with the San Francisco City Charter and Administrative Code, except for actions that this Agreement requires to be taken by the Commission.

**8.13 Counterparts**

Execution of this Agreement may be accomplished by execution of separate counterparts by each signatory. San Francisco shall deliver its executed counterpart to BAWSCA and the counterpart which each Wholesale Customer executes shall be delivered to San Francisco. The separate executed counterparts, taken together, shall constitute a single agreement.

**8.14 Limitations on Damages**

A. Unless otherwise prohibited by this Agreement, general or direct damages may be recovered for a breach of a party's obligations under this Agreement. No party is liable for, or may recover from any other party, special, indirect or consequential damages or incidental damages, including, but not limited to, lost profits or revenue. No damages may be awarded for a breach of Section 8.17.

B. The limitations in subsection A apply only to claims for damages for an alleged breach of this Agreement. These limitations do not apply to claims for damages for an alleged breach of a legal duty that arises independently of this Agreement, established by constitution or statute.

C. If damages would be an inadequate remedy for a breach of this Agreement, equitable relief may be awarded by a court in a case in which it is otherwise proper.

D. This section does not apply to any claim of breach for which arbitration is the exclusive remedy pursuant to Section 8.01.A.

**8.15 Force Majeure**

A. **Excuse from Performance**. No party shall be liable in damages to any other party for delay in performance of, or failure to perform, its obligations under this Agreement, including the obligations set forth in Sections 3.09 and 4.06, if such delay or failure is caused by a "Force Majeure Event."

B. **Notice**. The party claiming excuse shall deliver to the other parties a written notice of intent to claim excuse from performance under this Agreement by reason of a Force

Majeure Event. Notice required by this section shall be given promptly in light of the circumstances, and, in the case of events described in (c), (d) or (e) of the definition of Force Majeure Event only, not later than ten (10) days after the occurrence of the Force Majeure Event. Such notice shall describe the Force Majeure Event, the services impacted by the claimed event, the length of time that the party expects to be prevented from performing, and the steps which the party intends to take to restore its ability to perform.

C. **Obligation to Restore Ability to Perform**. Any suspension of performance by a party pursuant to this section shall be only to the extent, and for a period of no longer duration than, required by the nature of the Force Majeure Event, and the party claiming excuse shall use its best efforts to remedy its inability to perform as quickly as possible.

**8.16 No Third-Party Beneficiaries**

This Agreement is exclusively for the benefit of the parties and not for the benefit of any other Person. There are no third-party beneficiaries of this Agreement and no person not a party shall have any rights under or interests in this Agreement.

No party may assert a claim for damages on behalf of a person other than itself, including a person that is not a party.

**8.17 Good Faith and Fair Dealing**

San Francisco and the Wholesale Customers each acknowledge their obligation under California law to act in good faith toward, and deal fairly with, each other with respect to this Agreement.

## Article 9. Implementation and Special Provisions Affecting Certain Wholesale Customers

### 9.01 General; Individual Water Sales Contracts

A. As described in Section 1.03, San Francisco previously entered into Individual Water Sales Contracts with each of the Wholesale Customers. The term of the majority of Individual Water Sales Contracts will expire on June 30, 2009, concurrently with the expiration of the 1984 Agreement. Except as provided below in this Article, each of the Wholesale Customers will execute a new Individual Water Sales Contract with San Francisco concurrently with its approval of the Agreement.

B. The Individual Water Sales Contracts will describe the service area of each Wholesale Customer, identify the location and size of connections between the Regional Water System and the Wholesale Customer's distribution system, provide for periodic rendering and payment of bills for water usage, and in some instances contain additional specialized provisions unique to the particular Wholesale Customer and not of general concern or applicability. A sample Individual Water Sales Contract is provided at Attachment F. The Individual Water Sales Contracts between San Francisco and the Wholesale Customers will not contain any provision inconsistent with Articles 1 through 8 of this Agreement except (1) as provided below in this Article or (2) to the extent that such provisions are not in derogation of the Fundamental Rights of other Wholesale Customers under this Agreement. Any provisions in an Individual Water Sales Contract which are in violation of this section shall be void.

### 9.02 California Water Service Company

A. The parties recognize that the California Water Service Company is an investor-owned utility company and, as such, has no claim to co-grantee status under the Act, which specifically bars private parties from receiving for resale any water produced by the Hetch Hetchy portion of the Regional Water System. Accordingly, the following provisions shall apply to the California Water Service Company, notwithstanding anything to the contrary elsewhere in this Agreement.

B. The total quantity of water delivered by San Francisco to the California Water Service Company shall not in any calendar year exceed 47,400 acre feet, which is the estimated average annual production of Local System Water. If San Francisco develops additional Local System Water after the Effective Date, it may (1) increase the maximum

delivery amount stated herein; and (2) increase the Supply Assurance, but not necessarily both. San Francisco has no obligation to deliver water to California Water Service Company in excess of the maximum stated herein, except as such maximum may be increased by San Francisco pursuant to this subsection. The maximum annual quantity of Local System Water set forth in this subsection is intended to be a limitation on the total quantity of water that may be allocated to California Water Service Company, and is not an Individual Supply Guarantee for purposes of Section 3.02. The maximum quantity of Local System Water set forth in this subsection is subject to reduction in response to (1) changes in long-term hydrology or (2) environmental water requirements that may be imposed by or negotiated with state and federal resource agencies in order to comply with state or federal law or to secure applicable permits for construction of Regional Water System facilities. San Francisco shall notify California Water Service Company of any anticipated reduction of the quantity of Local System Water set forth in this subsection, along with an explanation of the basis for the reduction.

C. Notwithstanding anything in Section 8.08 to the contrary, California Water Service Company shall have the right to assign to a public agency having the power of eminent domain all or a portion of the rights of California Water Service Company under any contract between it and San Francisco applicable to any individual district of California Water Service Company in connection with the acquisition by such public agency of all or a portion of the water system of California Water Service Company in such district. In the event of any such assignment of all the rights, privileges and obligations of California Water Service Company under such contract, California Water Service Company shall be relieved of all further obligations under such contract provided that the assignee public agency expressly assumes the obligations of California Water Service Company thereunder. In the event of such an assignment of a portion of the rights, privileges and obligations of California Water Service Company under such contract, California Water Service Company shall be relieved of such portion of such obligations so assigned thereunder provided that the assignee public agency shall expressly assume such obligations so assigned to it.

D. Should California Water Service Company seek to take over or otherwise acquire, in whole or in part, the service obligations of another Wholesale Customer under Section 3.03.E, it will so inform San Francisco at least six months prior to the effective date of the sale and provide information concerning the total additional demand proposed to be served, in order that San Francisco may compare the proposed additional demand to the then-current estimate of Local System Water. In this regard, California Water Service Company has notified

the SFPUC that it has reached an agreement to acquire the assets of Skyline County Water District ("Skyline") and assume the responsibility for providing water service to customers in the Skyline service area. California Water Service Company has advised the SFPUC that, on September 18, 2008, the California Public Utilities Commission approved California Water Service Company's acquisition of Skyline. The SFPUC anticipates approving the transfer of Skyline's Supply Guarantee as shown on Attachment C to California Water Service Company and the expansion of California Water Service Company's service area to include the current Skyline service area before the Effective Date of this Agreement. All parties to this Agreement authorize corresponding modifications of Attachment C, as well as any of the Agreement's other provisions, to reflect the foregoing transaction without the necessity of amending this Agreement.

E. Nothing in this Agreement shall preclude San Francisco from selling water to any county, city, town, district, political subdivision, or other public agency for resale to customers within the service area of the California Water Service Company. Nothing in this Agreement shall require or contemplate any delivery of water to California Water Service Company in violation of the Act.

F. Nothing in this Agreement shall alter, amend or modify the Findings of Fact and Conclusions of Law and the Judgment dated May 25, 1961, in that certain action entitled *City and County of San Francisco v. California Water Service Company* in the Superior Court of the State of California in and for the County of Marin, No. 23286, as modified by the Quitclaim Deed from California Water Service Company to San Francisco dated August 22, 1961. The rights and obligations of San Francisco and California Water Service Company under these documents shall continue as therein set forth.

**9.03 <u>City of Hayward</u>**

A. San Francisco and the City of Hayward ("Hayward") entered into a water supply contract on February 9, 1962 ("the 1962 contract") which provides, *inter alia*, that San Francisco will supply Hayward with all water supplemental to sources and supplies of water owned or controlled by Hayward as of that date, in sufficient quantity to supply the total water needs of the service area described on an exhibit to the 1962 contract "on a permanent basis." The service area map attached as Exhibit C to the 1962 contract was amended in 1974 to remove an area of land in the Hayward hills and in 2008 to make minor boundary adjustments identified in SFPUC Resolution No. 08-0035.

B. The intention of the parties is to continue the 1962 contract, as amended, in effect as the Individual Water Sales Contract between San Francisco and Hayward. Accordingly, it shall not be necessary for San Francisco and Hayward to enter into a new Individual Water Sales Contract pursuant to this Article and approval of this Agreement by Hayward shall constitute approval of both this Agreement and an Individual Water Sales Contract for purposes of Section 1.03. The 1962 contract, as amended, will continue to describe the service area of Hayward, while rates for water delivered to Hayward during the Term shall be governed by Article 5 hereof. The 1962 contract, as amended, will continue in force after the expiration of the Term.

**9.04 Estero Municipal Improvement District**

A. San Francisco and the Estero Municipal Improvement District ("Estero") entered into a water supply contract on August 24, 1961, the term of which continues until August 24, 2011 ("the 1961 Contract"). The 1961 Contract provides, *inter alia*, that San Francisco will supply Estero with all water supplemental to sources and supplies of water owned or controlled by Estero as of that date, in sufficient quantity to supply the total water needs of the service area described on an exhibit to the 1961 Contract.

B. The intention of the parties is to terminate the 1961 Contract and replace it with a new Individual Water Sales Contract which will become effective on July 1, 2009. The new Individual Water Sales Contract will describe the current service area of Estero. The Individual Supply Guarantee applicable to Estero shall be 5.9 MGD, rather than being determined as provided in the 1961 Contract.

**9.05 Stanford University**

A. The parties recognize that The Board of Trustees of The Leland Stanford Junior University ("Stanford") operates a non-profit university, and purchases water from San Francisco for redistribution to the academic and related facilities and activities of the university and to residents of Stanford, the majority of whom are either employed by or students of Stanford. Stanford agrees that all water furnished by San Francisco shall be used by Stanford only for domestic purposes and those directly connected with the academic and related facilities and activities of Stanford, and no water furnished by San Francisco shall be used in any area now or hereafter leased or otherwise used for industrial purposes or for commercial purposes other than those campus support facilities that provide direct services to Stanford faculty, students or staff such as the U.S. Post Office, the bookstore and Student Union.

Nothing in this Agreement shall preclude San Francisco from selling water to any county, city, town, political subdivision or other public agency for resale to Stanford or to customers within the service area of Stanford.

B. Notwithstanding anything in Section 8.08 to the contrary, Stanford shall have the right to assign to a public agency having the power of eminent domain all or a portion of the rights of Stanford under this Agreement or the Individual Water Sales Contract between it and San Francisco in connection with the acquisition by such public agency of all or a portion of Stanford's water system. In the event of any such assignment of all the rights, privileges, and obligations of Stanford under such contract, Stanford shall be relieved of all further obligations under such contract, provided that the assignee public agency expressly assumes Stanford's obligations thereunder. In the event of such an assignment of a portion of the rights, privileges, and obligations of Stanford under such contract, Stanford shall be relieved of such obligations so assigned thereunder, provided that the assignee public agency shall expressly assume such obligations so assigned to it.

Nothing in this Agreement shall require or contemplate any delivery of water to Stanford in violation of the Act.

**9.06 <u>City of San Jose and City of Santa Clara</u>**

**A. <u>Continued Supply on Temporary, Interruptible Basis</u>.** During the term of the 1984 Agreement, San Francisco provided water to the City of San Jose ("San Jose") and the City of Santa Clara ("Santa Clara") on a temporary, interruptible basis pursuant to SFPUC Resolution No. 85-0256. Subject to termination or reduction of supply as provided in Section 4.05 of this Agreement, San Francisco will continue to supply water to San Jose and Santa Clara on a temporary, interruptible basis pending a decision by the Commission, pursuant to Section 4.05.H, as to whether to make San Jose and Santa Clara permanent customers of the Regional Water System. San Francisco will furnish water to San Jose and Santa Clara at the same rates as those applicable to other Wholesale Customers pursuant to this Agreement. Water delivered to San Jose and Santa Clara after July 1, 2009 may be limited by the SFPUC's ability to meet the full needs of all its other Retail and Wholesale Customers. The service areas of San Jose and Santa Clara set forth in their Individual Water Sales Contracts may not be expanded using the procedure set forth in Section 3.03. The combined annual average water usage of San Jose and Santa Clara shall not exceed 9 MGD. The allocation of that total

amount between San Jose and Santa Clara shall be as set forth in their Individual Water Sales Contracts.

B. **Reservation of Rights.** In signing this Agreement, neither San Jose nor Santa Clara waives any of its rights to contend, in the event that San Francisco (1) elects to terminate or interrupt water deliveries to either or both of the two cities prior to 2018 using the process set forth in Section 4.05, or (2) does not elect to take either city on as a permanent customer in 2018, that it is entitled to permanent customer status, pursuant to the Act or any other federal or state law. In signing this Agreement, San Francisco does not waive its right to deny any or all such contentions.

**9.07 City of Brisbane, Guadalupe Valley Municipal Improvement District, Town of Hillsborough**

A. The parties acknowledge that San Francisco has heretofore provided certain quantities of water to the City of Brisbane ("Brisbane"), Guadalupe Valley Municipal Improvement District ("Guadalupe") and the Town of Hillsborough ("Hillsborough") at specified rates or without charge pursuant to obligations arising out of agreements between the predecessors of San Francisco and these parties, which agreements are referred to in judicial orders, resolutions of the SFPUC and/or the 1960 contracts between San Francisco and Brisbane, Guadalupe and Hillsborough. The parties intend to continue those arrangements and accordingly agree as follows:

1. Nothing in this Agreement is intended to alter, amend or modify the terms of SFPUC Resolution No. 74-0653 or the indenture of July 18, 1908 between the Guadalupe Development Company and the Spring Valley Water Company.

2. Nothing in this Agreement is intended to alter, amend or modify the Findings of Fact and Conclusions of Law and Judgment dated May 25, 1961 in that certain action entitled *City and County of San Francisco v. Town of Hillsborough* in the Superior Court of the State of California in and for the County of Marin, No. 23282, as modified by the Satisfaction of Judgment filed October 23, 1961 and the Compromise and Release between Hillsborough and San Francisco dated August 22, 1961. The rights and obligations of Hillsborough under these documents shall continue as therein set forth.

3. Nothing in this Agreement is intended to affect or prejudice any claims, rights or remedies of Guadalupe or of Crocker Estate Company, a corporation, or of Crocker

Land Company, a corporation, or of San Francisco, or of their successors and assigns, respectively, with respect to or arising out of that certain deed dated May 22, 1884, from Charles Crocker to Spring Valley Water Works, a corporation, recorded on May 24, 1884, in Book 37 of Deeds at page 356, Records of San Mateo County, California, as amended by that certain Deed of Exchange of Easements in Real Property and Agreement for Trade in Connection Therewith, dated July 29, 1954, recorded on August 4, 1954, in Book 2628, at page 298, Official Records of said San Mateo County, or with respect to or arising out of that certain action involving the validity or enforceability of certain provisions of said deed entitled *City and County of San Francisco v. Crocker Estate Company*, in the Superior Court of the State of California in and for the County of Marin, No. 23281.

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IN WITNESS WHEREOF the parties have executed this Agreement by their duly authorized officers.

**CITY AND COUNTY OF SAN FRANCISCO**
Acting by and through its Public Utilities Commission

By: _____
Edward Harrington
General Manager

Date: July 17, 2009

Approved by Commission Resolution No. 09-0069, adopted April 28, 2009

_____
Michael Housh
Secretary to Commission

Approved as to form:

DENNIS J. HERRERA
City Attorney

By: _____
Joshua D. Milstein
Deputy City Attorney

**CITY OF SANTA CLARA**

By: _____
Jennifer Sparacino
City Manager

Date: June 30, 2009

Attest: Approved by City Council Resolution No. 09-7639, adopted on June 9, 2009

_____
Rod Diridon Jr.
City Clerk

Approved as to form:

By: _____
Helene L. Leichter
City Attorney

# Attachment A - Definitions

**"1984 Agreement"** refers to the 1984 Settlement Agreement and Master Water Sales Contract between the City and County of San Francisco and certain Suburban Purchasers in San Mateo County, Santa Clara County and Alameda County, which expires on June 30, 2009.

**"Act"** refers to the Raker Act, 38 Stat. 242, the Act of Congress, enacted in 1913, that authorized the construction of the Hetch Hetchy system on federal lands.

**"Adjusted Proportional Annual Use"** means the respective percentages of annual water use, as adjusted to reflect deliveries of water by the Hetch Hetchy Enterprise to outside City Retail Customers. The adjustment is calculated each year as described in Section B of Attachment J and is shown on lines 18 and 19 of Table 1 of that Attachment.

**"Agreement"** refers to this Water Supply Agreement, by and among San Francisco and the Wholesale Customers who approve this Agreement in accordance with Section 1.03.

**"BAWSCA"** refers to the Bay Area Water Supply and Conservation Agency established pursuant to Division 31 of the California Water Code (Water Code §§81300-81461) or its successor and permitted assigns.

**"CEQA"** refers to the California Environmental Quality Act found at §§21000 et seq. of the Public Resources Code and the Guidelines for the California Environmental Quality Act found at §§15000 et seq. of Title 14 of the California Code of Regulations, as amended from time to time.

**"Commission"** means the governing board of the SFPUC, whose members, as of the date of this Agreement, are appointed by the Mayor of San Francisco and confirmed by the San Francisco Board of Supervisors.

**"Compliance Audit"** refers to the annual audit of the Wholesale Revenue Requirement by the Compliance Auditor required by Sections 7.03 through 7.05.

**"Compliance Auditor"** refers to the independent certified public accountant chosen by the San Francisco Controller to conduct each fiscal year's audit of the SFPUC's calculation of the Wholesale Revenue Requirement as provided in Section 7.03.B.

**"Countywide Cost Allocation Plan"** refers to the full costs of the Water and Hetch Hetchy Enterprises' prorated share of San Francisco city government expenses that are not directly billed to city departments, as determined by the Controller of the City and County of San Francisco.

**"Debt Service"** means principal and interest paid during a fiscal year on Indebtedness incurred by the SFPUC for the 2006 Revenue Bonds, Series A, and subsequently issued Indebtedness (exclusive of 2006 Revenue Bonds Series B and C), the proceeds of which are used or are scheduled to be used for the acquisition or construction of New Regional Assets or to refund such Indebtedness.

**"Direct Retail"** refers to Regional Water System capital or operating expenditures that are incurred to provide water service solely to Retail Customers.

**"Direct Wholesale"** refers to Regional Water System capital or operating expenditures that are incurred to provide water service solely to one or more Wholesale Customers.

**"Drought"** means a water shortage caused by lack of precipitation, as reflected in resolutions of the Commission calling for voluntary or mandatory water rationing based on evaluation of water stored or otherwise available to the Regional Water System, whether or not the Commission declares a water shortage emergency pursuant to Water Code §§ 350 et seq., as amended from time to time.

**"Effective Date"** refers to the date this Agreement will become effective in accordance with the terms of Section 1.03.

**"Emergency"** means a sudden, non-drought event, such as an earthquake, failure of Regional Water System infrastructure or other catastrophic event or natural disaster that results in an insufficient supply of water available to the Retail or Wholesale Service Areas for basic human consumption, firefighting, sanitation, and fire protection.

**"Encumbrance"** or **"Encumber"** refers to the process by which the City Controller certifies the availability of amounts previously appropriated by the Commission for specifically identified SFPUC capital projects performed either by third parties or through work orders to other City departments.

**"Environmental Enhancement Surcharge"** means the surcharge to be imposed by the SFPUC on individual parties to this Agreement whose use exceeds their Interim Supply Allocation when the collective use of water by all parties to this Agreement is in excess of the Interim Supply Limitation.

**"ERRP"** refers to a SFPUC document entitled *Emergency Response and Recovery Plan: Regional Water System* ("ERRP") dated August 23, 2003, and updated November 2006.

**"Excess Use Charges"** are monthly charges set by the SFPUC, in the form of multipliers, that are applied to the Wholesale Customer water rates during times of mandatory rationing if a Wholesale Customer's water usage is greater than its shortage allocation. Excess Use Charges are further described in Section 4 of the Tier 1 Shortage Plan (Attachment H).

**"Existing Assets"** refers to Regional and Hetch Hetchy Water-Only and Water-Related capital assets plant in service as of June 30, 2009.

**"Force Majeure Event"** means an event not the fault of, and beyond the reasonable control of, the party claiming excuse which makes it impossible or extremely impracticable for such party to perform obligations imposed on it by this Agreement, by virtue of its effect on physical facilities and their operation or employees essential to such performance. Force Majeure Events include (a) an "act of God" such as an earthquake, flood, earth movement, or similar catastrophic event, (b) an act of the public enemy, terrorism, sabotage, civil disturbance or similar event, (c) a strike, work stoppage, picketing or similar concerted labor action, (d) delays in construction caused by unanticipated negligence or breach of contract by a third party or inability to obtain essential materials after diligent and timely efforts; or (e) an order or regulation issued by a federal or state regulatory agency after the Effective Date or a judgment or order entered by a federal or state court after the Effective Date.

**"Fundamental Rights"** of Wholesale Customers are their status as parties to this Agreement, their allocation of water recognized in Section 3.02, their protection against arbitrary, unreasonable, or unjustly discriminatory rates provided in Section 6.04, and any specific rights described in Article 9.

**"Hetch Hetchy Enterprise"** refers to Hetch Hetchy Water and Power Enterprise, a SFPUC operating department.

**"Include"** and its variants mean "including but not limited to" whenever used in this Agreement, regardless of whether or not it is capitalized.

**"Indebtedness"** includes revenue bonds, bond anticipation notes, certificates of participation (excluding certificates of participation towards which SFPUC contributes debt service as an operating expense), and commercial paper.

**"Individual Water Sales Contract"** refers to the contracts between each Wholesale Customer and San Francisco contemplated in Section 9.01 that details customer-specific matters such as location of service connections, service area maps and other matters specific to that customer.

**"Individual Supply Guarantee"** refers to each Wholesale Customer's share of the Supply Assurance, as shown in Attachment C.

**"Interim Supply Allocation"** refers to each Wholesale Customer's share, to be established by the SFPUC pursuant to Section 4.02, of the Interim Supply Limitation.

**"Interim Supply Limitation"** refers to the 265 MGD annual average limitation on water deliveries until December 31, 2018 from Regional Water System watersheds imposed by the SFPUC in its approval of the WSIP in Resolution Number 08-0200 dated October 30, 2008.

**"Joint,"** when used in connection with Hetch Hetchy Enterprise assets or expenses, refers to assets used or expenses incurred in providing both water supply ("Water-Related") and in the generation and transmission of electrical energy ("Power-Related").

**"Local System Water"** refers to Regional Water System water supplies developed in San Mateo, Alameda and Santa Clara Counties or otherwise not produced by the Hetch Hetchy Enterprise under rights of way granted by the Raker Act.

**"MGD"** refers to an average flow rate of one million gallons per day over a specific time period, often a year. For example, one MGD is equal to 365 million gallons per year or 1,120 acre feet per year.

**"Net Annual Debt Service"** refers to debt service less payments made from proceeds of Indebtedness (e.g., capitalized interest), earnings on bond proceeds (e.g., reserve fund earnings) used to pay Debt Service, and interest paid from renewed commercial paper, or from reserve fund liquidation.

**"New Assets"** refers to Regional and Hetch Hetchy Water-Only and Water-Related capital assets added to Regional Water System plant in service after June 30, 2009.

**"New Regional Assets"** refers to New Assets placed in service on or after July 1, 2009 that are used and useful in delivering water to Wholesale Customers. The following four categories comprise New Regional Assets:

1. Water Enterprise Regional Assets
2. Water Enterprise Direct Wholesale Assets
3. Hetch Hetchy Water Only Assets
4. Water-Related portion (45 percent) of Hetch Hetchy Joint Assets

**"Power-Only,"** when used with reference to Hetch Hetchy Enterprise capital costs and operating and maintenance expenses, means capital costs and expenses that are incurred solely for the construction and operation of assets used to generate and transmit electrical energy.

**"Power-Related"** refers to the power related portion (55%) of Joint Hetch Hetchy Enterprise assets or expenses.

**"Prepayment"** refers to payments of principal and interest amounts not due in the year the prepayment is made, as described in Section 5.03.

**"Proportional Annual Use"** means the shares of deliveries from the Regional Water System used by City Retail Customers and by the Wholesale Customers in a fiscal year, expressed as a percentage. The percentages of annual use are calculated each year as described in Section B of Attachment J and are shown on lines 10 and 11 of Table 1 of that Attachment.

**"Proportional Water Use"** refers the general principle of allocating Regional Water System costs based on the relative purchases of water by Retail and Wholesale Customers.

**"Regional,"** when used with reference to Water Enterprise capital assets and operating expenses, refers to assets and expenses that benefit Wholesale and Regional Customers.

**"Regional Water System"** means the water storage, transmission and treatment system operated by the SFPUC in Tuolumne, Stanislaus, San Joaquin, Alameda, Santa Clara, San Mateo and San Francisco counties, including projects constructed under the WSIP, but excluding Direct Retail and Direct Wholesale assets.

**"Retail Customers"** means any customer that purchases water from San Francisco that is not a Wholesale Customer, whether located inside or outside of San Francisco.

**"Retail Service Area"** means the areas where SFPUC sells water to Retail Customers.

**"Retail Water"** means water sold by the SFPUC to its Retail Customers within and outside San Francisco.

**"San Francisco"** refers to the City and County of San Francisco.

**"SFPUC"** refers to the San Francisco Public Utilities Commission as an operating department of San Francisco, the General Manager of which reports to the Commission.

**"SFPUC Bureaus"** refers to the portions of the SFPUC that provide support services to the SFPUC Operating Departments. These presently consist of the General Manager's Office, Business Services, and External Affairs.

**"SFPUC Operating Departments"** refers to the Water, Hetch Hetchy and Wastewater Program Enterprises under the control and management of the SFPUC pursuant to the San Francisco Charter.

**"Substantially Expended":** A bond issue series is substantially expended when 98% of the proceeds and investment earnings contributed to the project fund have been expended.

**"Supply Assurance"** means the 184 MGD maximum annual average metered supply of water dedicated by San Francisco to public use in the Wholesale Service Area (not including San Jose and Santa Clara) in the 1984 Agreement and Section 3.01 of this Agreement.

**"Term"** means the 25-year term commencing July 1, 2009, including one or both 5-year extensions authorized by Section 2.02.A and B.

**"Tier 1 Shortage Plan"** refers to the Water Shortage Allocation Plan (Attachment H) adopted by the SFPUC and the Wholesale Customers in conjunction with this Agreement describing the method for allocating water between the SFPUC and the Wholesale Customers collectively for shortages of up to 20% of deliveries from the Regional Water System, as amended from time-to-time.

**"Water Enterprise"** refers to the San Francisco Water Department (SFWD), an SFPUC Operating Department.

**"Water Management Charge"** refers to the charge collected by San Francisco on behalf of BAWSCA for local water resource development in the Wholesale Service Area pursuant to Section 3.06 of this Agreement.

**"Water-Only,"** when used with reference to Hetch Hetchy Enterprise capital costs and operating and maintenance expenses, means capital costs and expenses that are incurred solely for the construction and operation of assets used to protect water quality or to provide for the delivery of water for consumptive purposes.

**"Water-Related"** refers to the water related portion (45%) of Joint Hetch Hetchy Enterprise assets or expenses.

**"Water Supply Development Report"** refers to the annual report prepared pursuant to Section 4.05, and submitted to the Commission for purposes of estimating whether Regional Water System demand will be within the Interim Supply Limitation by June 30, 2018.

**"Wheeling Statute"** refers to Article 4 of Chapter 11 of the California Water Code, as amended from time to time.

**"Wholesale Capital Fund"** is the account established by the SFPUC for deposit of Wholesale Customer revenue that is used to fund the wholesale share of revenue-funded New Regional Assets, as described in Section 6.08.

**"Wholesale Customer" or "Customers"** means one or more of the 27 water customers identified in Section 1.01 that are contracting for purchase of water from San Francisco pursuant to this Agreement.

**"Wholesale Revenue Coverage"** refers to the additional dollar amount included in wholesale rates each fiscal year that is charged to Wholesale Customers by the SFPUC for their proportionate share of Debt Service coverage under Section 6.06.A.

**"Wholesale Revenue Coverage Reserve"** refers to the account established by the SFPUC for deposit of Wholesale Revenue Coverage under Section 6.06.B.

**"Wholesale Revenue Requirement"** means the calculated Wholesale Customer portion of SFPUC Regional Water System capital and operating costs as determined in accordance with the provisions of Article 5 of this Agreement, formerly called the "Suburban Revenue Requirement" in the 1984 Agreement.

**"Wholesale Service Area"** means the combined service areas of the Wholesale Customers, as delineated on the service area maps attached to each Individual Water Sales Contract.

**"WSIP"** refers to the Water System Improvement Program approved by the Commission in Resolution No. 08-0200 on October 30, 2008, as amended from time to time. .

## ATTACHMENT B

## WHOLESALE CUSTOMER REGIONAL WATER SYSTEM PURCHASES FY 2007-2008*

*(To determine 75% approval process for Section 1.02)*

| *WHOLESALE CUSTOMER* | *MGD* |
|---|---|
| Alameda County Water District | 12.90 |
| California Water Service Company | 37.72 |
| City of Brisbane | 0.23 |
| City of Burlingame | 4.50 |
| City of Daly City | 4.49 |
| City of East Palo Alto | 2.16 |
| City of Hayward | 19.33 |
| City of Menlo Park | 3.69 |
| City of Millbrae | 2.46 |
| City of Milpitas | 6.95 |
| City of Mountain View | 10.51 |
| City of Palo Alto | 12.72 |
| City of Redwood City | 11.01 |
| City of San Bruno | 1.86 |
| City of San Jose | 4.80 |
| City of Santa Clara | 3.49 |
| City of Sunnyvale | 10.52 |
| Coastside County Water District | 2.08 |
| Estero Municipal Improvement District | 5.51 |
| Guadalupe Valley Municipal Improvement District | 0.40 |
| Mid-Peninsula Water District | 3.25 |
| North Coast County Water District | 3.25 |
| Purissima Hills Water District | 2.31 |
| Skyline County Water District | 0.16 |
| Stanford University | 2.31 |
| Town of Hillsborough | 3.83 |
| Westborough Water District | 0.95 |
| Total | 173.39 |

*Source: SFPUC Commercial Division Records
Note: FY 2007-2008 was a Leap Year with 366 days.

ATTACHMENT C

INDIVIDUAL SUPPLY GUARANTEES

| WHOLESALE CUSTOMER | (1) 100 Cubic Feet * | (2) MGD |
|---|---|---|
| Alameda County Water District | 6,714,439 | 13.760 |
| California Water Service Company** | 17,320,807 | 35.499 |
| City of Brisbane | 224,435 | 0.460 |
| City of Burlingame | 2,553,753 | 5.234 |
| City of Daly City | 2,094,386 | 4.292 |
| City of East Palo Alto | 957,813 | 1.963 |
| City of Menlo Park | 2,174,231 | 4.456 |
| City of Millbrae | 1,538,120 | 3.152 |
| City of Milpitas | 4,504,533 | 9.232 |
| City of Mountain View | 6,567,648 | 13.460 |
| City of Palo Alto | 8,331,697 | 17.075 |
| City of Redwood City | 5,333,115 | 10.930 |
| City of San Bruno | 1,583,899 | 3.246 |
| City of Sunnyvale | 6,138,122 | 12.580 |
| Coastside County Water District | 1,061,453 | 2.175 |
| Estero Municipal Improvement District | 2,878,807 | 5.900 |
| Guadalupe Valley Municipal Improvement District | 254,436 | 0.521 |
| Mid-Peninsula Water District | 1,898,707 | 3.891 |
| North Coast County Water District | 1,872,928 | 3.838 |
| Purissima Hills Water District | 792,832 | 1.625 |
| Skyline County Water District | 88,537 | 0.181 |
| Stanford University | 1,479,764 | 3.033 |
| Town of Hillsborough | 1,995,644 | 4.090 |
| Westborough Water District | 644,172 | 1.320 |
| Total:*** | 79,004,278 | 161.913 |

* 100 Cubic feet equals MGD divided by 0.00000204946. Figures in this column are calculated using unrounded MGD values and are more precise than the figures listed in column (2).

** Includes quantities from Los Trancos County Water District and Palomar Park Water District.

*** Total does not equal sum of MGD figures due to rounding. Total is not 184 MGD because table does not include the City of Hayward.

**** Cordilleras Mutual Water Association is not a party to this Agreement, but it has its own Supply Assurance of 3,007 hundred cubic feet (CCF).

ATTACHMENT D

## PROCEDURE FOR PRO-RATA REDUCTION OF WHOLESALE CUSTOMERS' INDIVIDUAL SUPPLY GUARANTEES (SECTION 3.02).

The 23 wholesale customers listed on Attachment C have individual Supply Guarantees that total approximately 161.9 MGD.

If the amount of water purchased from SFPUC by Hayward exceeds 22.1 MGD for three consecutive fiscal years, the individual Supply Guarantees of each of those 23 wholesale customers will be reduced as described below.

**STEP ONE:**

Obtain the average annual excess purchases during the three fiscal year period. For example, assume Hayward uses 25.0 MGD, 24.2 MGD and 26.0 MGD in three consecutive years. The average annual excess use for that period is 2.9 MGD; calculated as follows:

$$\frac{[25.0 \text{ MGD} + 24.2 \text{ MGD} + 26.0 \text{ MGD}]}{3} + 161.9 \text{ MGD} = 186.9 \text{ MGD}$$

$$186.9 \text{ MGD} - 184.0 \text{ MGD} = 2.9 \text{ MGD}$$

**STEP TWO:**

Allocate the excess purchases among the 23 Wholesale Customers in proportion to each customer's Supply Guarantee as a percentage of the total Supply Guarantees (161.9 MGD as of FY 2009-10).

For example, assume that Wholesale Customer A's Supply Guarantee is 12.0 MGD. Wholesale Customer A's percentage share of the total individual supply guarantees is 0.074, calculated as follows:

$$\frac{12.0 \text{ MGD}}{161.9 \text{ MGD}} = 0.074$$

and its share of the excess use is 0.22 MGD, calculated as follows:

$$2.9 \text{ MGD} \times 0.074 = 0.22 \text{ MGD}$$

STEP THREE:

Determine Wholesale Customer's adjusted Supply Guarantee by subtracting the result of Step Two from the Wholesale Customer's Supply Guarantee:

12 MGD - 0.22 MGD = 11.78 MGD

* * * * * * * * * *

Adjustments will be made at intervals comprised of distinct three-year periods of use by Hayward in excess of 22.1 MGD rather than overlapping periods. For example, assuming that the first adjustment were to occur in FY 2014-15 (based on use during FY 2011-12, FY 2012-13 and FY 2013-14), a second adjustment will not occur earlier than three full fiscal years thereafter (i.e., FY 2017-18, based on use by Hayward in FY 2014-15, FY 2015-16 and FY 2016-17). The figures used in the second and subsequent adjustments will reflect previous adjustments. For example, a second adjustment will use 158.9 MGD as the total of individual Supply Guarantees (161.6 MGD - 2.7 MGD = 158.9 MGD).

For purposes of simplicity, the volumetric units used in the foregoing example are MGD. For actual adjustment calculations, the unit employed will be hundreds of cubic feet ("ccf"), the unit by which the SFPUC measures water deliveries for billing purposes.

The procedure described and illustrated above is independent of and unrelated to the establishment by the SFPUC of Interim Supply Limitations described in Article 4.

ATTACHMENT E

MINIMUM ANNUAL PURCHASE QUANTITIES

(Section 3.07.C)

| AGENCY | MINIMUM ANNUAL PURCHASE QUANTITY (IN MGD) |
|---|---|
| Alameda County Water District | 7.648 |
| City of Milpitas | 5.341 |
| City of Mountain View | 8.930 |
| City of Sunnyvale | 8.930 |

Water Dept.
FILE COPY

DUPLICATE
CITY CLERK FILE COPY
City of Santa Clara

# WATER SALES CONTRACT

This Contract, dated as of July 1, 2009, is entered into by and between the City and County of San Francisco ("San Francisco") and the City of Santa Clara ("Customer").

RECITALS

San Francisco and the Customer have entered into a Water Supply Agreement ("WSA"), which sets forth the terms and conditions under which San Francisco will continue to furnish water for domestic and other municipal purposes to Customer and to other Wholesale Customers. The WSA contemplates that San Francisco and each individual Wholesale Customer will enter into an individual contract describing the location or locations at which water will be delivered to each customer by the San Francisco Public Utilities Commission ("SFPUC"), the customer's service area within which water so delivered is to be sold, and other provisions unique to the individual purchaser. This Water Sales Contract is the individual contract contemplated by the WSA.

AGREEMENTS OF THE PARTIES

1. Incorporation of the WSA

The terms and conditions of the WSA are incorporated into this Contract as if set forth in full herein.

2. Term

Unless explicitly provided to the contrary in Article 9 of the WSA, the term of this Contract shall be identical to that provided in Section 2.01 of the WSA.

3. Service Area

Water delivered by San Francisco to the Customer may be used or sold within the service area shown on the map designated Exhibit A attached hereto. Customer shall not deliver or sell any water provided by San Francisco outside of this area.

4. Location and Description of Service Connections

Sale and delivery of water to Customer will be made through a connection or connections to the SFPUC Regional Water System at the location or locations listed, with the applicable present account number, service location, service size, and meter size shown on Exhibit B attached hereto.

5. Interties With Other Systems

Customer maintains interties with neighboring water systems at the location or locations and with the connection size(s) as shown on Exhibit C attached hereto.

6. Billing and Payment

San Francisco shall compute the amounts of water delivered and bill Customer therefor on a monthly basis. The bill shall show the separate components of the charge (e.g., service, consumption, demand). Customer shall pay the amount due within thirty (30) days after receipt of the bill.

If Customer disputes the accuracy of any portion of the water bill it shall (a) notify the General Manager of the SFPUC in writing of the specific nature of the dispute and (b) pay the undisputed portion of the bill within thirty (30) days after receipt. Customer shall meet with the General Manager of the SFPUC or a delegate to discuss the disputed portion of the bill.

7. Temporary Water Supply

Service to Customer under this Contract is temporary only and water is delivered subject to the provisions of Sections 4.05 and 9.06 of the WSA. The combined annual average water usage of Customer and the City of San Jose shall not exceed 9 MGD. Customer's individual share of the 9 MGD temporary supply allocated to Customer and the City of San Jose is 4.5 MGD. Irrespective of Customer's and San Jose's individual shares of the total 9 MGD supply increment, water purchases by either Santa Clara or San Jose may exceed 4.5 MGD on an annual average basis so long as the total used by both Cities does not exceed 9 MGD

(combined annual average). By supplying water to Customer, San Francisco does not dedicate water or a water supply to Customer nor obligate itself, contractually or otherwise, to supply water to Customer beyond the term of this Contract. Customer acknowledges that it is not presently a permanent customer of San Francisco.

IN WITNESS WHEREOF, the parties hereto have executed this Contract, to become effective upon the effectiveness of the WSA, by their duly authorized representatives.

**CITY AND COUNTY OF SAN FRANCISCO**
Acting by and through its Public Utilities Commission

By: _____
Edward Harrington
General Manager

Date: JULY 17, 2009

Approved by Commission Resolution No. 09-0069, adopted April 28, 2009

_____
Michael Housh
Secretary to Commission

Approved as to form:

DENNIS J. HERRERA
City Attorney

By: _____
Joshua D. Milstein
Deputy City Attorney

**CITY OF SANTA CLARA**

By: _____
Jennifer Sparacino
City Manager

Date: June 30, 2009

Attest: Approved by City Council Resolution No. 09-7640, adopted on June 9, 2009

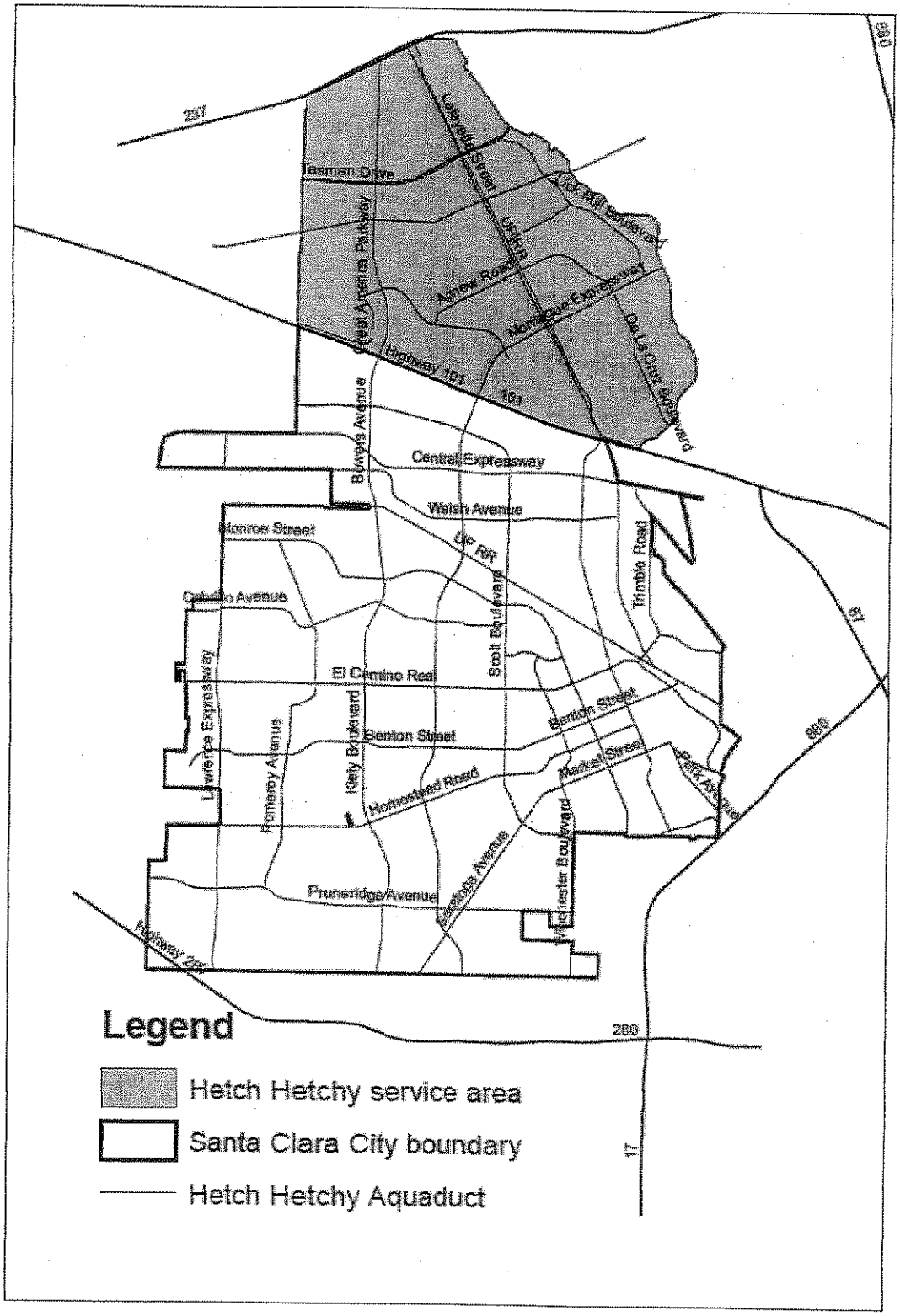
_____
Rod Diridon Jr.
City Clerk

Approved as to form:

By: _____
Helene L. Leichter
City Attorney

# Exhibit A

## Service Area Map



# Exhibit B

## Location and Description of Service Connections to the SFPUC Regional Water System

| Account | Meter Connection | Service Address | Service Street | Service Street Suffix | Service City | Service Size | Meter Size |
|---|---|---|---|---|---|---|---|
| 010002012 | 1 | 4790 | GREAT AMERICAN PARK | WY | Santa Clara | 12 | 10 |
| 010002012 | 1 | 2700 | TASMAN | DR | Santa Clara | 16 | 10 |

# Exhibit C

## Emergency Connections with Other Water Systems (within Hetch-Hetchy Service Area)

| Connection With | Number | Size |
|---|---|---|
| San Jose Municipal Water System | 1 | 8" |

# ATTACHMENT G

## WATER QUALITY NOTIFICATION AND COMMUNICATIONS PLAN
## REVISION 4- JANUARY 2009

SFPUC
WATER
WASTEWATER
POWER

Updated by:
Water Quality Engineering
Olivia Chen Consultants, Inc.

San Francisco Public
Utilities Commission Water
Quality Bureau

Water Quality Notification
and Communications Plan
Revision 4 - January 2006

1914841.1

# ATTACHMENT H

# WATER SHORTAGE ALLOCATION PLAN

This Interim Water Shortage Allocation Plan ("Plan") describes the method for allocating water between the San Francisco Public Utilities Commission ("SFPUC") and the Wholesale Customers collectively during shortages caused by drought. The Plan implements a method for allocating water among the individual Wholesale Customers which has been adopted by the Wholesale Customers. The Plan includes provisions for transfers, banking, and excess use charges. The Plan applies only when the SFPUC determines that a system-wide water shortage due to drought exists, and all references to "shortages" and "water shortages" are to be so understood. This Plan was adopted pursuant to Section 7.03(a) of the 1984 Settlement Agreement and Master Water Sales Contract and has been updated to correspond to the terminology used in the June 2009 Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County ("Agreement").

## SECTION 1. SHORTAGE CONDITIONS

**1.1. Projected Available SFPUC Water Supply.** The SFPUC shall make an annual determination as to whether or not a shortage condition exists. The determination of projected available water supply shall consider, among other things, stored water, projected runoff, water acquired by the SFPUC from non-SFPUC sources, inactive storage, reservoir losses, allowance for carryover storage, and water bank balances, if any, described in Section 3.

**1.2 Projected SFPUC Purchases.** The SFPUC will utilize purchase data, including volumes of water purchased by the Wholesale Customers and by Retail Customers (as those terms are used in the Agreement) in the year immediately prior to the drought, along with other available relevant information, as a basis for determining projected system-wide water purchases from the SFPUC for the upcoming year.

**1.3. Shortage Conditions.** The SFPUC will compare the available water supply (Section 1.1) with projected system-wide water purchases (Section 1.2). A shortage condition exists if the SFPUC determines that the projected available water supply is less than projected system-wide water purchases in the upcoming Supply Year (defined as the period from July 1 through June 30). When a shortage condition exists, SFPUC will determine whether voluntary or mandatory actions will be required to reduce purchases of SFPUC water to required levels.

**1.3.1 Voluntary Response.** If the SFPUC determines that voluntary actions will be sufficient to accomplish the necessary reduction in water use throughout its service area, the SFPUC and the Wholesale Customers will make good faith efforts to reduce their water purchases to stay within their annual shortage allocations and associated monthly water use budgets. The SFPUC will not impose excess use charges during periods of voluntary rationing, but may suspend the prospective accumulation of water bank credits, or impose a ceiling on further accumulation of bank credits, consistent with Section 3.2.1 of this Plan.

**1.3.2 Mandatory Response.** If the SFPUC determines that mandatory actions will be required to accomplish the necessary reduction in water use in the SFPUC service area, the SFPUC may implement excess use charges as set forth in Section 4 of this Plan.

**1.4. Period of Shortage.** A shortage period commences when the SFPUC determines that a water shortage exists, as set forth in a declaration of water shortage emergency issued by the SFPUC pursuant to California Water Code Sections 350 et seq. Termination of the water shortage emergency will be declared by resolution of the SFPUC.

## SECTION 2. SHORTAGE ALLOCATIONS

**2.1. Annual Allocations between the SFPUC and the Wholesale Customers.** The annual water supply available during shortages will be allocated between the SFPUC and the collective Wholesale Customers as follows:

| Level of System Wide Reduction in Water Use Required | Share of Available Water | |
|---|---|---|
| | SFPUC Share | Wholesale Customers Share |
| 5% or less | 35.5% | 64.5% |
| 6% through 10% | 36.0% | 64.0% |
| 11% through 15% | 37.0% | 63.0% |
| 16% through 20% | 37.5% | 62.5% |

The water allocated to the SFPUC shall correspond to the total allocation for all Retail Customers.

**2.2 Annual Allocations among the Wholesale Customers.** The annual water supply allocated to the Wholesale Customers collectively during system wide shortages of 20 percent or less will be apportioned among them based on a methodology adopted by all of the Wholesale Customers, as described in Section 3.11(C) of the Agreement. In any year for which the methodology must be applied, the Bay Area Water Supply and Conservation Agency ("BAWSCA") will calculate each Wholesale Customer's individual percentage share of the amount of water allocated to the Wholesale Customers collectively pursuant to Section 2.1. Following the declaration or reconfirmation of a water shortage emergency by the SFPUC, BAWSCA will deliver to the SFPUC General Manager a list, signed by the President of BAWSCA's Board of Directors and its General Manager, showing each Wholesale Customer together with its percentage share and stating that the list has been prepared in accordance with the methodology adopted by the Wholesale Customers. The SFPUC shall allocate water to each Wholesale Customer, as specified in the list. The shortage allocations so established may be transferred as provided in Section 2.5 of this Plan. If BAWSCA or all Wholesale Customers do not provide the SFPUC with individual allocations, the SFPUC may make a final allocation decision after first meeting and discussing allocations with BAWSCA and the Wholesale Customers.

The methodology adopted by the Wholesale Customers utilizes the rolling average of each individual Wholesale Customer's purchases from the SFPUC during the three immediately

preceding Supply Years. The SFPUC agrees to provide BAWSCA by November 1 of each year a list showing the amount of water purchased by each Wholesale Customer during the immediately preceding Supply Year. The list will be prepared using Customer Service Bureau report MGT440 (or comparable official record in use at the time), adjusted as required for any reporting errors or omissions, and will be transmitted by the SFPUC General Manager or his designee.

**2.3. Limited Applicability of Plan to System Wide Shortages Greater Than Twenty Percent.** The allocations of water between the SFPUC and the Wholesale Customers collectively, provided for in Section 2.1, apply only to shortages of 20 percent or less. The SFPUC and Wholesale Customers recognize the possibility of a drought occurring which could create system-wide shortages greater than 20 percent despite actions taken by the SFPUC aimed at reducing the probability and severity of water shortages in the SFPUC service area. If the SFPUC determines that a system wide water shortage greater than 20 percent exists, the SFPUC and the Wholesale Customers agree to meet within 10 days and discuss whether a change is required to the allocation set forth in Section 2.1 in order to mitigate undue hardships that might otherwise be experienced by individual Wholesale Customers or Retail Customers. Following these discussions, the Tier 1 water allocations set forth in Section 2.1 of this Plan, or a modified version thereof, may be adopted by mutual written consent of the SFPUC and the Wholesale Customers. If the SFPUC and Wholesale Customers meet and cannot agree on an appropriate Tier 1 allocation within 30 days of the SFPUC's determination of water shortage greater than 20 percent, then (1) the provisions of Section 3.11(C) of the Agreement will apply, unless (2) all of the Wholesale Customers direct in writing that a Tier 2 allocation methodology agreed to by them be used to apportion the water to be made available to the Wholesale Customers collectively, in lieu of the provisions of Section 3.11(C).

The provisions of this Plan relating to transfers (in Section 2.5), banking (in Section 3), and excess use charges (in Section 4) shall continue to apply during system-wide shortages greater than 20 percent.

**2.4. Monthly Water Budgets.** Within 10 days after adopting a declaration of water shortage emergency, the SFPUC will determine the amount of Tier 1 water allocated to the Wholesale Customers collectively pursuant to Section 2.1. The SFPUC General Manager, using the Tier 2 allocation percentages shown on the list delivered by BAWSCA pursuant to Section 2.2, will calculate each Wholesale Customer's individual annual allocation. The SFPUC General Manager, or his designee, will then provide each Wholesale Customer with a proposed schedule of monthly water budgets based on the pattern of monthly water purchases during the Supply Year immediately preceding the declaration of shortage (the "Default Schedule"). Each Wholesale Customer may, within two weeks of receiving its Default Schedule, provide the SFPUC with an alternative monthly water budget that reschedules its annual Tier 2 shortage allocation over the course of the succeeding Supply Year. If a Wholesale Customer does not deliver an alternative monthly water budget to the SFPUC within two weeks of its receipt of the Default Schedule, then its monthly budget for the ensuing Supply Year shall be the Default Schedule proposed by the SFPUC.

Monthly Wholesale Customer water budgets will be derived from annual Tier 2 allocations for purposes of accounting for excess use. Monthly Wholesale Customer water budgets shall be adjusted during the year to account for transfers of shortage allocation under Section 2.5 and

transfers of banked water under Section 3.4.

**2.5. Transfers of Shortage Allocations.** Voluntary transfers of shortage allocations between the SFPUC and any Wholesale Customers, and between any Wholesale Customers, will be permitted using the same procedure as that for transfers of banked water set forth in Section 3.4. The SFPUC and BAWSCA shall be notified of each transfer. Transfers of shortage allocations shall be deemed to be an emergency transfer and shall become effective on the third business day after notice of the transfer has been delivered to the SFPUC. Transfers of shortage allocations shall be in compliance with Section 3.05 of the Agreement. The transferring parties will meet with the SFPUC, if requested, to discuss any effect the transfer may have on its operations.

## SECTION 3. SHORTAGE WATER BANKING

**3.1. Water Bank Accounts.** The SFPUC shall create a water bank account for itself and each Wholesale Customer during shortages in conjunction with its resale customer billing process. Bank accounts will account for amounts of water that are either saved or used in excess of the shortage allocation for each agency; the accounts are not used for tracking billings and payments. When a shortage period is in effect (as defined in Section 1.4), the following provisions for bank credits, debits, and transfers shall be in force. A statement of bank balance for each Wholesale Customer will be included with the SFPUC's monthly water bills.

**3.2. Bank Account Credits.** Each month, monthly purchases will be compared to the monthly budget for that month. Any unused shortage allocation by an agency will be credited to that agency's water bank account. Credits will accumulate during the entire shortage period, subject to potential restrictions imposed pursuant to Section 3.2.1. Credits remaining at the end of the shortage period will be zeroed out; no financial or other credit shall be granted for banked water.

**3.2.1. Maximum Balances.** The SFPUC may suspend the prospective accumulation of credits in all accounts. Alternatively, the SFPUC may impose a ceiling on further accumulation of credits in water bank balances based on a uniform ratio of the bank balance to the annual water allocation. In making a decision to suspend the prospective accumulation of water bank credits, the SFPUC shall consider the available water supply as set forth in Section 1.1 of this Plan and other reasonable, relevant factors.

**3.3. Account Debits.** Each month, monthly purchases will be compared to the budget for that month. Purchases in excess of monthly budgets will be debited against an agency's water bank account. Bank debits remaining at the end of the fiscal year will be subject to excess use charges (see Section 4).

**3.4. Transfers of Banked Water.** In addition to the transfers of shortage allocations provided for in Section 2.5, voluntary transfers of banked water will also be permitted between the SFPUC and any Wholesale Customer, and among the Wholesale Customers. The volume of transferred water will be credited to the transferee's water bank account and debited against the transferor's water bank account. The transferring parties must notify the SFPUC and BAWSCA of each transfer in writing (so that adjustments can be made to bank accounts), and will meet with the SFPUC, if requested, to discuss any affect the transfer may have on SFPUC operations. Transfers of banked water shall be deemed to be an emergency transfer and shall become effective on the third business day after notice of the transfer has been delivered to the SFPUC.

If the SFPUC incurs extraordinary costs in implementing transfers, it will give written notice to the transferring parties within ten (10) business days after receipt of notice of the transfer. Extraordinary costs means additional costs directly attributable to accommodating transfers and which are not incurred in non-drought years nor simply as a result of the shortage condition itself. Extraordinary costs shall be calculated in accordance with the procedures in the Agreement and shall be subject to the disclosure and auditing requirements in the Agreement. In the case of transfers between Wholesale Customers, such extraordinary costs shall be considered to be expenses chargeable solely to individual Wholesale Customers and shall be borne equally by the parties to the transfer. In the case of transfers between the SFPUC and a Wholesale Customer, the SFPUC's share of any extraordinary transfer costs shall not be added to the Wholesale Revenue Requirement.

**3.4.1. Transfer Limitations.** The agency transferring banked water will be allowed to transfer no more than the accumulated balance in its bank. Transfers of estimated prospective banked credits and the "overdrafting" of accounts shall not be permitted. The price of transfer water originally derived from the SFPUC system is to be determined by the transferring parties and is not specified herein. Transfers of banked water shall be in compliance with Section 3.05 of the Agreement.

## SECTION 4. WHOLESALE EXCESS USE CHARGES

**4.1. Amount of Excess Use Charges.** Monthly excess use charges shall be determined by the SFPUC at the time of the declared water shortage consistent with the calendar in Section 6 and in accordance with Section 6.03 of the Agreement. The excess use charges will be in the form of multipliers applied to the rate in effect at the time the excess use occurs. The same excess use charge multipliers shall apply to the Wholesale Customers and all Retail Customers. The excess use charge multipliers apply only to the charges for water delivered at the rate in effect at the time the excess use occurred.

**4.2 Monitoring Suburban Water Use.** During periods of voluntary rationing, water usage greater than a customer's allocation (as determined in Section 2) will be indicated on each SFPUC monthly water bill. During periods of mandatory rationing, monthly and cumulative water usage greater than a Wholesale Customer's shortage allocation and the associated excess use charges will be indicated on each SFPUC monthly water bill.

**4.3. Suburban Excess Use Charge Payments.** An annual reconciliation will be made of monthly excess use charges according to the calendar in Section 6. Annual excess use charges will be calculated by comparing total annual purchases for each Wholesale Customer with its annual shortage allocation (as adjusted for transfers of shortage allocations and banked water, if any). Excess use charge payments by those Wholesale Customers with net excess use will be paid according to the calendar in Section 6. The SFPUC may dedicate excess use charges paid by Wholesale Customers toward the purchase of water from the State Drought Water Bank or other willing sellers in order to provide additional water to the Wholesale Customers. Excess use charges paid by the Wholesale Customers constitute Wholesale Customer revenue and shall be included within the SFPUC's annual Wholesale Revenue Requirement calculation.

## SECTION 5. GENERAL PROVISIONS GOVERNING WATER SHORTAGE ALLOCATION PLAN

**5.1. Construction of Terms.** This Plan is for the sole benefit of the parties and shall not be construed as granting rights to any person other than the parties or imposing obligations on a party to any person other than another party.

**5.2. Governing Law.** This Plan is made under and shall be governed by the laws of the State of California.

**5.3. Effect on Agreement.** This Plan describes the method for allocating water between the SFPUC and the collective Wholesale Customers during system-wide water shortages of 20 percent or less. This Plan also provides for the SFPUC to allocate water among the Wholesale Customers in accordance with directions provided by the Wholesale Customers through BAWSCA under Section 2.2, and to implement a program by which such allocations may be voluntarily transferred among the Wholesale Customers. The provisions of this Plan are intended to implement Section 3.11(C) of the Agreement and do not affect, change or modify any other section, term or condition of the Agreement.

**5.4. Inapplicability of Plan to Allocation of SFPUC System Water During Non-Shortage Periods.** The SFPUC's agreement in this Plan to a respective share of SFPUC system water during years of shortage shall not be construed to provide a basis for the allocation of water between the SFPUC and the Wholesale Customers when no water shortage emergency exists.

**5.5. Termination.** This Plan shall expire at the end of the Term of the Agreement.. The SFPUC and the Wholesale Customers can mutually agree to revise or terminate this Plan prior to that date due to changes in the water delivery capability of the SFPUC system, the acquisition of new water supplies, and other factors affecting the availability of water from the SFPUC system during times of shortage.

## SECTION 6. ALLOCATION CALENDAR

**6.1. Annual Schedule.** The annual schedule for the shortage allocation process is shown below. This schedule may be changed by the SFPUC to facilitate implementation.

6.1.1

| In All Years | Target Dates |
|---|---|
| 1. SFPUC delivers list of annual purchases by each Wholesale Customer during the immediately preceding Supply Year | November 1 |
| 2. SFPUC meets with the Wholesale Customers and presents water supply forecast for the following Supply Year | February |
| 3. SFPUC issues initial estimate of available water supply | February 1 |
| 4. SFPUC announces potential first year of drought (if applicable) | February 1 |
| 5. SFPUC and Wholesale Customers meet upon request to exchange information concerning water availability and projected system-wide purchases | February 1-May 31 |
| 6. SFPUC issues revised estimate of available water supply, and confirms continued potential shortage conditions, if applicable | March 1 |
| 7. SFPUC issues final estimate of available water supply | April 15th or sooner if adequate snow course measurement data is available to form a robust estimate on available water supply for the coming year. |
| 8. SFPUC determines amount of water available to Wholesale Customers collectively | April 15th or sooner if adequate snow course measurement data is available to form a robust estimate on available water supply for the coming year. |

| In Drought Years | Target Dates |
|---|---|
| 9. SFPUC formally declares the existence of water shortage emergency (or end of water shortage emergency, if applicable) under Water Code Sections 350 et. seq. | April 15-31 |
| 10. SFPUC declares the need for a voluntary or mandatory response | April 15-31 |
| 11. BAWSCA submits calculation to SFPUC of individual Wholesale Customers' percentage shares of water allocated to Wholesale Customers collectively | April 15- 31 |
| 12. SFPUC determines individual shortage allocations, based on BAWSCA's submittal of individual agency percentage shares to SFPUC, and monthly water budgets (Default Schedule) | April 25—May 10 |
| 13. Wholesale Customers submit alternative monthly water budgets (optional) | May 8-May 24 |
| 14. Final drought shortage allocations are issued for the Supply Year beginning July 1 through June 30 | June 1 |
| 15. Monthly water budgets become effective | July 1 |
| 16. Excess use charges indicated on monthly Suburban bills | August 1 (of the beginning year) through June 30 (of the succeeding year) |
| 17. Excess use charges paid by Wholesale Customers for prior year | August of the succeeding year |

ATTACHMENT I

# NOT USED

ATTACHMENT J

# DEFINITIONS AND FORMULAS FOR CALCULATING PROPORTIONAL ANNUAL WATER USE

## TABLE OF CONTENTS

This Attachment contains four sections, three figures, and five tables.


| | |
|---|---|
| Section A: | Water Meters |
| Section B: | Calculation of Proportional Annual Water Use |
| Section C: | Data Requirements and Schedule |
| Section D: | County Line and In-City Terminal Reservoir Meter Calibration and Maintenance |
| Figure 1: | Locations of SFPUC County-Line Meters and In-City Terminal Reservoirs |
| Figure 2: | Generalized Schematic of Lake Merced Pump Station |
| Figure 3: | Locations of System Input and In-Line Meters |
| Table 1: | Base Usage and Allocation Rates |
| Table 2: | Locations of SFPUC County-line Meters and In-City Terminal Reservoirs |
| Table 3: | Locations of SFPUC System Input and In-line Meters |
| Table 4: | County-line Meters, In-City Terminal Reservoirs and Associated Metering Equipment |
| Table 5: | Meter Calibration and Maintenance Frequency |


Table 1 presents the format for the water usage and allocation rate calculations for reference and to illustrate the definitions and formulas described in Sections A through C. Tables 2 and 3 list the meters whose locations are shown on Figures 1 and 3, respectively. Table

4 identifies the type of meter and associated metering equipment for the County-line Meters and Terminal Reservoirs. Table 5 identifies the meter calibration and maintenance frequency for the meters and equipment listed in Table 4.

## SECTION A. WATER METERS

### 1. General

The Agreement provides that certain operating and maintenance expenses and the capital cost of certain categories of utility plant in service are to be allocated between San Francisco and the Wholesale Customers on the basis of proportionate annual usage of the Regional Water System. The purpose of this Attachment is to describe the meters and illustrate the method by which proportionate annual usage will be calculated.

### 2. Units of Measurement, Rounding, Conversion

The SFPUC will compile the usage data required to complete Table 1 annually. The units of measurement and conventions for converting and rounding will be as follows.

The data in the Table 1 will be presented, and the calculations contemplated by this Attachment shown, in units of millions of gallons per day (mgd), rounded to the nearest tenth of an mgd. Percentages (e.g., the City and Wholesale usage rates) shall be carried to two digits to the right of the decimal point and reduction factors shall be carried to four digits to the right of the decimal point. Data compiled by the SFPUC in units of hundreds of cubic feet per year (ccf) shall be converted to mgd by multiplying hundreds of cubic feet per year by 0.0000020493 (or $2.0493 \times 10^{-6}$) for non-leap years and 0.0000020437 (or $2.0437 \times 10^{-6}$) for leap years.

In rounding, if the rightmost digit dropped is 0 through 4, the preceding digit shall be left unchanged; if the rightmost digit dropped is 5 through 9, the preceding digit shall be increased by 1.

3. Location of Meters/Gauges

The SFPUC presently maintains meters and gauges that have been used to determine the proportionate usage of the Regional Water System, in accordance with the methods and calculations described in Exhibit J to the 1984 contract between San Francisco and the Wholesale Customers. These meters consist of "County-Line Meters," "In-City Terminal Reservoir Meters" and "System Input and In-line Meters" as described in the following subsections. As new capital improvement projects are designed and constructed by the SFPUC, it may be necessary for new meters to be installed to ensure continued accurate determinations of the proportionate usage of the Regional Water System. "Planned meters" are included in the following subsections where planned capital improvement projects are likely to require the installation of additional meters.

a. County-line Meters

The SFPUC presently maintains meters at or near the San Mateo-San Francisco County line to measure flow through all transmission pipelines entering the City ("County-line Meters"). The existing and planned County-line Meters are listed in Table 2 and shown on Figures 1 and 2. Additional details pertaining to the County-line meters located at the Lake Merced Pump Station, and specifically to water deliveries from the pump station to Sunset Reservoir, Sutro Reservoir, and Lake Merced are provided below.

(1) County-Line deliveries to Sunset and Sutro Reservoirs

Water delivered to the City through the Sunset Supply Pipeline may be pumped from the Lake Merced Pump Station to either Sunset Reservoir or Sutro Reservoir located within the City. When water is pumped from the Lake Merced Pump Station to both Sunset and Sutro reservoirs simultaneously, the recording instrumentation on the Sunset and Sutro venturi meters are designed to record flows through both meters. When water is pumped to Sutro Reservoir only (typically utilizing Pump No. 4 at the

Lake Merced Pump Station), the source water is from the Sunset Reservoir (not the County-line), and the direction of flow through the Sunset venturi meter is reversed. Under this pumping scenario, the recording instrumentation on the Sunset and Sutro venturi meters are designed to not record flow on their respective recorders such that the in-City transfer of water between Sunset and Sutro Reservoirs is not included as a County-line delivery to the City. Figure 2 provides a generalized schematic of the Lake Merced Pump Station and the typical direction of flow from the County-line, through the pump station.

(2) County-line deliveries to Lake Merced

In order to raise and maintain water levels in Lake Merced, the SFPUC occasionally delivers water directly from the Regional Water System to Lake Merced. Deliveries from the Regional Water System to Lake Merced are accomplished at the Lake Merced Pump Station. The procedure involves operating valves on the suction side of Sunset Pump No. 2 such that water may flow by gravity in the Sunset Supply Pipeline, from San Mateo County, across the County-line and into San Francisco, through Lake Merced Pump Station and into the Lake Merced wet well. A 16-inch pipeline connection on the suction side of Sunset Pump No. 2 allows for deliveries of water to the wet well (see Figure 2). Water deliveries from the Regional Water System to Lake Merced are considered County-line deliveries and an in-City usage in the calculation of water allocation rates.

b. In-City Terminal Reservoirs

Water usage by the City includes water deliveries from the SFPUC's "terminal reservoirs." The terminal reservoirs are: 1) Sunset Reservoir, 2) University Mound Reservoir, and 3) Merced Manor Reservoir. The terminal reservoirs are shown on Figure 1.

c. System Input and In-Line Meters

The SFPUC presently measures water flow into and through the Regional System utilizing "System Input and In-Line Meters." The existing and planned System Input and In-Line Meters are listed in Table 3 and shown on Figure 3.

d. Wholesale Customer Meters and City Retail Customer Meters Located Outside the Boundaries of the City

The SFPUC presently measures water deliveries from the Regional Water System to its Wholesale Customers at various locations where the water delivery systems of the individual Wholesale Customers tie into the Regional Water System. The meters at these locations are referred to as the Wholesale Customers' "master meters." The SFPUC also measures water deliveries from the Regional Water System to other customers located outside of the boundaries of the City that are not Wholesale Customers. Water deliveries to the Wholesale Customers and Retail Customers outside the City's boundaries that receive water from the Regional Water System are accounted for by the SFPUC's Customer Service Division as described in Section B.

4. Replacement and Relocation of Meters, Gauges, and Recording Devices.

The SFPUC presently equips all of its large venturi meters with differential pressure transmitters. The smaller meters utilize other methods and equipment to register and record flows. The SFPUC will maintain the meters, gauges, and recording devices described above in subsections (a), (b), (c), and (d) unless and until such meters, gauges, and recording devices are replaced.

The SFPUC may replace the meters, gauges, and recording devices described above in subsections (a), (b), (c), and (d) or install new meters, gauges, and recording devices at new locations, provided that such changes do not diminish the accuracy of the water flow measurements or impair the ability of the SFPUC to separate direct City water use from water use by the wholesale customers. Maintenance and calibration procedures for new or replaced equipment may change. Modified maintenance and calibration procedures for new or replaced equipment will conform to industry standards set forth in AWWA Manual M33, the applicable

standards in the International Society of Automation, and will implement the manufacturer's instructions for maintenance and calibration. The SFPUC will provide BAWSCA with advance written notice of any such changes, together with a brief explanation of the reasons therefor and a description of the type and location of the replacement. Such notice shall automatically amend the list of meters, gauges, and recording devices set forth above in subsections (a), (b), (c), and (d).

5. Recording of Water Flow Data

a. Flow Data

The City shall record and maintain data measuring base water flow throughout the SFPUC Regional Water System as necessary to determine proportional annual water usage.

b. Reservoir Data

The SFPUC shall record and maintain data measuring the levels of the terminal reservoirs described above in subsection A.3.b and shown on Figure 1 on an hourly basis. Flow values derived from reservoir level readings for all reservoirs in the SFPUC wholesale system shall be calculated using the tables contained in the SFPUC publication "Reservoir Data" (aka "The Weir Book"), which set forth the relationship between reservoir levels and water volumes, as such tables may be amended from time to time to reflect changes in the volumes of the various reservoirs. The tables to be used initially shall be those from the current edition of The Weir Book.

## SECTION B. CALCULATION OF PROPORTIONAL ANNUAL USAGE

"Base rates" means the percentages of annual SFPUC deliveries attributed to the Wholesale Customers and to City Retail Customers.

The percentage of annual SFPUC metered deliveries attributed to the Wholesale Customers (i.e., the wholesale base rate) shall be calculated for each fiscal year as described below and illustrated in Table 1. The item numbers listed below correspond to the item numbers listed in Table 1.

(1) "Gross San Francisco County line base deliveries" shall equal the total amount of water flowing into the City's distribution system through transmission pipelines entering the City, as measured by the County-Line Meters described in Section A.3.a. and shown on Figures 1 and 2.

(2) "Daly City base deliveries" shall equal the water flowing to Daly City through meter accounts provided downstream of the County-Line meters or through SFPUC's City Distribution Division. At present these accounts are:

(a) CSPL1/Macdonald Avenue Service (Account number 010084-01-0)

(b) Guttenberg Street Service (Account number 010013-01-3)

(c) Carter Street Service (Account numbers 284070-01-8 and 284071-01-6)

These accounts represent a portion of the total deliveries to Daly City. The quantities of water delivered to these four Daly City accounts are reported monthly in Form MGT441 by the SFPUC's Customer Service Division. These connections to meters are presently located within the City, and thus record water which has already been recorded by the SFPUC's master meters at the County line. So long as this condition continues, Daly City base deliveries shall be subtracted from "Gross San Francisco County line base deliveries."

(3) "Net San Francisco base deliveries" shall equal the result of subtracting "Daly City base deliveries" from "Gross San Francisco County line base deliveries."

(4) "Other suburban raw water base deliveries" shall equal the sum of all deliveries of raw (untreated) water to customers of the SFPUC located outside the City other than deliveries to the Wholesale Customers. "Other suburban raw water base deliveries" include deliveries of raw water in Alameda and San Mateo Counties to SFPUC Retail Customers, City departments and commissions, and other users affiliated with San Francisco.

(5) "Other suburban treated water base deliveries" shall equal the sum of all deliveries of treated water to customers of the SFPUC located outside the City other than deliveries to the Wholesale Customers. Other suburban treated water base deliveries include deliveries of treated water to the SFPUC's Retail Customers in San Mateo, Santa Clara and Alameda Counties (such as NASA Ames Research Center and LLNL), to City departments and commissions and other users affiliated with San Francisco (such as the San Francisco International Airport, the San Francisco County Jail, and tenants of land owned by the City Recreation and Park Department).

(6) "Other suburban base deliveries" shall equal the sum of "Other suburban raw water deliveries" and "Other suburban treated water deliveries." The combined amount of raw and treated water delivered to suburban entities other than the Wholesale Customers is reported monthly in Form MGT440 by the SFPUC's Customer Service Division.

(7) "Total City base usage" shall equal "Net San Francisco base deliveries" plus "Other suburban base deliveries."

(8) "Total wholesale base usage" shall equal the sum of all metered deliveries to the Wholesale Customers measured at their SFPUC master meters (including all deliveries to Daly City which are comprised of deliveries through meters located outside San Francisco and meters located inside San Francisco, deliveries through the latter of which are designated above in paragraph B.1.2 as "Daly City base

deliveries"). The quantity of water delivered to the individual Wholesale Customers, and the combined amount of water delivered to all Wholesale Customers is reported monthly in Form MGT440 by the SFPUC's Customer Service Division.

(9) "Total system base usage" shall equal "City base usage" plus "Wholesale base usage."

(10) "Wholesale base rate" shall equal the percentage obtained by dividing "Wholesale base usage" by "Total system base usage."

(11) "City base rate" shall equal the percentage obtained by subtracting "Wholesale base rate" from 100 percent.

(12) "Base system input" shall equal all amounts of water supplied to the SFPUC Regional Water System, which presently comes from the following sources:

(a) Hetch Hetchy water as measured at the venturi meters on the 58–inch, 61-inch, and 78.5-inch San Joaquin Pipeline Nos. 1, 2, and 3 near Oakdale.

(b) Water supplied by HHWPD to LLNL as measured at the customer meter. Water delivered from the system to LLNL shall be deemed negative in sign for the purpose of determining "Base system input."

(c) Hetch Hetchy water pumped from the Alameda siphons to San Antonio Reservoir as measured at the venturi meter on the 60-inch San Antonio pipeline. Water delivered from the system to San Antonio Reservoir shall be deemed negative in sign for the purpose of determining "Base system input."

(d) Sunol Valley Water Treatment Plant as measured at the meter on the 78-inch effluent pipeline.

(e) Harry Tracy Water Treatment Plant as measured at the venturi meters on the 60-inch and 78-inch effluent pipelines.

(f) Raw water deliveries to all SFPUC Retail Customers outside the City boundaries as measured at the customer meter. These deliveries are considered positive for the purposes of Table 1. Currently, raw water deliveries to the system are represented by the following account numbers contained in Form MGT440 prepared by the SFPUC's Customer Service Division:

266081-01-7 (Calaveras Nursery)
266081-02-5 (Calaveras Nursery)
264355-01-7 (Caltrans)
266084-02-9 (Color Spot Nursery)
272701-02-0 (Color Spot Nursery)
266069-02-0 (Crystal Springs Golf Course)
266078-02-1 (Dell Franklin)
266078-01-3 (Dells Nursery)
266084-01-1 (Hi-C Nursery)
272701-01-2 (Hi-C Nursery)
284112-01-8 (Hansen Aggregates)
266084-03-7 (Jeff Anhorn Nursery)
272701-03-8 (Jeff Anhorn Nursery)
266079-02-9 (Mission Valley Rock)
281043-01-8 (Mission Valley Rock)
267618-02-3 (Nagata Farms)
267618-01-5 (Nagata Farms)
266090-01-8 (Naka Nursery)

266091-01-6 (Naka Nursery)
266090-02-6 (Naka Nursery)
266091-02-4 (Naka Nursery)
264315-02-9 (Pacific Nurseries)
266076-01-7 (Sunol Christmas Tree Farm)
266076-02-5 (Sunol Tree Farm)
276095-01-5 (Sunol Valley Golf & Recreation)
266077-02-3 (Ura Farm)
264352-01-4 (Ura, John)
266075-01-9 (Valley Crest)
268276-01-1 (Valley Crest Nursery)
266093-01-2 (Valley Crest Tree Company)
268426-02-0 (Valley Crest Tree Company)
266075-02-7 (Valley Crest Tree Company)
266093-02-0 (Valley Crest Tree Company)
268276-02-9 (Valley Crest Tree Company)
266082-01-5 (Western Star Nursery)
266089-01-0 (Western Star Nursery)
267254-02-7 (Western Star Nursery)
266082-02-3 (Western Star)
266089-02-8 (Western Star)
267254-03-5 (Western Star)

(g) Raw water deliveries from Pilarcitos Reservoir and Crystal Springs Reservoir to Coastside County Water District as measured at the customer meters. These deliveries are considered positive for the purposes of Table 1. Currently, raw water deliveries to Coastside County Water District from both reservoirs are represented under account number 010027-01-9 contained in Form MGT441 prepared by the SFPUC's Customer Service Division:

(h) Crystal Springs Balancing Reservoir. The flow into or out of the Crystal Springs Balancing Reservoir shall be calculated based on the changes in the amounts of water stored in the reservoir. The amounts of water stored shall be determined by the use of water level sensors, and the application of water level readings to a water level-storage capacity table. Decreases in storage, which indicate a flow from the Balancing Reservoir into the system, shall be deemed positive in sign. Increases in storage, which indicate a flow into the Balancing Reservoir from the system, shall be deemed negative in sign. Over the period of a year, the total flows into and out of Crystal Springs Balancing Reservoir are nearly equivalent. As such, total system input from Crystal Springs Reservoir shall be deemed zero for calculating current base rates.

(i) Deliveries to Crystal Springs Reservoir as measured by the overflow weir at the Pulgas Pump Station. Deliveries from the system to Crystal Springs Reservoir ("spills") shall be deemed negative in sign for the purpose of determining "Base system input."

(j) Terminal Reservoirs. The "terminal reservoirs" consist of Sunset Reservoir, University Mound Reservoir, and Merced Manor Reservoir, each located within the City of San Francisco. The flow into or out of the terminal reservoirs shall be calculated based on the changes in the amounts of water stored in them. The amounts of water stored shall be determined by the use of water level sensors, and the application of water levels to water level-storage capacity tables. Over the period of a year, the total flows into and out of terminal reservoirs are nearly equivalent. As such, total system input from the terminal reservoirs shall be deemed zero for calculating base rates.

(k) Other Sources. Other sources of flow into, or from, the Regional Water System, shall be accounted for as "other sources." Examples of other

sources of system input would include intertie water deliveries between the Regional System and the Santa Clara Valley Water District, and between the Regional System and the East Bay Municipal Utilities District, and deliveries of raw water from Crystal Springs Reservoir in the event of an emergency. Flows from the system shall be deemed negative in sign for the purpose of determining "Base system input."

(13) "Total base system input" shall equal the sum of the system inputs from the sources described in paragraph B.1.12.

(14) "Joint system loss reduction factor" shall equal "Total system base usage" divided by "Total base system input." "Joint system loss reduction factor" shall not exceed 1.0.

(15) "Daly City reduction factor" shall equal "Net San Francisco base deliveries" divided by "Gross San Francisco County line base deliveries." "Daly City reduction factor" shall not exceed 1.0.

(16) "Total suburban base deliveries" shall equal "Other suburban base deliveries" plus "Total wholesale base usage."

(17) "Suburban reduction factor" shall equal "Wholesale base usage" divided by "Total suburban base deliveries." "Suburban reduction factor" shall not exceed 1.0.

(18) "HHWPD Deliveries above Oakdale" shall equal the total amount of water delivered by the HHWPD to users located above the system input meters in Oakdale. Water users located above the system input meters in Oakdale are currently represented by Groveland Community Services District and the HHWPD facility at Moccasin.

(19) "HH Reduction Factor" is calculated for the purpose of determining the Wholesale Customers' share of the Hetch Hetchy Assessment. The factor shall equal a fraction, the numerator of which is the total system input measured at the Oakdale meters (Table 1, line 12.a) and the denominator of which is the sum of the total system input measured at the Oakdale meters (Table 1, line 12.a) plus the total "HHWPD deliveries above Oakdale" (Table 1, line 18).

## SECTION C. DATA REQUIREMENTS AND SCHEDULE

### 1. Collection and Dissemination of Data

The SFPUC presently compiles daily flow data for the County-line meters, System Input and In-Line Meters, and daily reservoir water level data, and provides copies of that data to the Wholesale Customers (through BAWSCA) on a monthly basis. The SFPUC also provides copies of wholesale "Suburban Resale" and City Retail water usage data to BAWSCA on a monthly basis. Additionally, the SFPUC provides BAWSCA access to flow data for the meters as reported and recorded by the SFPUC's SCADA system.

The SFPUC shall continue to provide the flow and water usage data described above to BAWSCA on a monthly basis, and shall continue to allow BAWSCA access to the SCADA system data, so that a coordinated effort between the SFPUC and BAWSCA will allow for updating Table 1 of this Attachment annually on a timely basis.

It shall continue to be the SFPUC's responsibility to compile the data necessary to update Table 1 of this Attachment annually and the City shall deliver to BAWSCA, for review and approval, copies of the updated Table 1 by September 15 for the fiscal year ending the preceding June 30, as shown by the schedule contained in Section C.3.

Upon reasonable notice to the General Manager of the SFPUC, BAWSCA shall be given access to all water flow and usage records compiled by the SFPUC, including raw data, at reasonable times during business hours and shall have the right to copy such records and data at its expense.

2. Lack of Data

The parties recognize that, because of human error, mechanical failure, or other unplanned events, portions of the data required for the calculation of the usage rates and ratios described in Sections B and C of this Attachment occasionally may be unavailable or incorrect. In the event that such data are unavailable or inaccurate, the SFPUC shall make a reasonable estimate of the unavailable or incorrect data or use the most accurate alternative data that are available, and substitute the estimate therefor.

If the SFPUC uses an estimate of the unavailable or inaccurate data or alternative data, it shall provide BAWSCA with the following:

(1) a description of the unavailable or inaccurate data and the estimation or substitution of data used therefor;

(2) an explanation of the cause of the missing or inaccurate data and the reasons underlying the SFPUC's estimation or substitution of alternate data; and

(3) a statement of how the error or malfunction that caused the unavailability or inaccuracy of the data will be avoided in the future.

The SFPUC shall provide this information to BAWSCA upon calculation by the SFPUC of the usage rates and ratios described in this Attachment for the fiscal year in question.

3. Schedule for Completing the Annual Calculations of Water Usage Rates

The parties recognize the importance of updating Table 1 of this Attachment annually in a timely manner, and that historically, doing so has required a coordinated effort between the SFPUC and BAWSCA. To assure timely completion of the annual calculations of water usage rates and ratios, the parties agree to adhere to the following schedule.

(1) By August 15: The SFPUC shall forward to BAWSCA all data for the fiscal year ending the preceding June 30, necessary to make a determination of the base water usage and base allocation rates for the Wholesale Customers and the City.

(2) By September 15. The City shall deliver to BAWSCA, for review and approval, draft copies of the updated Table 1 for the fiscal year ending the preceding June 30.

(3) Between September 15 and October 15. The SFPUC and BAWSCA shall reconcile any discrepancies or inaccuracies in the draft calculations of water usage rates and shall reach agreement on a final updated Table 1 for the fiscal year ending the preceding June 30.

(4) By November 1. The SFPUC shall deliver to BAWSCA a finalized updated Table 1, signed by the SFPUC General Manager, or appropriate designee, representing the water usage rates agreed upon by the SFPUC and BAWSCA, for the fiscal year ended June 30.

(5) By November 15. BAWSCA shall return the finalized Table 1 to the SFPUC, counter-signed by the BAWSCA General Manager/CEO. If the SFPUC does not receive the countersigned Table 1 from BAWSCA by November 15, it may use the water use data as contained in the Table 1 delivered pursuant to paragraph (4) above, subject to arbitration as provided in section 8.01 of the Agreement.

## SECTION D. COUNTY LINE AND IN-CITY TERMINAL RESERVOIR METER CALIBRATION AND MAINTENANCE

### 1. General

This section refers only to the County-Line and In-City Terminal Reservoir Meters. The term "meter(s)" includes the primary meter itself (most of the primary meters in the SFPUC's water system are Venturi-type flow meters) as well as any and all of the associated equipment used to measure, record, and transmit flow and water level data. The metering equipment associated with the primary metering device (also referred to as the secondary metering equipment) includes differential pressure transmitters, recorders, telecommunications equipment and the portion of the SFPUC's Supervisory Control and Data Acquisition (SCADA) System that is used to transmit flow and water level measurements from the water meter to the computer terminal that records the measured data.

The County-Line and In-City Terminal Reservoir meters, their general locations, and their associated metering equipment are listed in Table 4.

### 2. Frequency and Type of Work to be Performed

The meters, water level sensors, and associated metering equipment are to be inspected, tested, calibrated, and maintained according to the applicable meter calibration and maintenance frequency specified in Table 5.

### 3. Components of the Calibration and Maintenance Work

The SFPUC will contract with an independent metering consultant to perform periodic inspections, testing, servicing and calibrations of the meters and metering equipment for the County-line meters and In-City Terminal Reservoirs. The metering consultant's calibration and maintenance work will include the following components:

- Annual Pitot Tube Tests: Pitot tube flow tests shall be performed once a year on all Venturi-type flow meters. See Sections 4.b and 4.c for further detail.

- Quarterly Secondary Meter Equipment Testing and Calibration: The secondary metering equipment shall be tested for accuracy and calibrated quarterly at five input levels (0%, 25%, 50%, 75% and 100% of the full range of flow). See Section 4.a for further detail.

- Cleaning: Clean and remove dust, oils, dirt, etc. from all instruments.

- Flushing: Flush and clean Venturi tube differential pressure (D/P) sensing lines.

- Inspecting: Inspections for mechanical fatigue, leaky pipes and fittings, worn parts, and improper operation of electrical/electronic equipment.

- Lubrication: Mechanical parts shall be lubricated as needed.

4. Calibration Procedures

The metering consultant shall continue to calibrate and maintain the County-line meters and metering equipment listed in Table 4 in accordance with the frequency of work specified in Table 5. The work includes documenting meter readings and accuracy before and after calibration. Specific tasks to be completed by the metering consultant are as follows:

a) Quarterly testing and calibration. The secondary metering equipment shall be tested and calibrated quarterly using NIST Traceable test equipment, and a "dead weight tester."

The system loop error for the secondary metering equipment is determined by connecting its output to the differential pressure transmitter and adjusting the dead weight tester to 5 places over the full range of flow: 0%, 25%, 50%, 75% and 100%, while all instruments in the loop are connected. For water level transmitters, provide simulated test head equal to full range of the transmitter being calibrated, comparing the simulated test head to its 4-20 milliamp output signal to determine transmitter error and calibration requirements. The system loop error for the secondary metering equipment may not exceed +/-2%. The individual components of the secondary metering equipment shall also be tested at the same 5 input levels and calibrated as necessary to ensure the error of the system and individual components does not exceed +/- 2%.

b) Annual Pitot Tube Testing and Calibration. Annual Pitot tube testing shall be conducted for a comparison of flow totalized by the Pitot tube test equipment and the totalizer used by the SFPUC for water measurement and billing purposes. Annual Pitot tube flow testing shall be performed on all flow meters for assessment of Venturi error using the Annubar continuous flow method at 22% of the pipe radius. Pitot tube flow testing must be conducted continuously for a minimum of 30 minutes per test.

The Pitot tube flow tests are first performed before any of the secondary metering instruments are calibrated to determine the total system error (system consisting of the primary metering device and secondary metering equipment). Once the total system loop error has been established, perform secondary loop instrument testing and calibration as per the quarterly testing and calibration procedures described in 4.a above. If the total system error exceeds +/- 2% after calibration of the secondary metering equipment, minor adjustments to the differential pressure transmitter shall be made to correct (calibrate) the error in the Venturi meter. Repeat Pitot tube testing must be performed after the individual instrument calibration and differential pressure transmitter adjustments have been performed to establish that total system loop error is within +/- 2%.

c) Pitot tube testing shall be conducted at a flow rate representing the typical flow for the meter (and, if operationally possible, at three different flows ranging from a minimum to near maximum capacity flow).

d) The metering consultant shall perform the meter testing and calibration procedures utilizing the meter characteristic curves (for example, the pressure drop vs. flow for a Venturi meter) that have been obtained during previous meter calibration and maintenance work.

e) During each quarterly site visit, the metering consultant shall inspect, assess and document the condition of all metering equipment, including meter, gauges, indicators, recorders, transmitters and other instrumentation, used in the measurement and recording of flow rates and cumulative flow totals and shall document all operational problems with the calibration instruments and meters during the calibration process. Problems may include air entrainment, leakage, flow disturbance and unstable meter readings.

f) Prior to each quarterly site visit, the metering consultant shall review prior calibration records and reports for each meter to determine if previously-identified errors or equipment deficiencies were corrected as previously recommended.

g) Each quarter, the metering consultant shall submit a final report (See Section 6) containing all of the calibration results for each meter tested and calibrated during the quarter. The metering consultant's report shall include a narrative description of the work conducted on each meter and meter calibration reports for the individual metering equipment. The quarterly report shall also address deficiencies that were not previously corrected according to the recommendations made in the prior report.

5. Calibration Instruments

The instrument used for flow testing of the primary meter (Venturi) must meet the accuracy standards required by the American Water Works Association (AWWA), and be

capable of measuring actual flows with an error of less than +/- 2%. If a particular calibration instrument is not rated for accuracy by the AWWA, its accuracy will be determined by reference to its manufacturer's representations as to accuracy.

6. Calibration Reports

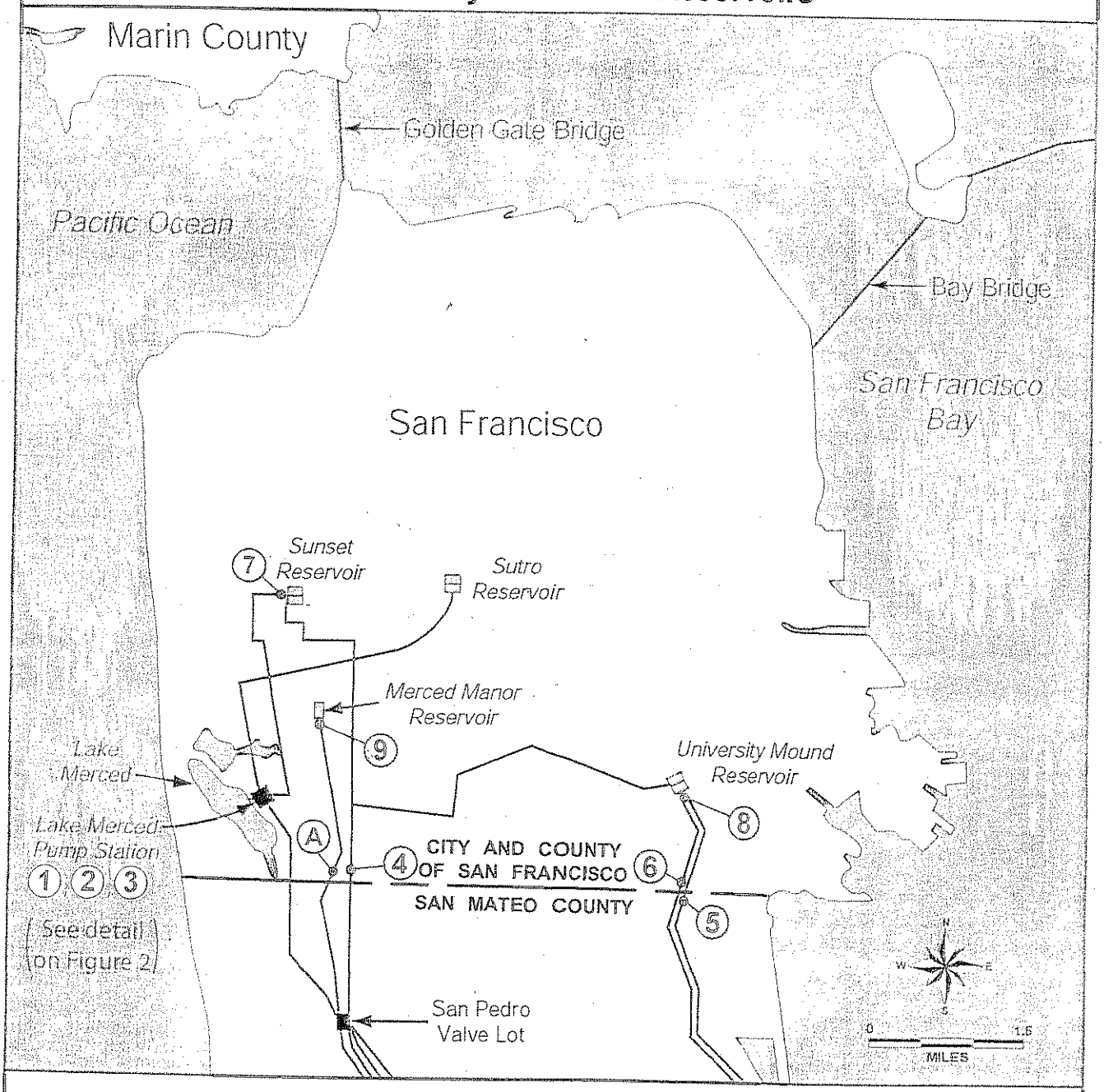
Within fourteen (14) working days after the beginning of each quarter, the metering consultant shall submit a written progress report of the work performed during the previous quarter. Each quarterly report will describe the results of the meter calibrations and any other tasks performed. The report will also include comments regarding any observations of abnormal conditions and any recommendations regarding these meters and their related equipment.

The reports must include complete descriptions and status of meters and related equipment, dates and times of service, all calibration specifics, pipeline dimensions, range of flow rates and totalized volumes, before and after error analysis and accuracy levels achieved, testing equipment used, and the name(s) of the person(s) that performed the work.

When appropriate and necessary, the metering consultant shall provide recommendations for improving the accuracy and reliability of the equipment and/or the methods of data collection. If, in the opinion of the metering consultant, the condition of a meter or its associated metering equipment is found to be defective, damaged, or otherwise in need of immediate repair or replacement, the metering consultant shall: 1) promptly notify the appropriate SFPUC personnel of the problem and recommend a solution to the problem so that the SFPUC can determine how to address it and, 2) include the problem description in its quarterly report.

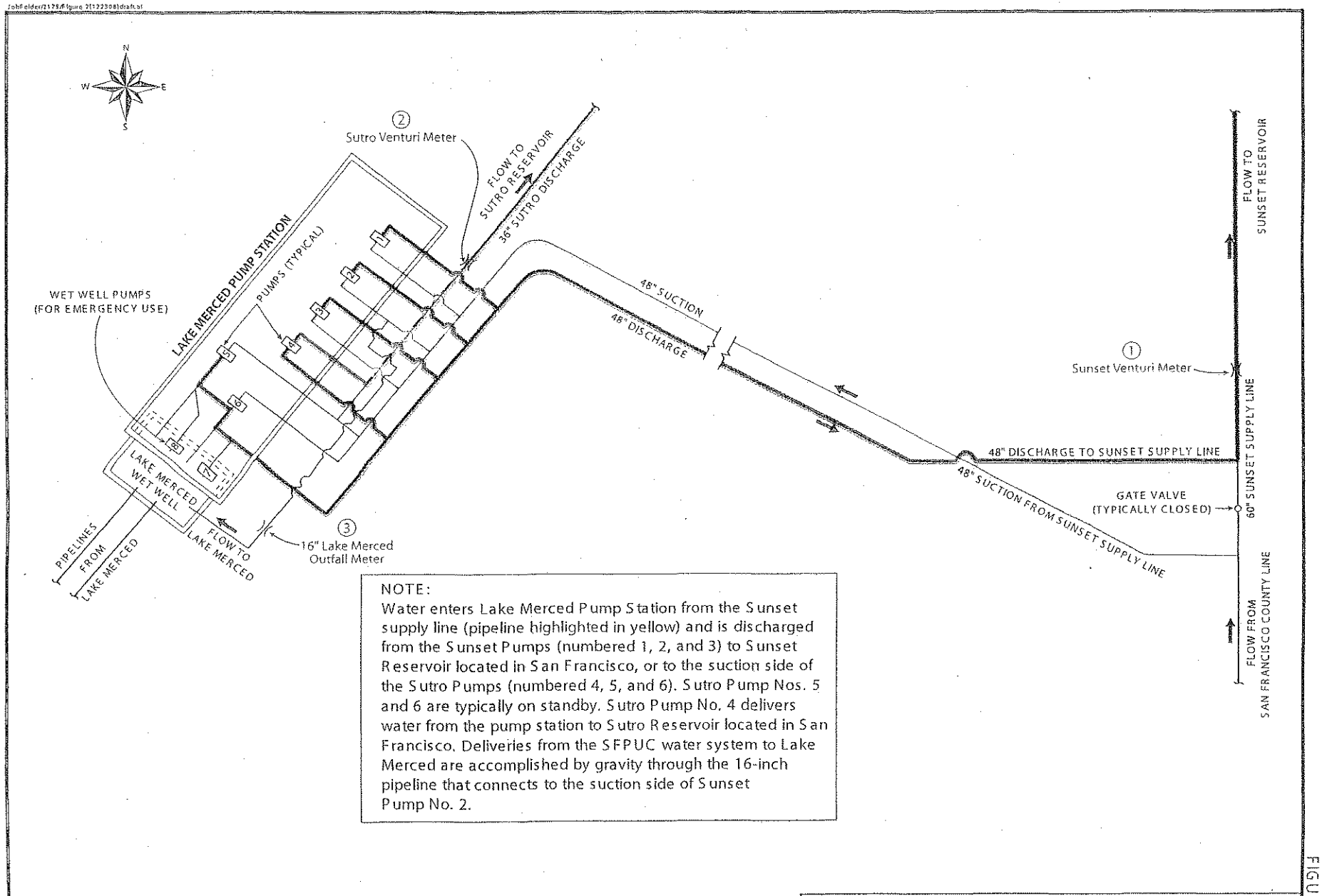
FIGURE 1

# Locations of SFPUC County-Line Meters and In-City Terminal Reservoirs




| METER | PIPELINE | LOCATION |
|---|---|---|
| 1 | Sunset | Lake Merced Pump Station |
| 2 | Sutro | Lake Merced Pump Station |
| 3 | Lake Merced Outfall | Lake Merced Pump Station |
| 4 | San Andreas No. 2 | Junipero Serra (Hwy. 280) South of Belle Ave. |
| 5 | Crystal Springs No. 1 | PG&E Martin Service Center Yard |
| 6 | Crystal Springs No. 2 | Tamasco Ct. South of Sunnydale Ave. |
| A | San Andreas No. 3 (Planned) | To be determined |

| METER | RESERVOIR | LOCATION |
|---|---|---|
| 7 | Sunset Reservoir | 26th Avenue and Ortega |
| 8 | University Mound Reservoir | University Avenue and Bacon |
| 9 | Merced Manor Reservoir | 23rd Avenue and Ocean |



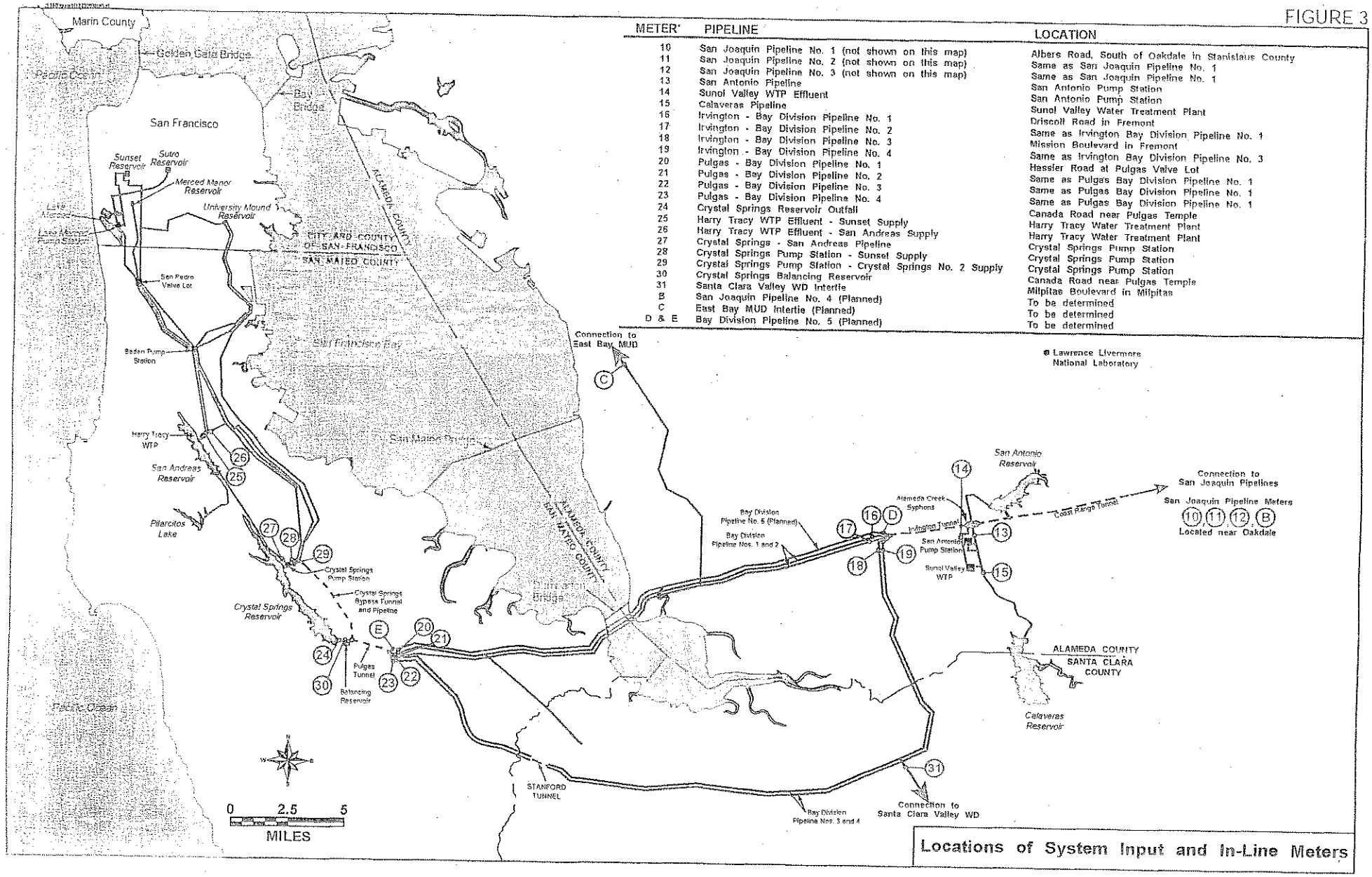

NOTE:
Water enters Lake Merced Pump Station from the Sunset supply line (pipeline highlighted in yellow) and is discharged from the Sunset Pumps (numbered 1, 2, and 3) to Sunset Reservoir located in San Francisco, or to the suction side of the Sutro Pumps (numbered 4, 5, and 6). Sutro Pump Nos. 5 and 6 are typically on standby. Sutro Pump No. 4 delivers water from the pump station to Sutro Reservoir located in San Francisco. Deliveries from the SFPUC water system to Lake Merced are accomplished by gravity through the 16-inch pipeline that connects to the suction side of Sunset Pump No. 2.

Generalized Schematic of Lake Merced P[illegible] Station

FIGURE 2

FIGURE 3

| METER | PIPELINE | LOCATION |
|---|---|---|
| 10 | San Joaquin Pipeline No. 1 (not shown on this map) | Albers Road, South of Oakdale in Stanislaus County |
| 11 | San Joaquin Pipeline No. 2 (not shown on this map) | Same as San Joaquin Pipeline No. 1 |
| 12 | San Joaquin Pipeline No. 3 (not shown on this map) | Same as San Joaquin Pipeline No. 1 |
| 13 | San Antonio Pipeline | San Antonio Pump Station |
| 14 | Sunol Valley WTP Effluent | San Antonio Pump Station |
| 15 | Calaveras Pipeline | Sunol Valley Water Treatment Plant |
| 16 | Irvington - Bay Division Pipeline No. 1 | Driscoll Road in Fremont |
| 17 | Irvington - Bay Division Pipeline No. 2 | Same as Irvington Bay Division Pipeline No. 1 |
| 18 | Irvington - Bay Division Pipeline No. 3 | Mission Boulevard in Fremont |
| 19 | Irvington - Bay Division Pipeline No. 4 | Same as Irvington Bay Division Pipeline No. 3 |
| 20 | Pulgas - Bay Division Pipeline No. 1 | Hassler Road at Pulgas Valve Lot |
| 21 | Pulgas - Bay Division Pipeline No. 2 | Same as Pulgas Bay Division Pipeline No. 1 |
| 22 | Pulgas - Bay Division Pipeline No. 3 | Same as Pulgas Bay Division Pipeline No. 1 |
| 23 | Pulgas - Bay Division Pipeline No. 4 | Same as Pulgas Bay Division Pipeline No. 1 |
| 24 | Crystal Springs Reservoir Outfall | Canada Road near Pulgas Temple |
| 25 | Harry Tracy WTP Effluent - Sunset Supply | Harry Tracy Water Treatment Plant |
| 26 | Harry Tracy WTP Effluent - San Andreas Supply | Harry Tracy Water Treatment Plant |
| 27 | Crystal Springs - San Andreas Pipeline | Crystal Springs Pump Station |
| 28 | Crystal Springs Pump Station - Sunset Supply | Crystal Springs Pump Station |
| 29 | Crystal Springs Pump Station - Crystal Springs No. 2 Supply | Crystal Springs Pump Station |
| 30 | Crystal Springs Balancing Reservoir | Canada Road near Pulgas Temple |
| 31 | Santa Clara Valley WD Intertie | Milpitas Boulevard in Milpitas |
| B | San Joaquin Pipeline No. 4 (Planned) | To be determined |
| C | East Bay MUD Intertie (Planned) | To be determined |
| D & E | Bay Division Pipeline No. 5 (Planned) | To be determined |




Locations of System Input and In-Line Meters

Table 1
Base Usage (mgd) and Allocation Rates

| (1) Usage | (2) Definition | (3) 2004-05 | (4) 2005-06 | (5) 2006-07 | (6) 2007-08 | (7) 2008-09 | (8) 2009-10 |
|---|---|---|---|---|---|---|---|
| 1. Gross S.F. Co. line | B.1 | 79.5 | 78.3 | 75.7 | | | |
| 2. Daly City portion | B.2 | 0.2 | 0.2 | 0.2 | | | |
| 3. Net S.F. | (1-2) | 79.3 | 78.1 | 75.5 | | | |
| 4. Other suburban raw water | B.4 | 0.4 | 0.5 | 0.7 | | | |
| 5. Other suburban treated water | B.5 | 4.1 | 3.4 | 3.9 | | | |
| 6. Total other suburban | (4+5) | 4.5 | 3.9 | 4.6 | | | |
| 7. Total City usage | (3+6) | 83.8 | 82.0 | 80.1 | | | |
| 8. Total wholesale usage | B.8 | 167.4 | 164.4 | 175.8 | | | |
| 9. Total system usage | (7+8) | 251.2 | 246.4 | 255.9 | | | |
| 10. Wholesale alloc. rate | (8/9) | 66.63% | 66.72% | 68.70% | | | |
| 11. City alloc. rate | (100%-10) | 33.37% | 33.28% | 31.30% | | | |
| 12a. HHWPD input (Oakdale) | B.12 | 194.7 | 202.6 | 227.3 | | | |
| 12b. Deliveries to LLNL | B.12 | -0.4 | -0.9 | -0.9 | | | |
| 12c. HH to San Ant. Res. | B.12 | -3.8 | -1.8 | -11.6 | | | |
| 12d. Sunol Valley WTP | B.12 | 28.5 | 29.4 | 17.6 | | | |
| 12e. Harry Tracy WTP | B.12 | 45.2 | 40.4 | 41.2 | | | |
| 12f. Raw water deliveries | B.12 | 0.4 | 0.4 | 0.7 | | | |
| 12g. Deliveries to Coastside Co. WD | B.12 | 1.8 | 1.6 | 2.1 | | | |
| 12h. Crys. Sprs. Bal. Res. | B.12 | 0.0 | 0.0 | 0.0 | | | |
| 12i. Spill to CS Res. | B.12 | -19.9 | -42.6 | -37.1 | | | |
| 12j. Terminal Reservoirs | B.12 | 0.0 | 0.0 | 0.0 | | | |
| 12k. Other sources | B.12 | 0.0 | 1.9 | 3.8 | | | |
| 13. Total system input | B.13 | 246.5 | 231.0 | 243.1 | | | |
| 14. Jt. sys. loss red. fact. | (9/13) | 1.0000 | 1.0000 | 1.0000 | | | |
| 15. Daly City red. factor | (3/1) | 0.9975 | 0.9974 | 0.9974 | | | |
| 16. Total suburban | (6+8) | 171.9 | 168.3 | 180.4 | | | |
| 17. Suburban red. factor | (8/16) | 0.9736 | 0.9768 | 0.9745 | | | |
| 18. HHWPD Deliveries above Oakdale | B.18 | | | | | | |
| 19. HH Reduction Factor | B.19 | 99.56% | | | | | |

Table 2
Locations of SFPUC County-Line Meters and In-City Terminal Reservoirs

County-Line Meters

| Meter | Pipeline | Location |
|---|---|---|
| 1 | Sunset | Lake Merced Pump Station |
| 2 | Sutro | Lake Merced Pump Station |
| 3 | Lake Merced Outfall | Lake Merced Pump Station |
| 4 | San Andreas No. 2 | Junipero Serra (Hwy. 280) South of Belle Ave. |
| 5 | Crystal Springs No. 1 | PG&E Martin Service Center Yard |
| 6 | Crystal Springs No. 2 | Tamasco Ct. South of Sunnydale Ave. |
| A | San Andreas No. 3 (Planned) | To be determined |

In-City Terminal Reservoirs

| Meter | Reservoir | Location |
|---|---|---|
| 7 | Sunset Reservoir | 26th Avenue and Ortega |
| 8 | University Mound Reservoir | University Avenue and Bacon |
| 9 | Merced Manor Reservoir | 23rd Avenue and Ocean |

Table 3
Locations of SFPUC System Input and In-Line Meters

| Meter | Pipeline | Location |
|---|---|---|
| 10 | San Joaquin Pipeline No. 1 | Albers Road, South of Oakdale in Stanislaus County |
| 11 | San Joaquin Pipeline No. 2 | Same as San Joaquin Pipeline No. 1 |
| 12 | San Joaquin Pipeline No. 3 | Same as San Joaquin Pipeline No. 1 |
| 13 | San Antonio Pipeline | San Antonio Pump Station |
| 14 | Sunol Valley WTP Effluent | San Antonio Pump Station |
| 15 | Calaveras Pipeline | Sunol Valley Water Treatment Plant |
| 16 | Irvington – Bay Division Pipeline No. 1 | Driscoll Road in Fremont |
| 17 | Irvington – Bay Division Pipeline No. 2 | Same as Irvington Bay Division Pipeline No.1 |
| 18 | Irvington – Bay Division Pipeline No. 3 | Mission Boulevard in Fremont |
| 19 | Irvington – Bay Division Pipeline No. 4 | Same as Irvington Bay Division Pipeline No.3 |
| 20 | Pulgas – Bay Division Pipeline No. 1 | Hassler Road at Pulgas Valve Lot |
| 21 | Pulgas – Bay Division Pipeline No. 2 | Same as Pulgas Bay Division Pipeline No. 1 |
| 22 | Pulgas – Bay Division Pipeline No. 3 | Same as Pulgas Bay Division Pipeline No. 1 |
| 23 | Pulgas – Bay Division Pipeline No. 4 | Same as Pulgas Bay Division Pipeline No. 1 |
| 24 | Crystal Springs Reservoir Outfall | Canada Road near Pulgas Temple |
| 25 | Harry Tracy WTP Effluent – Sunset Supply | Harry Tracy Water Treatment Plant |
| 26 | Harry Tracy WTP Effluent – San Andreas Supply | Harry Tracy Water Treatment Plant |
| 27 | Crystal Springs – San Andreas Pipeline | Crystal Springs Pump Station |
| 28 | Crystal Springs Pump Station – Sunset Supply | Crystal Springs Pump Station |
| 29 | Crystal Springs Pump Station – Crystal Springs No. 2 Supply | Crystal Springs Pump Station |
| 30 | Crystal Springs Balancing Reservoir | Canada Road near Pulgas Temple |
| 31 | Santa Clara Valley WD Intertie | Milpitas Boulevard in Milpitas |
| B | San Joaquin Pipeline No. 4 (Planned) | To be determined |
| C | East Bay MUD Intertie (Planned) | To be determined |
| D&E | Bay Division Pipeline No. 5 (Planned) | To be determined |

TABLE 4
SFPUC COUNTY-LINE METERS, IN-CITY TERMINAL RESERVOIRS, AND ASSOCIATED METERING EQUIPMENT

| County-Line Meter | Meter Type | Location |
|---|---|---|
| 1. **Sunset** | 60" Venturi | Lake Merced Pump Station |
| Associated Metering Equipment: | • Rosemount D/P transmitter<br>• Honeywell recorder<br>• SCADA | |
| 2. **Sutro** | 36" Venturi | Lake Merced Pump Station |
| Associated Metering Equipment: | • Rosemount D/P transmitter<br>• Honeywell recorder<br>• SCADA | |
| 3. **Lake Merced Outfall** | 16" Mag. Meter | Lake Merced Pump Station |
| Associated Metering Equipment: | • Honeywell recorder<br>• SCADA | |
| 4. **San Andreas No. 2** | 36" Venturi | Junipero Serra (Hwy. 280) south of Belle Avenue |
| Associated Metering Equipment: | • Yokogawa D/P transmitter<br>• NLS display<br>• AGM electronics<br>• Honeywell recorder<br>• SCADA | |
| 5. **Crystal Springs No. 1** | 44" Venturi | PG&E Martin Service Center Yard |
| Associated Metering Equipment: | • Yokogawa D/P transmitter<br>• NLS display<br>• AGM electronics<br>• Honeywell recorder<br>• SCADA | |
| 6. **Crystal Springs No. 2** | 60" Venturi | Tamasco Ct. south of Sunnydale Avenue |
| Associated Metering Equipment: | • Yokogawa D/P transmitter<br>• NLS display<br>• AGM electronics<br>• SCADA | |
| **In-City Terminal Reservoirs** | | |
| 1. **Sunset** | Pressure Transducer | 26th Avenue and Ortega |
| Associated Metering Equipment: | • Honeywell recorder<br>• SCADA | |
| 2. **Merced-Manor** | Pressure Transducer | 23rd Avenue and Ocean |
| Associated Metering Equipment: | • Honeywell recorder<br>• SCADA | |
| 3. **University Mound** | Pressure Transducer | University Avenue and Bacon |
| Associated Metering Equipment: | • Honeywell recorder<br>• SCADA | |

## TABLE 5
## METER CALIBRATION AND MAINTENANCE FREQUENCY

| METER/ EQUIPMENT | FREQUENCY | | | WORK TO BE PERFORMED (See Work Codes Listed Below) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Quarterly | Semi-Annual | Annual | CA | CL | FL | IN | LU | PT |
| Venturi Meters | | | X | X | | X (1) | X (1) | | X |
| Magnetic Meters | | X | | X (2) | X (2) | | X (2) | | |
| Yokagowa D/P Transmitters | X | | | X | X | X | X | | |
| Rosemount D/P Transmitters | X | | | X | X | X | X | | |
| Honeywell Recorders | X | | | X | X | | X | | |
| Water Level Sensors (Pressure Transducers) | X | | | X | X | | X | | |
| SCADA Electronics | X | | | X | | | | | |
| AGM Electronics | X | | | X | | | | | |
| NLS Digital Displays | X | | | X | | | | | |
| Electrostatic 24V DC Power Supplies | | | X | | | | X (3) | | |
| ASCO Solenoids | | | X | | X | | X (4) | X | |

WORK CODES:
CA = CALIBRATE; CL = CLEAN; FL = FLUSH; IN = INSPECT; LU = LUBRICATE; PT = PITOT TUBE TEST.

NOTES:
(1) Inspection and flushing requirements for Venturi meters refer to the pressure tubing from the meter to the differential pressure transmitter.

(2) May calibrate using clamp-on meter where conditions allow. Inspection and cleaning requirements for magnetic meters refer to the sensors or probes that are inserted through the pipe wall.

(3) Adjust voltage if necessary.

(4) Replace rubber ware as needed.

ATTACHMENT K-1

WHOLESALE CUSTOMERS' SHARE OF NET BOOK VALUE OF EXISTING ASSETS

**PRELIMINARY - TO BE SUBSTITUTED WITH FINAL 6/30/09 VALUES**

(Section 5.03)

| | Notes | Projected Value | | |
|---|---|---|---|---|
| | | Water | Hetch Hetchy | Total |
| Regional System Net Plant as of 6/30/08 (Actual) | 1 | $ 435,639,907 | $ 66,135,724 | |
| Less: Projected Depreciation on Regional Assets | 2 | $ (32,526,143) | $ (3,598,189) | |
| Plus: Projected FY 2008-09 Capital Additions | 3 | $ 62,771,153 | $ - | |
| Projected Regional System Net Plant as of 6/30/09 | | $ 465,884,917 | $ 62,537,535 | |
| Plus: Projected Construction Work in Progress (CWIP) as of 6/30/09 | 4 | $ 16,928,503 | $ 5,807,023 | |
| Projected Regional System Net Plant and CWIP as of 6/30/09 | | $ 482,813,420 | $ 68,344,558 | $ 551,157,978 |
| Allocation Factor: | 5 | 70.1% | 64.2% | |
| Wholesale Share of Projected Regional System Net Plant as of 6/30/09 | | $ 326,585,327 | $ 40,149,098 | $ 366,734,424 |
| Plus: Wholesale Share of Projected CWIP as of 6/30/09 | 6 | $ 11,866,881 | $ 3,728,109 | $ 15,594,989 |
| Wholesale Share of Projected Net Plant and CWIP as 6/30/09 | | $ 338,452,207 | $ 43,877,206 | $ 382,329,414 |
| Interest Rate: | | 5.13% | 5.13% | |
| Term (Yrs): | | 25 | 25 | |
| Monthly Principal & Interest | | $ 2,004,277 | $ 259,836 | $ 2,264,113 |
| Annual Wholesale Revenue Requirement Amount | | $ 24,051,326 | $ 3,118,033 | $ 27,169,359 |

Notes

1 FAACS 120A Report as of 6/30/08

2 SFPUC Estimate

3 SFPUC Estimate based on projects and amounts as follows:

| | Water Assets |
|---|---|
| CUW358 Sunset Reservoir (North Basin) | $ 57,382,744 |
| CUW 365 Cross Connection Controls | $ 3,679,415 |
| CUW 394 Watershed Land Acqusition | $ 1,708,994 |
| Total Additions | $ 62,771,153 |

4 CWIP based on balance as 6/30/08 plus YTD expenditures (see Attachment K-2)

5 Fixed allocation factors based on dollar weighted 5-year average of J-Table allocation factors (2003-04 through 2007-08)

6 Wholesale share CWIP based on balance as 6/30/08 plus YTD expenditures (see Attachment K-2)

ATTACHMENT K-2

WHOLESALE CUSTOMERS' SHARE OF THE BOOK VALUE OF REVENUE FUNDED CAPITAL EXPENDITURES

**PRELIMINARY - TO BE SUBSTITUTED WITH FINAL 6/30/09 VALUES**

(Section 5.03)

| [1] Project No. | [2] Project Description | [3] Rate Class | [4] CWIP as of 6/30/08 | [5] FY 2008-09 Expenditures | [6] Reduction for 02A Funding | [7] CWIP as 6/30/09 | [8] Water Related CWIP | [9] Wholesale Share | |
|---|---|---|---|---|---|---|---|---|---|
| A. | Water Enterprise | | | | | | | | |
| 1. | Regional Projects | | | | | | | | |
| CUW352 | Alameda Creek Fishery | Joint | $ 2,007,607 | $ 224,582 | $ 2,232,189 | $ - | | $ - | |
| CUW353 | Seismic Upgrade @ Hayward Fault | Joint | $ 3,129,234 | $ 1,967,625 | $ 5,096,859 | $ - | | $ - | |
| CUW354 | LOWER CRYSTAL SPRINGS DAM-REV-SFWD | Joint | $ 7,046,944 | $ 1,086,262 | $ 8,133,206 | $ - | | $ - | |
| CUW355 | STANDBY POWER FACILITIES | Joint | $ 3,715,276 | $ 6,596,849 | $ 10,312,125 | $ - | | $ - | |
| CUW357 | Adit Leak Repairs | Joint | $ 783 | $ 1,129 | $ 1,912 | $ - | | $ - | |
| CUW359 | Irvington Tunnel | Joint | $ 21,391,129 | $ 5,176,713 | $ 26,567,842 | $ - | | $ - | |
| CUW359 | Irvington Tunnel | Joint | $ 7,837,176 | $ - | $ 7,837,176 | $ - | | $ - | |
| CUW361 | Pulgas Balancing Reservoir | Joint | $ 368,057 | $ 1,383,959 | $ 1,752,016 | $ - | | $ - | |
| CUW361 | Pulgas Balancing Reservoir | Joint | $ 1,255,545 | $ - | $ 1,255,545 | $ - | | $ - | |
| CUW361 | Pulgas Balancing Reservoir | Joint | $ 1,248,002 | $ - | $ 1,248,002 | $ - | | $ - | |
| CUW361 | Pulgas Balancing Reservoir | Joint | $ 570,179 | $ - | $ 570,179 | $ - | | $ - | |
| CUW361 | Pulgas Balancing Reservoir | Joint | $ 712,921 | $ - | $ 712,921 | $ - | | $ - | |
| CUW361 | Pulgas Balancing Reservoir | Joint | $ 1,335,371 | $ 1,738,045 | $ 3,073,416 | $ - | | $ - | |
| CUW363 | SCADA Phase II | Joint | $ 1,062,050 | $ - | $ 1,062,050 | $ - | | $ - | |
| CUW363 | SCADA Phase II | Joint | $ 3,635,172 | $ 547,801 | $ 4,182,973 | $ - | | $ - | |
| CUW365 | Cross Connection Control | Joint | $ 8,011,348 | $ 2,479,731 | $ 10,491,079 | $ - | | $ - | Capitalized in FY 2008-09 |
| CUW367 | HTWTP LT Impr | Joint | $ 23,640,601 | $ - | $ 23,640,601 | $ - | | $ - | |
| CUW368 | BDPL Hydraulic Capacity | Joint | $ 17,556,905 | $ 4,200,442 | $ 21,757,347 | $ - | | $ - | |
| CUW368 | BDPL Hydraulic Capacity | Joint | $ 2,579,847 | $ - | $ 2,579,847 | $ - | | $ - | |
| CUW368 | BDPL Hydraulic Capacity | Joint | $ 5,320,934 | $ 328,070 | $ 5,649,004 | $ - | | $ - | |
| CUW370 | Pipeline Readiness | Joint | $ 11,420,770 | $ 3,872,779 | $ 15,293,549 | $ - | | $ - | |
| CUW371 | CSPS and Pipeline | Joint | $ 4,624,981 | $ 1,068,147 | $ 5,693,128 | $ - | | $ - | |
| CUW372 | University Mound (N) | Joint | $ 19,479,341 | $ 6,023,849 | $ 25,503,190 | $ - | | $ - | |
| CUW373 | SJPL | Joint | $ 7,199,051 | $ - | $ 7,199,051 | $ - | | $ - | |
| CUW373 | SJPL | Joint | $ 31,171,669 | $ 4,314,430 | $ 35,486,099 | $ - | | $ - | |
| CUW374 | Calaveras Dam | Joint | $ 2,366,343 | $ - | $ 2,366,343 | $ - | | $ - | |
| CUW374 | Calaveras Dam | Joint | $ 7,453,098 | $ 913,369 | $ 8,366,467 | $ - | | $ - | |
| CUW378 | CSPL #2 | Joint | $ 5,728,934 | $ 588,346 | $ 6,317,280 | $ - | | $ - | |
| CUW379 | SAPL #3 | Joint | $ 3,855,357 | $ 1,083,888 | $ 4,939,245 | $ - | | $ - | |
| CUW380 | BDPK #3&4 Crossovers | Joint | $ 5,450,995 | $ - | $ 5,450,995 | $ - | | $ - | |
| CUW381 | SVWTP Expansion | Joint | $ 53,222 | $ 3,090,520 | $ 3,143,742 | $ - | | $ - | |
| CUW381 | SVWTP Expansion | Joint | $ 97,373 | $ - | $ 97,373 | $ - | | $ - | |
| CUW381 | SVWTP Expansion | Joint | $ 5,799,505 | $ 575 | $ 5,800,080 | $ - | | $ - | |
| CUW382 | SVWTP Treated Water Reservoir | Joint | $ 6,102,621 | $ 7,444,942 | $ 13,547,563 | $ - | | $ - | |
| CUW384 | Tesla | Joint | $ 1,374,491 | $ 971,625 | $ 2,346,116 | $ - | | $ - | |
| CUW386 | SAPS X-CONNECT & PUMP IMP 96A UEB | Joint | $ 896,476 | $ 1,641,717 | $ 2,538,193 | $ - | | $ - | |
| CUW388 | PEIR | Joint | $ 1,331,676 | $ - | $ 1,331,676 | $ - | | $ - | |
| CUW388 | PEIR | Joint | $ 175,165 | $ - | $ 175,165 | $ - | | $ - | |
| CUW390 | Desalination Pilot | Joint | $ 3,964,642 | $ 948,589 | $ 4,913,231 | $ - | | $ - | |
| CUW391 | Baden/San Pedro Valve Lots | Joint | $ 2,452,297 | $ 5,081,444 | $ 7,533,741 | $ - | | $ - | |
| CUW392 | Program Management | Joint | $ 25,071 | $ 294,634 | $ 319,705 | $ - | | $ - | |
| CUW393 | BDPL #4 Condition Assessment | Joint | $ 142,924 | $ 96,027 | $ 238,951 | $ - | | $ - | |
| CUW394 | Watershed Enviroment Improvement | Joint | $ 182 | $ 96,027 | | $ 96,209 | | $ 67,443 | Capitalized in FY 2008-09 |
| CUW101 | SAN ANDREAS PLANT EXPANSION #1 | Joint | $ 40,436 | $ - | | $ 40,436 | | $ 28,346 | |
| CUW111 | LOWER CRYSTAL SPRINGS DAM-REV-SFWD | Joint | $ 921 | $ 26,760 | | $ 27,681 | | $ 19,404 | |
| CUW151 | Baden PS | Joint | $ 75,801 | $ 605 | | $ 76,406 | | $ 53,561 | |
| CUW161 | Water Treatment Facilities | Joint | $ 104,902 | $ - | | $ 104,902 | | $ 73,536 | |
| CUW178 | SAPS X-CONNECT & PUMP IMP 96A UEB | Joint | $ 50,808 | $ - | | $ 50,808 | | $ 35,616 | |
| CUW202 | Replace PCCP | Joint | $ 285,003 | $ 64,256 | | $ 349,259 | | $ 244,831 | |
| CUW202 | Replace PCCP | Joint | $ 2,365 | $ - | | $ 2,365 | | $ 1,658 | |
| CUW202 | Replace PCCP | Joint | $ 50,029 | $ 2,481,274 | | $ 2,531,303 | | $ 1,774,443 | |
| CUW127 | SCADA | Joint | $ 13,992,264 | $ 5,560,862 | $ 16,028,397 | $ 3,524,729 | | $ 2,470,835 | |
| CUW356 | New Crystal Springs Bypass Tunnel | Joint | $ 52,494,764 | $ 4,887,980 | $ 55,806,081 | $ 1,576,663 | | $ 1,105,241 | Capitalized in FY 2008-09 |
| CUW358 | Sunset (N) | Joint | $ 2,377,262 | $ (1,996) | $ 1,223,945 | $ 1,151,321 | | $ 807,076 | |
| CUW387 | Tesla Portal Disinfection | Joint | $ 45,413 | $ - | | $ 45,413 | | $ 31,835 | |
| CUW135 | New Lines and Bypass Valves | Joint | $ 153,983 | $ 620,156 | | $ 774,139 | | $ 542,671 | |
| CUW135 | New Lines and Bypass Valves | Joint | $ 8,860 | $ - | | $ 8,860 | | $ 6,211 | |
| CUW135 | New Lines and Bypass Valves | Joint | $ 5,656 | $ - | | $ 5,656 | | $ 3,965 | |
| CUW143 | HH Water Treatment Plan | Joint | $ 709,972 | $ 8,817 | | $ 718,789 | | $ 503,871 | |
| CUW143 | HH Water Treatment Plan | Joint | $ 96,292 | $ - | | $ 96,292 | | $ 67,501 | |
| CUW186 | SVWTP IMPROVEMENT PROJECT-CPB-SFWD | Joint | $ 3,604 | $ - | | $ 3,604 | | $ 2,526 | |
| CUW206 | Tesla Portal/Thomas Shaft Emergency Disinfection | Joint | $ 4,365 | $ - | | $ 4,365 | | $ 3,060 | |
| CUW206 | Tesla Portal/Thomas Shaft Emergency Disinfection | Joint | $ 283,620 | $ 5,665 | | $ 289,285 | | $ 202,789 | |
| CUW206 | Tesla Portal/Thomas Shaft Emergency Disinfection | Joint | $ 227,004 | $ - | | $ 227,004 | | $ 159,130 | |
| CUW231 | Millbrae Labs | Joint | $ 81,856 | $ 34,685 | | $ 116,541 | | $ 81,695 | |
| CUW236 | TELSA/SJVH WQ MONITORING IMPR | Joint | $ 152,963 | $ - | | $ 152,963 | | $ 107,227 | |
| CUW366 | HTWTP ST Improvements | Joint | $ 16,523 | $ - | | $ 16,523 | | $ 11,583 | |
| CUW366 | HTWTP ST Improvements | Joint | $ 1,398,798 | $ 5,732,626 | $ 7,131,424 | $ - | | $ - | |
| CUW366 | HTWTP ST Improvements | Joint | $ 1,452,901 | $ - | $ 1,452,901 | $ - | | $ - | |
| CUW120 | WATER QUALITY PLANNING STUDY | Joint | $ 577 | $ - | | $ 577 | | $ 404 | |
| CUW164 | WATER VULNERABILITY STUDY-UEB | Joint | $ 479 | $ - | | $ 479 | | $ 336 | |
| CUW181 | STANDBY POWER FACILITIES | Joint | $ 5,905 | $ - | | $ 5,905 | | $ 4,139 | |
| CUW210 | Millbrae Administrative Bldg Remodel | Joint | $ 7,803 | $ 321,553 | | $ 329,356 | | $ 230,879 | |
| CUW220 | Calaveras Dam Evaluation | Joint | $ 308,971 | $ - | | $ 308,971 | | $ 216,589 | |
| CUW227 | Watershed Facilities and Fencing | Joint | $ 190,552 | $ 206,448 | | $ 397,000 | | $ 278,297 | |
| CUW228 | Watershed Roads | Joint | $ 358,434 | $ 85,337 | | $ 443,771 | | $ 311,083 | |
| CUW232 | Crystal Springs Dam Discharge | Joint | $ 363,823 | $ - | | $ 363,823 | | $ 255,040 | |
| CUW242 | Demolition of Unsafe Structures | Joint | $ 311,548 | $ 22,741 | | $ 334,289 | | $ 234,337 | |
| CUW242 | Demolition of Unsafe Structures | Joint | $ 315 | $ - | | $ 315 | | $ 221 | |
| CUW261 | Regional R&R - Storage | Joint | $ 275,694 | $ 277,958 | | $ 553,652 | | $ 388,110 | |
| CUW262 | Regional R&R - Treatement | Joint | $ 1,236,895 | $ 409,282 | | $ 1,646,177 | | $ 1,153,970 | |
| CUW262 | Regional R&R - Treatement | Joint | $ 277,383 | $ - | | $ 277,383 | | $ 194,445 | |



5/6/2009

ATTACHMENT K-2
WHOLESALE CUSTOMERS' SHARE OF THE BOOK VALUE OF REVENUE FUNDED CAPITAL EXPENDITURES
**PRELIMINARY - TO BE SUBSTITUTED WITH FINAL 6/30/09 VALUES**
(Section 5.03)

| [1] Project No. | [2] Project Description | [3] Rate Class | [4] CWIP as of 6/30/08 | [5] FY 2008-09 Expenditures | [6] Reduction for 02A Funding | [7] CWIP as 6/30/09 | [8] Water Related CWIP | [9] Wholesale Share |
|---|---|---|---|---|---|---|---|---|
| CUW263 | Regional R&R - Transmission | Joint | $ 768,422 | $ 797,659 | | $ 1,566,081 | [redacted] | $ 1,097,823 |
| CUW263 | Regional R&R - Transmission | Joint | $ 1,224,094 | $ - | | $ 1,224,094 | [redacted] | $ 858,090 |
| CUW360 | PLANNING - WSTD Sunol Quarry Reservoirs | Joint | $ 2,513 | $ - | | $ 2,513 | [redacted] | $ 1,762 |
| CUW934 | BOA/BAW/13/F2/SFWD-CONT PROJ-OPER FD | Joint | $ 59,479 | $ (2,210) | $ 998,005 | $ (940,736) | [redacted] | $ (659,456) |
| | TOTAL REGIONAL WATER PROJECTS | | $ 313,100,517 | $ 84,802,574 | $ 379,397,925 | $ 18,505,166 | [redacted] | $ 12,972,121 |
| | Less Projects to be Capitalized in FY 2008-09 | | | | | $ 1,576,663 | [redacted] | $ 1,105,241 |
| | ADJUSTED TOTAL REGIONAL WATER PROJECTS | | | | | $ 16,928,503 | [redacted] | $ 11,866,881 |
| 2 | Wholesale Direct | | | | | | | |
| | None | | | | | | | |
| 8. | Hetch Hetchy Water & Power | | | | | | | |
| CUH703 | Priest Reservoir By-pass | Joint | - | 47,164 | | $ 47,164 | $ 21,224 | $ 13,626 |
| CUH762 | SJPL Repairs | Water | 53,616 | 255,011 | | $ 308,627 | $ 308,627 | $ 198,139 |
| CUH766 | HH Security Improvements | Joint | 164,478 | 261,601 | | $ 426,079 | $ 191,736 | $ 123,094 |
| CUH767 | Power Transformers | Power | - | - | | $ - | $ - | $ - |
| CUH803 | Street Lights | Power | - | 40,506 | | $ 40,506 | $ - | $ - |
| CUH804 | HH Roads | Joint | - | 341,240 | | $ 341,240 | $ 153,558 | $ 98,584 |
| CUH829 | HH SCADA | Joint | - | - | | $ - | $ - | $ - |
| CUH842 | Moccasin Cottages Renovations | Joint | - | - | | $ - | $ - | $ - |
| CUH846 | New Moccasin Penstock | Power | 543,073 | - | | $ 543,073 | $ - | $ - |
| CUH851 | Turbine Generator Renovations | Power | 111,755 | 926,254 | | $ 1,038,009 | $ - | $ - |
| CUH868 | Moccasin Energy Absorber | Power | - | - | | $ - | $ - | $ - |
| CUH876 | Moccasin Phone System | Joint | - | 15,677 | | $ 15,677 | $ 7,055 | $ 4,529 |
| CUH878 | O'Shaugnessy Discharge/Toulumne River Channel Impr. | Joint | 31,953 | 168,076 | | $ 200,029 | $ 90,013 | $ 57,788 |
| CUH891 | Metering Muni Load | Power | 18 | 4,361 | | $ 4,379 | $ - | $ - |
| CUH893 | Cherry/Eleanor Pump Upgrade | Power | - | 17,012 | | $ 17,012 | $ - | $ - |
| CUH896 | Street Lights | Power | 9,294 | 568,794 | | $ 578,088 | $ - | $ - |
| CUH899 | Canyon Tunnel Penstock | Power | 6,210 | 21,804 | | $ 28,014 | $ - | $ - |
| CUH915 | UG Assessment/Hunters Point | Power | 961,755 | 1,668,663 | | $ 2,630,418 | $ - | $ - |
| CUH926 | Pipe Purchase | Water | - | 13,667 | | $ 13,667 | $ 13,667 | $ 8,774 |
| CUH931 | Microwave Replacement | Joint | 3,157,491 | 156,270 | | $ 3,313,761 | $ 1,491,192 | $ 957,346 |
| CUH932 | HH SCADA | Joint | - | - | | $ - | $ - | $ - |
| CUH825 | Distribution System | Power | 446,419 | 109,797 | | $ 556,216 | $ - | $ - |
| CUH941 | HHP SCADA Security & Control, East/O'Shaugnessy | Joint | 1,433,974 | 246,948 | | $ 1,680,922 | $ 756,415 | $ 485,618 |
| CUH942 | O'Shaugnessy Dam Discharge Needle Valves | Joint | - | - | | $ - | $ - | $ - |
| CUH943 | Renewable Energy | Power | - | - | | $ - | $ - | $ - |
| CUH945 | SJPL Crossovers | Water | - | - | | $ - | $ - | $ - |
| CUH946 | Facility Maintenance | Joint | - | 239 | | $ 239 | $ 108 | $ 69 |
| CUH947 | Sustainable Energy Account | Power | 441,226 | 1,838,396 | | $ 2,279,622 | $ - | $ - |
| CUH948 | Facility Maintenance - Transmission Lines | Power | 70,631 | 101,295 | | $ 171,926 | $ - | $ - |
| CUH949 | POW Maintenance | Power | - | - | | $ - | $ - | $ - |
| CUH950 | HPH/KPH/MPH | Power | 1,236,853 | 1,167,621 | | $ 2,404,474 | $ - | $ - |
| CUH955 | Solar Monitoring | Power | 222 | - | | $ 222 | $ - | $ - |
| CUH956 | Facility Maintenance - Gate Valves | Water | 275,213 | - | | $ 275,213 | $ 275,213 | $ 176,687 |
| CUH957 | Moccasin Corrison Control | Joint | 48,023 | 110,986 | | $ 159,009 | $ 71,554 | $ 45,938 |
| CUH958 | Generation Metering | Power | - | 18,811 | | $ 18,811 | $ - | $ - |
| CUH959 | Moccasin Reservoir Water Quality | Water | 109,379 | - | | $ 109,379 | $ 109,379 | $ 70,221 |
| CUH960 | Solar Power Project | Power | 6,480 | (5,333) | | $ 1,147 | $ - | $ - |
| CUH861 | MECA Solar | Power | - | 26,369 | | $ 26,369 | $ - | $ - |
| CUH962 | SF Electrical Reliability | Power | 9,672,565 | 2,653 | | $ 9,675,218 | $ - | $ - |
| CUH964 | Watershed Lan Purchase | Water | - | 75,756 | | $ 75,756 | $ 75,756 | $ 48,635 |
| CUH966 | MECA - Demand Reduction | Power | - | - | | $ - | $ - | $ - |
| CUH969 | SFIA SCADA | Power | - | - | | $ - | $ - | $ - |
| CUH971 | Neward - CCSF Tranmission Project | Power | 235,120 | 54,602 | | $ 289,722 | $ - | $ - |
| CUH972 | Load Metering | Power | 145,039 | 1,274 | | $ 146,313 | $ - | $ - |
| CUH973 | Distribution Assessment | Power | - | - | | $ - | $ - | $ - |
| CUH975 | Hetch Hetchy Water R&R | Power | - | 130,100 | | $ 130,100 | $ - | $ - |
| CUH975 | Hetch Hetchy Water R&R | Water | 52,613 | 516,524 | | $ 569,137 | $ 569,137 | $ 365,386 |
| CUH975 | Hetch Hetchy Water R&R | Joint | 999,854 | 887,864 | | $ 1,887,718 | $ 849,473 | $ 545,362 |
| CUH976 | KPH Rewind | Power | 1,053,295 | 1,417,914 | | $ 2,471,209 | $ - | $ - |
| CUH977 | Facilities Maintenance - Water | Joint | 770,839 | 1,049,878 | | $ 1,820,717 | $ 819,323 | $ 526,005 |
| CUH978 | Community Choice Aggregation | Power | 5,571 | 101,075 | | $ 106,646 | $ - | $ - |
| CUH979 | Hunters Point Distribution | Power | 1,926,977 | 532,011 | | $ 2,458,988 | $ - | $ - |
| CUH981 | Shore Power for Cruise Ships | Power | 2,690 | - | | $ 2,690 | $ - | $ - |
| CUH986 | SEA - Energy Efficiency | Power | 15,262 | - | | $ 15,262 | $ - | $ - |
| CUW687 | 525 Golden Gate | Joint | - | 4,105 | | $ 4,105 | $ 1,847 | $ 1,186 |
| IUH004 | Auto Maintenance | Joint | - | 3,882 | | $ 3,882 | $ 1,747 | $ 1,122 |
| PUH501 | SF Environment Energy/Green Power | Power | - | 66,107 | | $ 66,107 | $ - | $ - |
| PYEAE5 | Youth Employment | Joint | - | - | | $ - | $ - | $ - |
| | TOTAL HHWP PROJECTS | | 23,987,888 | 12,964,974 | - | 36,952,862 | 5,807,023 | $ 3,728,109 |
| C | TOTAL COMBINED WATER AND HHWP | | $ 337,088,405 | $ 97,767,548 | $379,397,925 | $ 55,458,028 | | $ 15,594,990 |

Notes
1. 6/30/08 CWIP per FAMIS
2. FY 2008-09 Expenditures posted through 3/20/09 per FAMIS
Wholesale share of CWIP 70.1% (see Note 5 Attachment K-1)
Water Related HHWP CWIP includes 100% of Water and 45% of Joint
5. Wholesale share of CWIP 64.2% (see Note 5 Attachment K-1)
6. Fund 2A expenditures are funded by Series 2006A bond proceeds, proceeds of commercial paper redeemed from 2006A proceeds and earnings on such proceeds, as applicable.

ATTACHMENT K-3
25 YEAR PAYOFF SCHEDULE FOR EXISITING RATE BASE
WATER ENTERPRISE REGIONAL ASSETS AND ONE DIRECT WHOLESALE ASSET
**PRELIMINARY - TO BE SUBSTITUTED WITH FINAL 6/30/09 VALUES**
(Section 5.03)

| | Water Assets |
|---|---|
| 6/30/09 Wholesale Share of Net Plant & CWIP (Attachment K-1) | 338,452,207 |
| Interest Rate: | 5.13% |
| Term: | 25 |
| Monthly Principal & Interest Calculation: | 2,004,277 |
| Annual Wholesale Revenue Requirement: | 24,051,326 |

| Fiscal Yr Ending | Principal | Interest | Annual Payment (Wtr) | Year End Balance |
|---|---|---|---|---|
| Jun-10 | 6,848,259 | 17,203,067 | **24,051,326** | 331,603,948 |
| Jun-11 | 7,207,954 | 16,843,372 | **24,051,326** | 324,395,994 |
| Jun-12 | 7,586,541 | 16,464,785 | **24,051,326** | 316,809,453 |
| Jun-13 | 7,985,013 | 16,066,313 | **24,051,326** | 308,824,439 |
| Jun-14 | 8,404,415 | 15,646,911 | **24,051,326** | 300,420,024 |
| Jun-15 | 8,845,844 | 15,205,482 | **24,051,326** | 291,574,180 |
| Jun-16 | 9,310,459 | 14,740,867 | **24,051,326** | 282,263,721 |
| Jun-17 | 9,799,478 | 14,251,848 | **24,051,326** | 272,464,243 |
| Jun-18 | 10,314,181 | 13,737,145 | **24,051,326** | 262,150,062 |
| Jun-19 | 10,855,919 | 13,195,407 | **24,051,326** | 251,294,143 |
| Jun-20 | 11,426,110 | 12,625,216 | **24,051,326** | 239,868,033 |
| Jun-21 | 12,026,250 | 12,025,076 | **24,051,326** | 227,841,784 |
| Jun-22 | 12,657,911 | 11,393,415 | **24,051,326** | 215,183,873 |
| Jun-23 | 13,322,749 | 10,728,577 | **24,051,326** | 201,861,123 |
| Jun-24 | 14,022,507 | 10,028,819 | **24,051,326** | 187,838,616 |
| Jun-25 | 14,759,019 | 9,292,307 | **24,051,326** | 173,079,597 |
| Jun-26 | 15,534,215 | 8,517,111 | **24,051,326** | 157,545,382 |
| Jun-27 | 16,350,127 | 7,701,199 | **24,051,326** | 141,195,254 |
| Jun-28 | 17,208,894 | 6,842,432 | **24,051,326** | 123,986,361 |
| Jun-29 | 18,112,766 | 5,938,560 | **24,051,326** | 105,873,594 |
| Jun-30 | 19,064,113 | 4,987,213 | **24,051,326** | 86,809,482 |
| Jun-31 | 20,065,428 | 3,985,898 | **24,051,326** | 66,744,054 |
| Jun-32 | 21,119,335 | 2,931,991 | **24,051,326** | 45,624,719 |
| Jun-33 | 22,228,597 | 1,822,729 | **24,051,326** | 23,396,122 |
| Jun-34 | 23,396,122 | 655,204 | **24,051,326** | 0 |
| Totals: | 338,452,207 | 262,830,943 | 601,283,150 | |

ATTACHMENT K-4
25 YEAR PAYOFF SCHEDULE FOR EXISTING RATE BASE
HETCH HETCHY WATER ASSETS AND WATER-RELATED PORTION OF JOINT ASSETS
**PRELIMINARY - TO BE SUBSTITUTED WITH FINAL 6/30/09 VALUES**
(Section 5.03)

| | Hetch Hetchy |
|---|---|
| 6/30/09 Wholesale Share of Net Plant & CWIP (Attachment K-1) | 43,877,206 |
| Interest Rate: | 5.13% |
| Term: | 25 |
| Monthly Principal & Interest Calculation: | 259,836 |
| Annual Wholesale Revenue Requirement: | 3,118,033 |

| Fiscal Yr Ending | Principal | Interest | **Annual Payment (HH)** | Year End Balance |
|---|---|---|---|---|
| Jun-10 | 887,814 | 2,230,219 | **3,118,033** | 42,989,393 |
| Jun-11 | 934,445 | 2,183,588 | **3,118,033** | 42,054,948 |
| Jun-12 | 983,525 | 2,134,507 | **3,118,033** | 41,071,423 |
| Jun-13 | 1,035,183 | 2,082,849 | **3,118,033** | 40,036,239 |
| Jun-14 | 1,089,555 | 2,028,478 | **3,118,033** | 38,946,685 |
| Jun-15 | 1,146,782 | 1,971,250 | **3,118,033** | 37,799,903 |
| Jun-16 | 1,207,015 | 1,911,017 | **3,118,033** | 36,592,887 |
| Jun-17 | 1,270,412 | 1,847,621 | **3,118,033** | 35,322,475 |
| Jun-18 | 1,337,138 | 1,780,894 | **3,118,033** | 33,985,337 |
| Jun-19 | 1,407,370 | 1,710,663 | **3,118,033** | 32,577,967 |
| Jun-20 | 1,481,290 | 1,636,743 | **3,118,033** | 31,096,678 |
| Jun-21 | 1,559,092 | 1,558,940 | **3,118,033** | 29,537,585 |
| Jun-22 | 1,640,981 | 1,477,051 | **3,118,033** | 27,896,604 |
| Jun-23 | 1,727,172 | 1,390,861 | **3,118,033** | 26,169,432 |
| Jun-24 | 1,817,889 | 1,300,144 | **3,118,033** | 24,351,544 |
| Jun-25 | 1,913,371 | 1,204,662 | **3,118,033** | 22,438,173 |
| Jun-26 | 2,013,868 | 1,104,165 | **3,118,033** | 20,424,305 |
| Jun-27 | 2,119,643 | 998,389 | **3,118,033** | 18,304,662 |
| Jun-28 | 2,230,974 | 887,058 | **3,118,033** | 16,073,688 |
| Jun-29 | 2,348,153 | 769,880 | **3,118,033** | 13,725,535 |
| Jun-30 | 2,471,486 | 646,546 | **3,118,033** | 11,254,048 |
| Jun-31 | 2,601,298 | 516,735 | **3,118,033** | 8,652,751 |
| Jun-32 | 2,737,927 | 380,106 | **3,118,033** | 5,914,824 |
| Jun-33 | 2,881,733 | 236,300 | **3,118,033** | 3,033,091 |
| Jun-34 | 3,033,091 | 84,941 | **3,118,033** | 0 |
| | 43,877,206 | 34,073,607 | 77,950,813 | |

ATTACHMENT K-5
UNEXPENDED APPROPRIATIONS FOR REVENUE-FUNDED REGIONAL ASSETS
CONSTRUCTION WORK IN PROGRESS AS OF MARCH 30, 2009
(Section 5.04)

| Project | Project Title | Fund Type | Subfund | Classification | Appropriation | YTD Expenditures | PTD Expenditures | Encumbrances | Available Balances | Notes |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Water Assets | | | | | | |
| CUW257 | WATERSHED PROTECTION | 5W | AAAACP | REGIONAL | 1,448,720 | 29,653 | 413,529 | 141,643 | 893,548 | |
| CUW250 | WATERSHED TRAILS&RECREATION IMPRO | 5W | AAAACP | REGIONAL | 387,639 | 9,431 | 112,689 | 6,675 | 268,275 | |
| CUW261 | REGIONAL WATER STORAGE RNR -BUDGET | 5W | AAAACP | REGIONAL | 1,750,000 | 250,970 | 526,664 | 26,687 | 1,196,648 | Annual R&R |
| CUW242 | DEMOLITION UNSAFE STRUCTURES | 5W | AAAACP | REGIONAL | 1,000,000 | 22,647 | 407,820 | 21,524 | 570,656 | |
| CUW263 | CONVEYANCE/TRANSMISSION - BUDGET | 5W | AAAACP | REGIONAL | 7,825,000 | 763,603 | 3,378,543 | 125,990 | 4,320,466 | Annual R&R |
| CUW264 | WATERSHED ROADS - BUDGET | 5W | AAAACP | REGIONAL | 3,000,000 | 77,074 | 1,391,500 | 162,401 | 1,446,099 | Annual R&R |
| CUW262 | TREATMENT FACS/WQ IMPROVE-BUDGET | 5W | AAAACP | REGIONAL | 4,801,000 | 399,073 | 2,704,204 | 349,016 | 1,747,780 | Annual R&R |
| CUW168 | ALAMEDA CREEK FISH RELEASE | 5W | AAAACP | REGIONAL | 1,537,398 | 46,624 | 1,040,919 | 152,647 | 343,832 | |
| CUW231 | MILLBRAE LAB CAPITAL IMPROVEMENTS | 5W | AAAACP | REGIONAL | 770,000 | 19,119 | 532,135 | 0 | 237,865 | |
| CUW227 | WATERSHED FENCES/FACILITES | 5W | AAAACP | REGIONAL | 3,000,000 | 206,222 | 2,223,776 | 581,926 | 194,298 | |
| CUW253 | FACILITIES SECURITY PROJECT | 5W | AAAACP | REGIONAL | 5,300,000 | 73,048 | 4,146,944 | 113,124 | 1,039,931 | |
| CUW210 | MILLBRAE ADMIN BLDG INTERIM REMODEL | 5W | AAAACP | REGIONAL | 2,407,700 | 284,902 | 1,935,204 | 160 | 472,337 | |
| CUW228 | WATERSHED ROADS RECONSTRUCTION | 5W | AAAACP | REGIONAL | 5,170,000 | 82,992 | 4,413,061 | 18,598 | 738,340 | |
| CUW202 | SAN ANTONIO PIPELINE EMERGENCY REPA | 5W | AAAACP | REGIONAL | 1,400,000 | 6,012 | 1,269,190 | 61,727 | 69,083 | |
| CUW148 | ENVIRONMENTAL & REGULATORY COMP | 5W | AAAACP | REGIONAL | 3,241,279 | 0 | 3,014,995 | 184,774 | 41,510 | |
| CUW135 | NEW LINE & BYPASS VALVES | 5W | AAAACP | REGIONAL | 4,829,680 | 2,103 | 4,689,067 | 0 | 140,613 | |
| CUW143 | HETCH HETCHY WATER TREATMENT PLAN | 5W | AAAACP | REGIONAL | 18,821,529 | 0 | 18,452,053 | 47,947 | 321,529 | |
| CUW161 | TREATMENT FACILITIES IMPROVEMENTS | 5W | AAAACP | REGIONAL | 15,028,319 | 334 | 14,747,873 | 0 | 280,446 | |
| CUW241 | FACILITIES MAINT SUPPORT STRUCTURES | 5W | AAAACP | REGIONAL | 5,000,000 | 8,390 | 4,988,882 | 0 | 11,118 | |
| CUW392 | PROGRAM MANAGEMENT SERVICES - WSIF | 5W | AAAACP | LOCAL/REGIONAL | 1,837,000 | (98,519) | 751,659 | 71,973 | 1,013,366 | |
| CUW127 | INST SCADA SYSTEM | 5W | AAAACP | LOCAL/REGIONAL | 13,156,681 | 2,481,274 | 8,653,641 | 0 | 4,503,040 | |
| CUW710 | OCIP PROJECT CONTROL | 5W | AAAACP | LOCAL/REGIONAL | 2,497,881 | 235,706 | 2,496,959 | 0 | 922 | |
| | TOTAL ALL PROJECTS | | | | 104,209,826 | 4,900,661 | 82,291,307 | 2,066,813 | 19,851,706 | |
| | LOCAL PROJECTS | | | LOCAL | 0 | 0 | 0 | 0 | 0 | |
| | JOINT LOCAL AND REGIONAL PROJECTS | | | LOCAL/REGIONAL | 17,491,562 | 2,618,462 | 11,902,259 | 71,973 | 5,517,330 | |
| | REGIONAL PROJECTS | | | REGIONAL | 86,718,264 | 2,282,199 | 70,389,048 | 1,994,840 | 14,334,376 | |
| | TOTAL ALL PROJECTS | | | | 104,209,826 | 4,900,661 | 82,291,307 | 2,066,813 | 19,851,706 | |
| | | | | Hetchy Hetchy Assets | | | | | | |
| CUH975 | WATER INFRASTRUCTURE - BUDGET | 5T | AAAACP | WATER | 9,000,000 | 1,534,488 | 2,806,592 | 3,565,023 | 2,628,385 | |
| CUH964 | WATERSHED PROPERTY PURCHASES | 5T | AAAACP | WATER | 800,000 | 75,756 | 454,756 | 0 | 345,244 | |
| CUH957 | FAC MAINTENANCE-WATER TRANSPORTAT | 5T | AAAACP | WATER | 3,400,000 | 110,986 | 2,885,394 | 209,138 | 305,469 | |
| CUH703 | PRIEST RESERVOIR DIVERSION CHANNEL | 5T | AAAACP | WATER | 21,210,344 | 47,164 | 20,166,993 | 0 | 1,043,351 | |
| CUH926 | PIPELINE PURCHASE REPLACEMENT PIPE | 5T | AAAACP | WATER | 159,860 | 13,667 | 157,489 | 0 | 2,371 | |
| CUH762 | SAN JOAQUIN PIPELINE REPAIRS | 5T | AAAACP | WATER | 41,469,206 | 255,011 | 41,215,761 | 134,652 | 118,792 | |
| CUW687 | 525 GOLDEN GATE | 5T | AAAACP | JOINT | 280,600 | 4,105 | 26,437 | 0 | 254,163 | |
| CUH977 | FACILITIES MAINTENANCE - BUDGET | 5T | AAAACP | JOINT | 9,300,000 | 1,049,878 | 3,578,478 | 803,231 | 4,918,290 | |
| CUH931 | HH MICROWAVE REPLACEMENT | 5T | AAAACP | JOINT | 4,767,000 | 156,270 | 3,313,761 | 1,227,242 | 225,997 | |
| CUH941 | HH SCADA SECURITY & CONTROL, EAST | 5T | AAAACP | JOINT | 2,068,180 | 246,948 | 1,680,922 | 256,198 | 131,060 | |
| CUH804 | HETCH-HETCHY ROADS REBUILDING | 5T | AAAACP | JOINT | 4,175,027 | 341,240 | 3,544,483 | 113,314 | 517,230 | |
| CUH766 | HETCHY FACILITIES SECURITY IMPROV. | 5T | AAAACP | JOINT | 2,086,692 | 261,601 | 1,960,386 | 62,470 | 63,836 | |
| CUH876 | MOCCASIN PHONE SYSTEM | 5T | AAAACP | JOINT | 1,610,000 | 15,677 | 1,528,780 | 0 | 81,220 | |
| CUH878 | O'SHAUGENESSY DIS.REPAIRS | 5T | AAAACP | JOINT | 7,179,009 | 33,750 | 7,101,644 | 9,297 | 68,068 | |
| CUH810 | VARIOUS OLD JOB | 5T | AAAACP | JOINT | 7,613,638 | 18,690 | 7,538,034 | 1,561 | 74,044 | |
| CUH946 | FAC MAINTENANCE-SUPPORT STRUCTURE | 5T | AAAACP | JOINT | 2,281,454 | 239 | 2,273,485 | 0 | 7,969 | |
| CUH949 | RIGHT OF WAY MAINTENANCE | 5T | AAAACP | JOINT | 815,000 | 0 | 814,208 | 166 | 626 | |
| | TOTAL ALL PROJECTS | | | | 118,216,010 | 4,165,470 | 101,047,602 | 6,382,292 | 10,786,117 | |
| | POWER PROJECTS | | | POWER | 0 | 0 | 0 | 0 | 0 | |
| | WATER PROJECTS | | | WATER | 76,039,410 | 2,037,072 | 67,686,985 | 3,908,812 | 4,443,613 | |
| | JOINT PROJECTS | | | JOINT | 42,176,600 | 2,128,397 | 33,360,617 | 2,473,480 | 6,342,504 | |
| | TOTAL ALL PROJECTS | | | | 118,216,010 | 4,165,470 | 101,047,602 | 6,382,292 | 10,786,117 | |

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ATTACHMENT L-1
IDENTIFICATION OF WSIP PROJECTS AS REGIONAL/RETAIL
(Section 5.04)

| Project Number | | Project Description |
|---|---|---|
| *REGIONAL* | | |
| | | **San Joaquin Region** |
| CUW373 | Regional | San Joaquin Pipeline System Rehabilitation |
| CUW384 | Regional | Tesla Advance Disinfection |
| CUW387 | Regional | Tesla Portal Disinfection |
| | | **Sunol Valley Region** |
| CUW352 | Regional | Alameda Creek Fishery Enhancement |
| CUW355 | Regional | Stand-by Power - Various Locations |
| CUW359 | Regional | New Irvington Tunnel/Alameda Siphon No. 4 |
| CUW370 | Regional | Pipeline Readiness Improvements |
| CUW374 | Regional | Calaveras Dam Replacement |
| CUW381 | Regional | SVWTP 40 mgd Addition |
| CUW382 | Regional | SVWTP Finished Water Reservoir |
| CUW386 | Regional | San Antonio Pump Station Upgrade |
| | | **Bay Division Region** |
| CUW353 | Regional | Seismic Upgrade BDPL 3 & 4 |
| CUW363 | Regional | SCADA Phase II/Security Upgrades |
| CUW368 | Regional | BDPL Reliability Upgrades |
| CUW380 | Regional | BDPL 3 & 4 Crossover |
| CUW389 | Regional | EBMUD Intertie |
| CUW393 | Regional | BDPL 4 Slipline |
| | | **Peninsula Region** |
| CUW354 | Regional | Lower Crystal Springs Dam Improvement |
| CUW356 | Regional | Crystal Springs Bypass Tunnel |
| CUW357 | Regional | Adit Leak Repairs |
| CUW361 | Regional | Pulgas Balancing Reservoir Rehabilitation and Improvements |
| CUW365 | Regional | Cross Connection Control |
| CUW366 | Regional | HTWTP Short Term Improvemetns |
| CUW367 | Regional | HTWTP Long Term Improvements |
| CUW369 | Regional | Capuchino Valve Lot Improvements |
| CUW371 | Regional | Crystal Springs/San Andreas Transmission |
| CUW378 | Regional | Crystal Springs Pipleine 2 Replacement |
| CUW379 | Regional | San Andreas Pipeline 3 Installation |
| CUW390 | Regional | Desalination |
| CUW391 | Regional | Baden & San Pedro Valve Lots Improvements |

ATTACHMENT L-1
IDENTIFICATION OF WSIP PROJECTS AS REGIONAL/RETAIL
(Section 5.04)

| Project Number | | Project Description |
|---|---|---|
| | | **San Francisco Region** |
| CUW358 | Regional | Sunset Reservoir Upgrades - North Basin |
| CUW372 | Regional | University Mound Reservoir Upgrades - North Basin |
| | | **System-Wide** |
| CUW388 | Regional | PEIR |
| CUW392 | Regional | Program Management Services |
| CUW394 | Regional | Watershed Land Acquisition |
| *RETAIL* | | |
| | | **Reservoirs** |
| CUW307 | Local | Summit Reservoir Rehabilitation |
| CUW310 | Local | New Northwest Reservoir |
| CUW319 | Local | Hunters Point Reservoir Rehabilitation |
| CUW334 | Local | Stanford Heights Reservoir Rehabilitation |
| CUW335 | Local | Potrero Heights Reservoir Rehabilitation |
| CUW337 | Local | Sutro Reservoir Rehabilitation |
| | | **Pump Stations/Tanks** |
| CUW306 | Local | Crocker Amazon Pump Station Upgrade |
| CUW309 | Local | Lake Merced Pump Station Upgrade |
| CUW314 | Local | La Grande Tank Upgrade |
| CUW318 | Local | Forest Hill Tank Rehabilitation |
| CUW320 | Local | Forest Hilll Pump Station Upgrade |
| CUW321 | Local | Forest Knoll Pump Station Upgrade |
| CUW322 | Local | Lincoln Park Pump Station Upgrade |
| CUW323 | Local | Alemany Pump Station Upgrade |
| CUW324 | Local | Mount Davidson Pump Station Upgrade |
| CUW326 | Local | Palo Alto Pump Station Upgrade |
| CUW326 | Local | Sktview-AquaVista Pump Station Upgrade |
| CUW327 | Local | Summit Pump Station Upgrade |
| CUW328 | Local | McLaren #1 Tank Rehabilitation |
| CUW329 | Local | Potrero Heights Tank Seismic Upgrade |
| CUW330 | Local | Forest Knoll Tank Seismic Upgrade |
| CUW331 | Local | Lincoln Park Tank Seismic Upgrade |
| CUW332 | Local | McLaren #2 Tank Rehabilitation |
| CUW333 | Local | Mount Davidson Tank Seismic Upgrade |
| CUW338 | Local | La Grande Pump Station Upgrade |
| CUW339 | Local | Potrero Heights Pump Station Upgrade |
| CUW340 | Local | Vista Francisco Pump Station Upgrade |

ATTACHMENT L-1
IDENTIFICATION OF WSIP PROJECTS AS REGIONAL/RETAIL
(Section 5.04)

| Project Number | | Project Description |
|---|---|---|
| | | **Pipelines/Valves** |
| CUW304 | Local | North University Mound System Upgrade |
| CUW308 | Local | Motorize Key Valves |
| CUW311 | Local | Sunset Circulation Improvements |
| CUW312 | Local | Lincoln Way Transmission Line |
| CUW313 | Local | Noe Valley Transmission Main, Phase 2 |
| CUW315 | Local | East/West Transmission Main |
| CUW316 | Local | Fulton @ Sixthe Ave Main Replacement |
| | | **Water Supply/Water Quality** |
| CUW301 | Local | Groundwater |
| CUW302 | Local | Recycled Water |
| CUW364 | Local | Lawrence-Livermore National Laboratory Water Quality Improvements |
| | | **Miscellaneous** |
| CUW303 | Local | Vehicle Service Facility Upgrade |
| CUW305 | Local | Fire Protection at CCD |

03/13/06

$507,815,000
PUBLIC UTILITIES COMMISSION
OF THE CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS, 2006 SERIES A

$110,065,000
PUBLIC UTILITIES COMMISSION
OF THE CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS, 2006 REFUNDING SERIES B

## CERTIFICATE REGARDING USE OF PROCEEDS

The undersigned hereby states and certifies as follows:

(i) The undersigned is the General Manager of the Public Utilities Commission of the City and County of San Francisco (the "Commission"), and is authorized to execute this certificate on behalf of the Commission and is knowledgeable with respect to the matters set forth herein.

(ii) On the date hereof, the Commission is issuing the two series of bonds captioned above (the "2006 Series A Bonds," the "2006 Refunding Series B Bonds" and, together, the "Bonds") pursuant to an Amended and Restated Indenture dated as of August 1, 2002 and the First Supplemental Indenture dated as of March 1, 2006 (collectively, the "Indenture"), both by and between the Commission and U.S. Bank National Association, as trustee (the "Trustee").

(iii) The Trustee will transfer and deposit the proceeds of the 2006 Series A Bonds received by the Trustee on the date hereof as follows:

(1) $48,212,528.32 will be deposited in the 2006 Series A Capitalized Interest Account established within the Interest Fund;

(2) $15,958,031.25 will be deposited in the 2006 Series A Reserve Account of the Bond Reserve Fund;

(3) $623,906.09 will be deposited in the 2006 Series A Costs of Issuance Fund;

(4) $120,622,352.19 will be deposited in the 2006 Series A Refunding Fund and transferred pursuant to Irrevocable Refunding Instructions of the Commission dated the date hereof; and

(5) the remaining $338,600,816.86 will be transferred to the Treasurer for deposit to the 2006 Series A Project Fund.

(iv) The proceeds of the 2006 Series A Bonds transferred pursuant to the Irrevocable Refunding Instructions of the Commission will be used to defease and refund the Commission's Commercial Paper Notes (Water Series) on a current basis. The Notes were issued to finance a portion of the facilities described in Exhibit A hereto.

(v) The proceeds of the Bonds deposited in the 2006 Series A Project Fund will be used to finance a portion of the facilities described in Exhibit A hereto.

(vi) The Trustee will transfer and deposit the proceeds of the 2006 Refunding Series B Bonds received by the Trustee on the date hereof as follows:

(1) $192,498.04 will be deposited in the 2006 Refunding Series B Costs of Issuance Fund; and

(2) $111,178,241.95 will be deposited in the 2006 Refunding Series B Refunding Fund.

(vii) The proceeds of the Bonds deposited in the 2006 Refunding Series B Refunding Fund, together with amounts on deposit in the funds and accounts established under the Indenture for the Commission's San Francisco Water Revenue Bonds, 1996 Series A (the "1996 Series A Bonds") and its San Francisco Water Revenue Bonds, 2001 Series A (the "2001 Series A Bonds"), will be used to refund on an advance basis a portion of the outstanding 1996 Series A Bonds and a portion of the outstanding 2001 Series A Bonds. The portion of the 1996 Series A Bonds being refunded were issued to finance the facilities (the "1996 Project") described in Exhibit B hereto, and the portion of the 2001 Series A Bonds being refunded were used to finance the facilities (the "2001 Project") described in Exhibit B hereto.

(viii) Exhibit C hereto attached describes (A) each use to be made by any person of the Project, the 1996 Project and the 2001 Project other than use by the Commission and other non-federal governmental units and other than use by members of the public generally, and (B) payments (if any) directly or indirectly in respect of such use which are to be made after the date hereof;

(ix) Other than as set forth in Exhibit A and Exhibit B, no portion of the proceeds of the Bonds will be used, directly or indirectly, to make or finance a loan to any person (other than a State or local government unit) or to acquire property which will be sold or leased to any person (other than a State or local government unit) on an installment a sale basis except as referenced in Exhibit C.

(x) The Commission expects to use the Project for the purposes referenced and discussed in Exhibit A, Exhibit B, Exhibit C and Exhibit D or for other governmental purposes of the Commission during the entire term of the Bonds.

(xi) Set forth on Exhibit D is the Commission's methodology for determining governmental use and private use with respect to the water enterprise.

(xii) To the best knowledge of the undersigned, the above statements are reasonable and there are no other facts, estimates or circumstances, other than those set forth herein, that would materially affect the statements made herein.

Capitalized terms used but not defined herein have the meanings set forth in the Indenture.

IN WITNESS WHEREOF, I have hereunto set my name this 15th day of March, 2006.

PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

By:_____
General Manager

ATTACHMENT L-2 (CONTINUED)
WATER ENTERPRISE REVENUE BOND 2006 SERIES A
SUMMARY OF SOURCES AND USES OF FUNDS
(Section 5.04)

Source: Closing Documents (Certificate Regarding Use of Proceeds)

| | | |
|---|---|---|
| **Proceeds** | | |
| Principal | 507,815,000.00 | |
| Plus Premium | 19,109,138.35 | |
| Minus Underwriter's Discount | (932,940.06) | |
| Minus Insurance | (1,973,563.58) | |
| Net Proceeds | 524,017,634.71 | |
| **Use of Proceeds** | | |
| Capitalized Interest Fund | 48,212,528.32 | |
| Bond Reserve Fund | 15,958,031.25 | |
| Insurance Fund | 623,906.09 | |
| Series A Refunding Fund | 120,622,352.19 | 459,223,169.05 |
| Series A Project Fund | 338,600,816.86 | |
| Total Uses | 524,017,634.71 | |

| | Commercial Paper | Project Fund | Total |
|---|---|---|---|
| Hetch Hetchy | | | |
| Tesla Portal Disinfection | 251,262.58 | 1,147,302.42 | 1,398,565.00 |
| Advance Disinfection | 429,714.76 | 5,611,554.24 | 6,041,269.00 |
| SJPL | 4,737,937.28 | 17,784,667.72 | 22,522,605.00 |
| Total Hetch Hetchy | 5,418,914.62 | 24,543,524.38 | 29,962,439.00 |
| SF Regional | | | |
| University Mound - North | 55,728.10 | 5,964,279.90 | 6,020,008.00 |
| Sunset - North | 7,525,896.84 | 28,782,094.16 | 36,307,991.00 |
| Groundwater | 3,400,973.67 | 2,963,110.33 | 6,364,084.00 |
| Recycled Water | 1,548,036.76 | 11,316,958.24 | 12,864,995.00 |
| Total SF Regiona1 | 12,530,635.37 | 49,026,442.63 | 61,557,078.00 |
| SF Local | 45,405,787.71 | 106,407,313.30 | 151,813,101.01 |
| Sunol Valley Subregional | | | |
| Calaveras Dam | 9,065,945.51 | 15,993,818.49 | 25,059,764.00 |
| Stand-by Power | 556,398.67 | 1,207,319.33 | 1,763,718.00 |
| Pipeline Readiness | 649,566.31 | 4,942,205.69 | 5,591,772.00 |
| SAPS Upgrade | 213,423.44 | 1,748,134.56 | 1,961,558.00 |
| SVWTP Finished Water Res | 3,317,203.82 | 7,838,383.18 | 11,155,587.00 |
| Irvington Tunnel | 4,084,139.65 | 18,247,176.35 | 22,331,316.00 |
| Alameda Creek Fishery | 656,765.00 | 1,327,119.00 | 1,983,884.00 |
| SVWTP 40 mgd Addition | 25,378.75 | 3,474,585.25 | 3,499,964.00 |
| Total Sunol Valley Subregional | 18,568,821.15 | 54,778,741.85 | 73,347,563.00 |

ATTACHMENT L-2 (CONTINUED)
WATER ENTERPRISE REVENUE BOND 2006 SERIES A
SUMMARY OF SOURCES AND USES OF FUNDS
(Section 5.04)

| | | | | |
|---|---|---|---|---|
| Miscellaneous | | | | |
| PEIR | 3,204,177.44 | 5,103,872.56 | 8,308,050.00 | |
| PPPCMS Services | 2,964,786.31 | 10,358,811.69 | 13,323,598.00 | |
| Watershed Land Acquisition | - | 502,660.00 | 502,660.00 | |
| Total Miscellaneous | 6,168,963.75 | 15,965,344.25 | 22,134,308.00 | |
| LLNL | 133,156.60 | 282,702.40 | 415,859.00 | |
| Bay Division Subregional | | | | |
| Seismic Upgrade BDPL 3 & 4 | 4,758,306.54 | 16,481,539.46 | 21,239,846.00 | |
| BDPL Reliability | 4,360,664.44 | 40,874,800.56 | 45,235,465.00 | |
| BDPL 3 & 4 Crossover | 802,494.94 | 493,817.06 | 1,296,312.00 | |
| SCADA Phase II | 65,497.37 | 1,247,963.63 | 1,313,461.00 | |
| EBMUD Intertie | 6,668,906.37 | 4,075,015.63 | 10,743,922.00 | |
| BDPL 4 Slipline | - | 1,219,251.00 | 1,219,251.00 | |
| Total Bay Division Subregional | 16,655,869.66 | 64,392,387.34 | 81,048,257.00 | |
| Peninsula Subregional | | | | |
| Capuchino Valve Lot | 162,584.69 | 753,779.31 | 916,364.00 | |
| CS/SA Transmission | 2,288,853.10 | 3,448,975.90 | 5,737,829.00 | |
| Adit Leak Repair | 255,334.99 | 1,650,368.01 | 1,905,703.00 | |
| HTWTP Short Term | 2,874,763.69 | 3,582,860.31 | 6,457,624.00 | |
| Cross Connection Control | 1,150,559.48 | 324,549.52 | 1,475,109.00 | |
| CS Bypass Tunnel | 2,873,475.22 | 15,532,584.78 | 18,406,060.00 | |
| LCS Dam Improvement | 931,587.07 | 3,278,932.93 | 4,210,520.00 | |
| Pulgas Balancing Reservoir | 1,218,341.39 | 2,706,284.61 | 3,924,626.00 | |
| HTWTP Long Term | 1,107,185.77 | 2,549,793.23 | 3,656,979.00 | |
| Baden & San Pedro Valve Lots | 60,203.48 | 2,963,540.52 | 3,023,744.00 | |
| Total Peninsula Subregional | 12,922,888.88 | 36,791,669.12 | 49,714,558.00 | |
| San Francisco Subregional | | | | |
| CSPL 2 Replacement | 1,269,111.95 | 5,019,824.05 | 6,288,936.00 | |
| SAPL 3 | 1,492,584.40 | 1,942,479.60 | 3,435,064.00 | |
| Desalination | 55,618.10 | 596,473.90 | 652,092.00 | |
| Total San Francisco Subregional | 2,817,314.45 | 7,558,777.55 | 10,376,092.00 | |
| Grand Total | 120,622,352.19 | 359,746,902.82 | 480,369,255.01 | |
| Regional | | | 328,140,295.00 | 68.31% |
| Local | | | 152,228,960.01 | 31.69% |
| | | | 480,369,255.01 | |

This certificate is for illustration only. It was prepared in 2006 and shown groundwater and recycled water projects as regional instead of local. In addition, it does not reflect expenditures for the portions of regional assets which in rate base as of June 30, 2008 nor what is expected to be added to rate base through June 30, 2009. For these reasons, the percentages shown for regional and local projects are not accurate.

ATTACHMENT L-3
WATER ENTERPRISE REVENUE BOND 2006 SERIES A
ANNUAL REPORT ON EXPENDITURES OF AND EARNINGS ON PROCEEDS
AS OF JUNE 30, 2009
(Section 5.04 A)

| Project Number | | Project Description | Net Financing Proceeds[1] | Appropriated Interest Earnings[2] | Adjusted Project Funding | Expenditures Thru 6/30/09[3] | Remaining Balance |
|---|---|---|---|---|---|---|---|
| *REGIONAL PROGRAM* | | | | | | | |
| | | **San Joaquin Region** | | | | | |
| CUW373 | Regional | San Joaquin Pipeline System Rehabilitation | 1,398,565 | | | | |
| CUW384 | Regional | Tesla Advance Disinfection | 6,041,269 | | | | |
| CUW387 | Regional | Tesla Portal Disinfection | 22,522,605 | | | | |
| | | **Total San Joaquin Region** | 29,962,439 | | | | |
| | | **Sunol Valley Region** | | | | | |
| CUW352 | Regional | Alameda Creek Fishery Enhancement | 1,983,884 | | | | |
| CUW355 | Regional | Stand-by Power - Various Locations | 1,763,718 | | | | |
| CUW359 | Regional | New Irvington Tunnel/Alameda Siphon No. 4 | 22,331,316 | | | | |
| CUW370 | Regional | Pipeline Readiness Improvements | 5,591,772 | | | | |
| CUW374 | Regional | Calaveras Dam Replacement | 25,059,764 | | | | |
| CUW381 | Regional | SVWTP 40 mgd Addition | 3,499,964 | | | | |
| CUW382 | Regional | SVWTP Finished Water Reservoir | 11,155,587 | | | | |
| CUW386 | Regional | San Antonio Pump Station Upgrade | 1,961,558 | | | | |
| | | **Total Sunol Valley Region** | 73,347,563 | | | | |
| | | **Bay Division Region** | | | | | |
| CUW353 | Regional | Seismic Upgrade BDPL 3 & 4 | 21,234,846 | | | | |
| CUW363 | Regional | SCADA Phase II/Security Upgrades | 1,313,461 | | | | |
| CUW368 | Regional | BDPL Reliability Upgrades | 45,235,465 | | | | |
| CUW380 | Regional | BDPL 3 & 4 Crossover | 21,239,846 | | | | |
| CUW389 | Regional | EBMUD Intertie | 10,743,922 | | | | |
| CUW393 | Regional | BDPL 4 Slipline | 1,219,251 | | | | |
| | | **Total Bay Division Region** | 100,986,791 | | | | |
| | | **Peninsula Region** | | | | | |
| CUW354 | Regional | Lower Crystal Springs Dam Improvement | 4,210,520 | | | | |
| CUW356 | Regional | Crystal Springs Bypass Tunnel | 18,486,050 | | | | |
| CUW357 | Regional | Adit Leak Repairs | 1,905,703 | | | | |
| CUW361 | Regional | Pulgas Balancing Reservoir Rehabilitation and Improvements | 3,924,526 | | | | |
| CUW365 | Regional | Cross Connection Control | 1,475,109 | | | | |
| CUW366 | Regional | HTWTP Short Term Improvemetns | 6,457,624 | | | | |
| CUW367 | Regional | HTWTP Long Term Improvements | 3,656,979 | | | | |
| CUW369 | Regional | Capuchino Valve Lot Improvements | 916,364 | | | | |
| CUW371 | Regional | Crystal Springs/San Andreas Transmission | 5,737,829 | | | | |
| CUW378 | Regional | Crystal Springs Pipleine 2 Replacement | 6,288,936 | | | | |
| CUW379 | Regional | San Andreas Pipeline 3 Installation | 3,435,064 | | | | |
| CUW390 | Regional | Desalination | 652,092 | | | | |
| CUW391 | Regional | Baden & San Pedro Valve Lots Improvements | 3,023,744 | | | | |
| | | **Total Peninsula Region** | 60,090,650 | | | | |
| | | **San Francisco Region** | | | | | |
| CUW358 | Regional | Sunset Reservoir Upgrades - North Basin | 6,020,008 | | | | |
| CUW372 | Regional | University Mound Reservoir Upgrades - North Basin | 36,307,991 | | | | |
| | | **Total San Francisco Region** | 42,327,999 | | | | |
| | | **System-Wide** | | | | | |
| CUW388 | Regional | PEIR | 8,308,050 | | | | |
| CUW392 | Regional | Program Management Services | 13,323,598 | | | | |
| CUW394 | Regional | Watershed Land Acquisition | 502,660 | | | | |
| | | **Total System-Wide** | 22,134,308 | | | | |
| | | **Total Regional Program** | 328,849,750 | | | | |
| *LOCAL PROGRAM* | | | | | | | |
| | | **Reservoirs** | | | | | |
| CUW307 | Local | Summit Reservoir Rehabilitation | | | | | |
| CUW310 | Local | New Northwest Reservoir | | | | | |
| CUW319 | Local | Hunters Point Reservoir Rehabilitation | | | | | |
| CUW334 | Local | Stanford Heights Reservoir Rehabilitation | | | | | |
| CUW335 | Local | Potrero Heights Reservoir Rehabilitation | | | | | |
| CUW337 | Local | Sutro Reservoir Rehabilitation | | | | | |
| | | **Total Reservoirs** | | | | | |
| | | **Pump Stations/Tanks** | | | | | |
| CUW306 | Local | Crocker Amazon Pump Station Upgrade | | | | | |
| CUW309 | Local | Lake Merced Pump Station Upgrade | | | | | |
| CUW314 | Local | La Grande Tank Upgrade | | | | | |
| CUW318 | Local | Forest Hill Tank Rehabilitation | | | | | |
| CUW320 | Local | Forest Hill Pump Station Upgrade | | | | | |
| CUW321 | Local | Forest Knoll Pump Station Upgrade | | | | | |
| CUW322 | Local | Lincoln Park Pump Station Upgrade | | | | | |
| CUW323 | Local | Alemany Pump Station Upgrade | | | | | |
| CUW324 | Local | Mount Davidson Pump Station Upgrade | | | | | |

ILLUSTRATIVE ONLY DRAFT

WATER ENTERPRISE REVENUE BOND 2006 SERIES A
ANNUAL REPORT ON EXPENDITURES OF AND EARNINGS ON PROCEEDS
AS OF JUNE 30, 2009
(Section 5.04 A)

| Project Number | | Project Description | Net Financing Proceeds[1] | Appropriated Interest Earnings[2] | Adjusted Project Funding | Expenditures Thru 6/30/09[3] | Remaining Balance |
|---|---|---|---|---|---|---|---|
| CUW326 | Local | Palo Alto Pump Station Upgrade | | | | | |
| CUW326 | Local | Skiview-AquaVista Pump Station Upgrade | | | | | |
| CUW327 | Local | Summit Pump Station Upgrade | | | | | |
| CUW328 | Local | McLaren #1 Tank Rehabilitation | | | | | |
| CUW329 | Local | Potrero Heights Tank Seismic Upgrade | | | | | |
| CUW330 | Local | Forest Knoll Tank Seismic Upgrade | | | | | |
| CUW331 | Local | Lincoln Park Tank Seismic Upgrade | | | | | |
| CUW332 | Local | McLaren #2 Tank Rehabilitation | | | | | |
| CUW333 | Local | Mount Davidson Tank Seismic Upgrade | | | | | |
| CUW338 | Local | La Grande Pump Station Upgrade | | | | | |
| CUW339 | Local | Potrero Heights Pump Station Upgrade | | | | | |
| CUW340 | Local | Vista Francisco Pump Station Upgrade | | | | | |
| | | **Total Pump Stations/Tanks** | | | | | |
| | | **Pipelines/Valves** | | | | | |
| CUW304 | Local | North University Mound System Upgrade | | | | | |
| CUW308 | Local | Motorize Key Valves | | | | | |
| CUW311 | Local | Sunset Circulation Improvements | | | | | |
| CUW312 | Local | Lincoln Way Transmission Line | | | | | |
| CUW313 | Local | Noe Valley Transmission Main, Phase 2 | | | | | |
| CUW315 | Local | East/West Transmission Main | | | | | |
| CUW316 | Local | Fulton @ Sixth Ave Main Replacement | | | | | |
| | | **TtoalPipelines/Valves** | | | | | |
| | | **Water Supply/Water Quality** | | | | | |
| CUW301 | Local | Groundwater | | | | | |
| CUW302 | Local | Recycled Water | | | | | |
| CUW364 | Local | Lawrence-Livermore National Laboratory Water Quality Improvements | | | | | |
| | | **Total Water Supply/Water Quality** | | | | | |
| | | **Miscellaneous** | | | | | |
| CUW303 | Local | Vehicle Service Facility Upgrade | | | | | |
| CUW305 | Local | Fire Protection at CCD | | | | | |
| | | **Total Miscellaneous** | | | | | |
| | | **Total Local Program** | | | | | |
| | | **Grand Total Regional and Local Programs** | | | | | |
| | | **Unappropriated Interest Earnings** | | | | | |
| | | **Percent of Net Proceeds[4]** | | | | | |
| | | **Percent of Net Proceeds and Earnings[4]** | | | | | |

[1]Net financing proceeds available on date of issue (i.e. deposit to project fund)
[2]Cumulative net of arbitrage rebate liability
[3]Cumulative
[4]If financing sources Substantially Expended, proceed allocations are then fixed

ILLUSTRATION ONLY DRAFT

## REVENUE-FUNDED CAPITAL ADDITIONS (Section 5.04.B)
## Subfund: 5W CPF WCF - Wholesale Customer Capital Fund (Water)

Projected FAMIS as of July 1, 2009 (Day 1 of New Budget Year)

Based on Proportionate Annual Water Deliveries of ...

| | | A | B | C | D | E | F | G=C-D-F | H | I=G-H |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 68.7% | Wholesale Customer Capital Fund (5W CPF WCF) | | | | | | |
| Project | Title | FY 2009-10 Approved Budget* - Total Regional | FY 2009-10 Approved Budget - WHOLESALE SHARE | Total Appropriation - All Years^ | All Years Actual Expenditures^ | Fiscal Year 2009-10 Actual Expenditures^ | Encumbered But Not Expended^ | Appropriated, Unencumbered Balance^ | Projected Expended & Encumbered through 6/30/2010 | Projected Surplus / (Shortfall) |
| CUW262 | Regional Water RnR - Treatment Facilities | $ 1,000,000 | $ 687,000 | $ 687,000 | $ - | $ - | $ - | $ 687,000 | $ 229,000 | $ 458,000 |
| CUW263 | Regional Water RnR - Conveyance/Transmission Systems | $ 7,000,000 | $ 4,809,000 | $ 4,809,000 | $ - | $ - | $ - | $ 4,809,000 | $ 1,603,000 | $ 3,206,000 |
| CUW264 | Regional Water - Watersheds / ROW Management | $ 500,000 | $ 343,500 | $ 343,500 | $ - | $ - | $ - | $ 343,500 | $ 114,000 | $ 229,500 |
| FUW100 | Regional Water - Facilities Maintenance | $ 3,700,000 | $ 2,541,900 | $ 2,541,900 | $ - | $ - | $ - | $ 2,541,900 | $ 847,000 | $ 1,694,900 |
| CUW261 | Regional Water - Storage | | | | | | | | | |
| | Regional Total | $ 12,200,000 | $ 8,381,400 | $ 8,381,400 | $ - | $ - | $ - | $ 8,381,400 | $ 2,793,000 | $ 5,588,400 |

Source: * SFPUC Commission Approved Budget, February 2009, Same Format
^ FAMIS - City's Official Financial System of Record

Ties to Budget Hearing Materials

## REVENUE-FUNDED CAPITAL ADDITIONS (Section 5.04.B)
## Subfund: 5W CPF WCF - Wholesale Customer Capital Fund (Water)

Projected FAMIS as of June 30, 2010 (Last Day of Budget Year)

Based on Proportionate Annual Water Deliveries of ...

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 68.7% | Wholesale Customer Capital Fund (5W CPF WCF) | | | | | | |
| Project | Title | FY 2009-10 Approved Budget* - Total Regional | FY 2009-10 Approved Budget - WHOLESALE SHARE | Total Appropriation - All Years^ | All Years Actual Expenditures^ | Fiscal Year 2009-10 Actual Expenditures^ | Encumbered But Not Expended^ | Appropriated, Unencumbered Balance^ | Projected Expended & Encumbered through 6/30/2011 | Projected Surplus / (Shortfall) |
| CUW262 | Regional Water RnR - Treatment Facilities | $ 1,000,000 | $ 687,000 | $ 687,000 | $ 235,000 | $ 235,000 | $ - | $ 452,000 | $ 409,000 | $ 43,000 |
| CUW263 | Regional Water RnR - Conveyance/Transmission Systems | $ 7,000,000 | $ 4,809,000 | $ 4,809,000 | $ 1,395,000 | $ 1,395,000 | $ 25,000 | $ 3,389,000 | $ 1,589,000 | $ 1,800,000 |
| CUW264 | Regional Water - Watersheds / ROW Management | $ 500,000 | $ 343,500 | $ 343,500 | $ 115,000 | $ 115,000 | $ 50,000 | $ 178,500 | $ 35,500 | $ 143,000 |
| FUW100 | Regional Water - Facilities Maintenance | $ 3,700,000 | $ 2,541,900 | $ 2,541,900 | $ 850,000 | $ 850,000 | $ 123,000 | $ 1,568,900 | $ 768,900 | $ 800,000 |
| CUW261 | Regional Water - Storage | $ - | $ - | | | | | | | |
| | Regional Total | $ 12,200,000 | $ 8,381,400 | $ 8,381,400 | $ 2,595,000 | $ 2,595,000 | $ 198,000 | $ 5,588,400 | $ 2,802,400 | $ 2,786,000 |

Source: * SFPUC Commission Approved Budget, February 2009, Same Format
^ FAMIS - City's Official Financial System of Record

Ties to Budget Hearing Materials
Shown on Attachment N-2, Schedule 3

Shown On Attachment N-2, Schedule 3
Revenue Capital - Actual Expenditures

Shown on Attachement N-2, Schedule 3
Continuing Appropriation
Needed for Mulit-Year
Revenue Funded Capital

## REVENUE-FUNDED CAPTIAL ADDITIONS (Section 5.04.B)
## Subfund: 5T CPF WCF - Wholesale Customer Capital Fund (Hetch Hetchy)

Projected FAMIS as of July 1, 2009 (Day 1 of New Budget Year)

Based on Proportionate Annual Water Deliveries of ...

Wholesale Customer Capital Fund (5W CPF WCF)

| Project | Title | A: FY 2009-10 Approved Budget* - Total Regional | | B: FY 2009-10 Approved Budget - WHOLESALE SHARE (68.1%) | C: Total Appropriation - All Years^ | D: All Years Actual Expenditures^ | E: Fiscal Year 2009-10 Actual Expenditures^ | F: Encumbered But Not Expended^ | G=C-D-F: Appropriated, Unencumbered Balance^ | H: Projected Expended & Encumbered through 6/30/2010 | I=G-H: Projected Surplus / (Shortfall) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CUH931 | HH Microwave Replacement | $ 4,000,000 | J | $ 1,224,900 | $ 1,224,900 | $ - | $ - | $ - | $ 1,224,900 | $ 408,000 | $ 816,900 |
| CUH977 | HH Water R&R - Facilities Maintenance | $ 3,500,000 | J | $ 1,071,788 | $ 1,071,788 | $ - | $ - | $ - | $ 1,071,788 | $ 357,000 | $ 714,788 |
| CUH947 | SEA - Go Solar Incentive Porject | $ 4,000,000 | P | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| CUH971 | Alternative Transmission Studies | $ 1,000,000 | P | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| CUH976 | HH Water R&R - Power Infrastructure | $ 16,700,000 | P | $ - | $ - | | | | | $ - | |
| CUH979 | Hunters Point Municipal Power | $ - | P | $ - | $ - | | | | | $ - | |
| CUH983 | Civic Center Sustainability District | $ 1,090,000 | P | $ - | $ - | | | | | $ - | |
| CUH986 | General Fund Dept - Energy Efficiency | $ 7,365,158 | P | $ - | $ - | | | | | $ - | |
| | Renewable/Generation | $ 3,501,307 | P | $ - | $ - | | | | | $ - | |
| | Treasure Island Improvement Project | $ 2,700,000 | P | $ - | $ - | | | | | $ - | |
| | Enterprise Fund Dept - Energy Efficiency | $ 325,722 | P | $ - | $ - | | | | | $ - | |
| CUH975 | HH Water R&R - Water Infrastructure | $ 6,000,000 | W | $ 4,083,000 | $ 4,083,000 | | | | | $ - | |
| | Toulumne River Watershed Protection | $ 2,000,000 | W | $ 1,361,000 | $ 1,361,000 | | | | | $ 1,361,000 | |
| | | | | | | | | | | $ 454,000 | |
| | Regional Total | $ 52,182,187 | | $ 7,740,688 | $ 7,740,688 | $ - | $ - | $ - | $ 2,296,688 | $ 2,580,000 | $ 1,531,688 |

Source: * SFPUC Commission Approved Budget, February 2009, Same Format
^ FAMIS - City's Official Financial System of Record

Ties to Budget Hearing Materials

## REVENUE-FUNDED CAPTIAL ADDITIONS (Section 5.04.B)
## Subfund: 5T CPF WCF - Wholesale Customer Capital Fund (Hetch Hetchy)

Projected FAMIS as of June 30, 2010 (Last Day of Budget Year)

Based on Proportionate Annual Water Deliveries of ...

Wholesale Customer Capital Fund (5W CPF WCF)

| Project | Title | FY 2009-10 Approved Budget* - Total Regional | | FY 2009-10 Approved Budget - WHOLESALE SHARE (68.1%) | Total Appropriation - All Years^ | All Years Actual Expenditures^ | Fiscal Year 2009-10 Actual Expenditures^ | Encumbered But Not Expended^ | Appropriated, Unencumbered Balance^ | Projected Expended & Encumbered through 6/30/2011 | Projected Surplus / (Shortfall) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CUH931 | HH Microwave Replacement | $ 4,000,000 | J | $ 1,224,900 | $ 1,224,900 | $ 1,224,900 | $ 1,224,900 | $ - | $ - | $ - | $ - |
| CUH977 | HH Water R&R - Facilities Maintenance | $ 3,500,000 | J | $ 1,071,788 | $ 1,071,788 | $ 1,071,788 | $ 1,071,788 | $ - | $ (1) | $ (1) | $ - |
| CUH947 | SEA - Go Solar Incentive Porject | $ 4,000,000 | P | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| CUH971 | Alternative Transmission Studies | $ 1,000,000 | P | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| CUH976 | HH Water R&R - Power Infrastructure | $ 16,700,000 | P | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| CUH979 | Hunters Point Municipal Power | $ - | P | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| CUH983 | Civic Center Sustainability District | $ 1,090,000 | P | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| CUH986 | General Fund Dept - Energy Efficiency | $ 7,365,158 | P | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Renewable/Generation | $ 3,501,307 | P | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Treasure Island Improvement Project | $ 2,700,000 | P | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Enterprise Fund Dept - Energy Efficiency | $ 325,722 | P | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| CUH975 | HH Water R&R - Water Infrastructure | $ 6,000,000 | W | $ 4,083,000 | $ 4,083,000 | $ 4,083,000 | $ 4,083,000 | $ - | $ - | $ - | $ - |
| | Toulumne River Watershed Protection | $ 2,000,000 | W | $ 1,361,000 | $ 1,361,000 | $ 1,361,000 | $ 1,361,000 | $ - | $ - | $ - | $ - |
| | Regional Total | $ 52,182,187 | | $ 7,740,688 | $ 7,740,688 | $ 7,740,688 | $ 7,740,688 | $ - | $ (1) | $ (1) | $ - |

Source: * SFPUC Commission Approved Budget, February 2009, Same Format
^ FAMIS - City's Official Financial System of Record

Ties to Budget Hearing Materials
Shown on Attachment N-2, Schedule 6

Shown On Attachment N-2, Schedule 6
Revenue Capital - Actual Expenditures

Show on Attachment N-2, Schedule 6
Continuing Appropriation
Needed for Mulit-Year
Revenue Funded Capital

ATTACHMENT M-2

REVENUE FUNDED CAPITAL
ANNUAL REPORTING REQUIREMENTS
(Section 5.04B)

**Part A. Updated Actual Information Through Most Recent Fiscal Year (Due in November)**

Each year, the SFPUC will provide a report on the status of the regional revenue funded projects with the following information:

Project-level information (through close-out)

1 Scope of project
2 Current cost estimate/budget.
3 Expected milestone dates (ie, design, environmental, construction period, close-out, etc.)
4 Contract status
5 Reasons for status changes from prior report.
6 Other information relevant to whether project is on time/on budget.
7 For most recently completed fiscal year and estimated for current year:
8 Total expenditures (capital and operating); amounts paid from other sources.
9 Amount of encumbered and unencumbered appropriations
10 Application of any unused appropriations

Wholesale Capital Fund

11 Beginning balance, deposits, capital expenditures (by project), earnings, ending balance.
12 Components of ending balance; wholesale portion of:
13 Appropriated and encumbered
14 Appropriated but unencumbered

**Part B. Proposed Appropriations for Upcoming Year (Due in March)**

15 Project information, to the extent not provided in Part A
16 Expected funding needs for regional projects
17 Unused or excess appropropriations carried over.
18 Proposed appropriation for upcoming fiscal year.

ATTACHMENT M-3
WHOLESALE REVENUE-FUNDED CAPITAL FUND - BALANCING ACCOUNT ADJUSTMENT
** EXAMPLE REPORTING FORMAT **
(Section 6.08)

| | (1) | (2) | (3) | (4) | (5) | (1) | (2) | (3) | (4) | (5) | (1) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY 2009-10 | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
| a. Beginning balance | | $0 | $5,671,414 | $8,960,834 | $9,669,194 | $10,420,781 | $11,217,991 | $5,498,801 | $6,198,022 | $6,944,933 | $7,742,299 | $8,593,037 |
| b. Transfer to Balancing Account | | $0 | | | | | ($6,467,533) | | | | | ($2,574,995) |
| Year 1 | | | | | | | | | | | | |
| c. Budgeted appropriation | $8,381,400 | | | | | $10,697,026 | | | | | | $13,652,417 |
| d. Encumbrance/Expenditure | ($2,793,800) | ($2,793,800) | ($2,793,800) | | | ($3,565,675) | ($3,565,675) | ($3,565,675) | | | | ($4,550,806) |
| Year 2 | | | | | | | | | | | | |
| e. Budgeted appropriation | | $8,800,470 | | | | | $11,231,878 | | | | | |
| f. Encumbrance/Expenditure | | ($2,933,490) | ($2,933,490) | ($2,933,490) | | | ($3,743,959) | ($3,743,959) | ($3,743,959) | | | |
| Year 3 | | | | | | | | | | | | |
| g. Budgeted appropriation | | | $9,240,494 | | | | | $11,793,471 | | | | |
| h. Encumbrance/Expenditure | | | ($3,080,165) | ($3,080,165) | ($3,080,165) | | | ($3,931,157) | ($3,931,157) | ($3,931,157) | | |
| Year 4 | | | | | | | | | | | | |
| i. Budgeted appropriation | | | | $9,702,518 | | | | | $12,383,145 | | | |
| j. Encumbrance/Expenditure | | | | ($3,234,173) | ($3,234,173) | ($3,234,173) | | | ($4,127,715) | ($4,127,715) | ($4,127,715) | |
| Year 5 | | | | | | | | | | | | |
| k. Budgeted appropriation | | | | | $10,187,644 | | | | | $13,002,302 | | |
| l. Encumbrance/Expenditure | | | | | ($3,395,881) | ($3,395,881) | ($3,395,881) | | | ($4,334,101) | ($4,334,101) | |
| m. Subtotal | $5,587,600 | $8,744,594 | $9,393,873 | $10,123,885 | $10,898,206 | $5,251,755 | $6,025,163 | $6,750,702 | $7,525,246 | $8,351,628 | $6,657,838 | |
| n. Interest earnings (e.g., 3%) | $83,814 | $216,240 | $275,321 | $296,896 | $319,785 | $247,046 | $172,859 | $194,231 | $217,053 | $241,409 | $228,763 | |
| o. Ending fund balance (unencumbered, unexpende | $5,671,414 | $8,960,834 | $9,669,194 | $10,420,781 | $11,217,991 | $5,498,801 | $6,198,022 | $6,944,933 | $7,742,299 | $8,593,037 | $6,886,601 | |
| p. Five Year Cumulative Appropriations w/ interest | | | | | $47,504,581 | | | | | $60,180,421 | | |
| q. 10% of Cumulative Appropriations w/ interest | | | | | $4,750,458 | | | | | $6,018,042 | | |
| r. Ending fund balance | | | | | $11,217,991 | | | | | $8,593,037 | | |
| s. Excess balance transferred to Balancing Account* | | | | | ($6,467,533) | | | | | ($2,574,995) | | |

*Test: Any balance in excess of 10% of the cumulative five-year appropriation total is credited to the balancing account.

BALANCING ACCOUNT / RATE SETTING CALCULATION
REFERENCE SECTION 6.03.A.3.a



ILLUSTRATION ONLY DRAFT

| | FY 2007-08 | FY 2008-09 | FY 2009-10 |
|---|---|---|---|
| Step 1: | | | |
| A. Balancing Account as of June 30, 2007 | $12,882,000 | | |
| B. Interest on Balancing Account at Pooled Investment Rate for Fiscal Year | $554,000 | | |
| C. Wholesale Revenues for Fiscal Year | ($113,932,000) | | |
| D. Wholesale Revenue Requirement for Fiscal Year | $119,224,000 | | |
| E. Settlement Credits or Other Adjustments | $2,448,614 | | |
| F. 1984 Agreement Balancing Account Credits | $0 | | |
| G. Balancing Account as of June 30, 2008 | $21,176,614 | | |
| Step 2: | | | |
| A. Balancing Account as of June 30, 2008 | | $21,176,614 | |
| B. Interest on Balancing Account at Pooled Investment Rate for Fiscal Year | | $529,000 | |
| C. Wholesale Revenues for Fiscal Year | | -$123,604,000 | |
| D. Wholesale Revenue Requirement for Fiscal Year | | $120,562,000 | |
| E. Settlement Credits or Other Adjustments | | $21,000 | |
| F. 1984 Agreement Balancing Account Credits | | $0 | |
| G. Balancing Account as of June 30, 2009 | | $18,684,614 | |
| Step 3: | | | |
| A. Balancing Account as of June 30, 2009 | | | $0 |
| B. Interest on Balancing Account at Pooled Investment Rate for Fiscal Year | | | $0 |
| C. Wholesale Revenues for Fiscal Year | | | -$127,485,900 |
| D. Wholesale Revenue Requirement for Fiscal Year | | | $140,994,733 |
| E. Settlement Credits or Other Adjustments | | | $21,000 |
| F. 1984 Agreement Balancing Account Credits | | | $1,997,220 |
| G. Balancing Account as of June 30, 2010 | | | $15,527,053 |
| H. Net Change in Wholesale Revenue Coverage | | | $4,488,233 |
| I. Total Revenue Deficiency or Surplus | | | $20,015,286 |
| J. Projected Water Sales in Ccf | 84,621,240 | 83,205,600 | 85,920,000 |
| K. Deficiency or (Surplus) $/Ccf | | | $0.23 |
| L. Deficiency or (Surplus) Ccf as a Percentage of Revenues | | | 15.7% |

Note: Dollar amounts are for illustrative purposes only. The Parties have not agreed on the amount of the balancing account as of June 30, 2007, revenue requirement for FY 2007-08, settlement credits for FY 2007-08, and the amount of the balancing account as of June 30, 2009.

BALANCING ACCOUNT / RATE SETTING CALCULATION
METHOD OF CALCULATION
REFERENCE SECTION 6.03.A.3.a

N = The year for which rates are being set

N-1 = The current year

N-2 = The most recently completed year for which actual results are available

Calculation Method:

Step 1 Determine the actual revenue differential for year N-2
- A. Enter the beginning amount of the Balancing Account
- B. Calculate the interest earned at the Pooled Investment Account Rate for (A)
- C. Enter the actual Wholesale revenues billed
- D. Enter the Wholesale Revenue Requirement
- E. Enter settlement credits or adjustments, if any
- F. Enter carry-over 1984 Agreement credits owed the City, if any
- G. Calculate the ending amount of the Balancing Account

Step 2 Determine the projected revenue differential for year N-1
- A. Enter the beginning amount of the Balancing Account; this is the same amount as G in Step 1
- B. Calculate the interest earned at the Pooled Investment Account Rate for (A)
- C. Enter the actual Wholesale revenues billed
- D. Enter the Wholesale Revenue Requirement
- E. Enter settlement credits or adjustments, if any
- F. Enter carry-over 1984 Agreement credits owed the City, if any
- G. Calculate the ending amount of the Balancing Account

Step 3 Determine the projected revenue differential for year N
- A. Enter the beginning amount of the Balancing Account; this is the same amount as G in Step 2
- B. Calculate the interest earned at the Pooled Investment Account Rate for (A)
- C. Enter the actual Wholesale revenues billed
- D. Enter the Wholesale Revenue Requirement
- E. Enter settlement credits or adjustments, if any
- F. Enter carry-over 1984 Agreement credits owed the City, if any
- G. Calculate the ending amount of the Balancing Account
- H. Enter the net change in the Wholesale Revenue Coverage, if applicable
- I. Calculate the total revenue deficiency or surplus (G) + (H)
- J. Enter the projected water sales to Wholesale Customers in Ccf
- K. Calculate the required increase in the commodity portion of the rate by dividing (I) by (J)
- L. Calculate the required increase in revenues by dividing (I) by (C)

WHOLESALE REVENUE REQUIREMENT SCHEDULES
CALCULATION OF WHOLESALE REVENUE REQUIREMENT
FISCAL YEAR 2009-10
REFERENCE ARTICLE 5

ATTACHMENT N-2
SCHEDULE 1

| EXPENSE CATEGORY | CONTRACT REFERENCE | SCHEDULE REFERENCE | TOTAL | DIRECT RETAIL | DIRECT WHOLESALE | REGIONAL | JOINT EXPENSE ALLOCATION FACTOR | WHOLESALE SHARE |
|---|---|---|---|---|---|---|---|---|
| OPERATING AND MAINTENANCE EXPENSE: | | | | | | | | |
| SOURCE OF SUPPLY | | | | | | | | |
| PUMPING | 5.05 (A) | SCH 8.1 | $ 14,943,953 | $ 1,251,062 | $ - | $ 13,692,891 | ANNUAL USE[1] | $ 9,364,568 |
| TREATMENT | 5.05 (B) | SCH 8.1 | $ 4,342,682 | $ 3,854,000 | $ - | $ 488,682 | ANNUAL USE[1] | $ 334,210 |
| TRANSMISSION & DISTRIBUTION | 5.05 (C) | SCH 8.1 | $ 30,445,053 | $ - | $ - | $ 30,445,053 | ANNUAL USE[1] | $ 20,821,372 |
| CUSTOMER ACCOUNTS[2] | 5.05 (D) | SCH 8.1 | $ 53,416,232 | $ 30,163,286 | $ - | $ 23,252,946 | ANNUAL USE[1] | $ 15,902,690 |
| | 5.05 (E) | SCH 8.1 | $ 7,552,213 | $ 7,401,169 | $ 151,044 | $ - | 2% | $ 151,044 |
| TOTAL O&M | | | $ 110,700,133 | $ 42,669,517 | $ 151,044 | $ 67,879,572 | | 46,573,883 |
| COMPOSITE % (WHOLESALE SHARE / TOTAL O&M) | 5.06 (C) | | | | | | | 42.07% |
| ADMINISTRATIVE AND GENERAL EXPENSES: | | | | | | | | |
| COWCAP | 5.06 (A) | SCH 8.1 | $ 1,238,009 | $ - | $ - | $ 1,238,009 | COMPOSITE O&M | $ 520,857 |
| SERVICES OF SFPUC BUREAUS | 5.06 (B) | SCH 7 | $ 22,465,291 | $ 8,178,424 | $ - | $ 14,286,867 | ANNUAL USE[1] | $ 9,770,788 |
| OTHER A&G | 5.06 (C) | SCH 8.1 | $ 12,972,477 | $ 4,009,891 | $ - | $ 8,962,586 | COMPOSITE O&M | $ 3,770,749 |
| COMPLIANCE AUDIT | 5.06 (D) | SCH 8.1 | $ 200,000 | $ - | $ - | $ 200,000 | 50% | $ 100,000 |
| TOTAL A&G | | | $ 36,875,777 | $ 12,188,315 | $ - | $ 24,687,462 | | $ 14,162,394 |
| PROPERTY TAXES | 5.07 | SCH 8.1 | $ 1,417,293 | $ - | $ - | $ 1,417,293 | ANNUAL USE[1] | $ 969,287 |
| CAPITAL COST RECOVERY | | | | | | | | |
| PRE-2009 ASSETS | 5.03 | ATT K | | | | | | $ 24,051,326 |
| DEBT SERVICE ON NEW ASSETS | 5.04 (A) | SCH 2 | | | | | | $ 17,952,931 |
| REVENUE FUNDED ASSETS - APPROPRIATED TO WHOLESALE CAPITAL FUND | 5.04 (B) | SCH 3 | | | | | | $ 8,381,400 |
| TOTAL CAPITAL COST RECOVERY | | | | | | | | $ 50,385,657 |
| WHOLESALE SHARE HETCH HETCHY WATER & POWER | 5.04 | SCH 4 | | | | | | $ 28,903,512 |
| WHOLESALE REVENUE REQUIREMENT | | | | | | | | $ 140,994,733 |
| WHOLESALE REVENUE COVERAGE[3] | | | | | | | | $ 4,488,233 |

[1]Proportional Annual Use (68.39%)
[2]Water Enterprise Share of Customer Accounts Expenses (62% of Total Customer Accounts Expenses)
[3]25% of Wholesale Share of Debt Service

ILLUSTRATION ONLY DRAFT

WHOLESALE REVENUE REQUIREMENT SCHEDULES
WATER ENTERPRISE CAPITAL COST RECOVERY - ANNUAL DEBT SERVICE
FISCAL YEAR 2009-10
REFERENCE SECTION 5.04.A

ATTACHMENT N-2
SCHEDULE 2

| | 2006 BOND ISSUE SERIES A | 2008 BOND ISSUE ALL SERIES | 2009 BOND ISSUE ALL SERIES | XXXX BOND ISSUE ALL SERIES | XXXX BOND ISSUE ALL SERIES | XXXX BOND ISSUE ALL SERIES | XXXX BOND ISSUE ALL SERIES | TOTAL ALL OUTSTANDING BONDS |
|---|---|---|---|---|---|---|---|---|
| USE OF BOND PROCEEDS | | | | | | | | |
| RETAIL PROJECTS | 31.61% | 22.95% | 19.42% | XX.XX% | XX.XX% | XX.XX% | XX.XX% | |
| REGIONAL PROJECTS | 68.39% | 77.05% | 80.58% | YY.YY% | YY.YY% | YY.YY% | YY.YY% | |
| PRINCIPAL PAYMENT | $ 8,765,000 | - | - | - | | | - | $ 8,765,000 |
| RETAIL PROJECTS | $ 2,770,617 | - | - | | | - | - | $ 2,770,617 |
| REGIONAL PROJECTS | $ 5,994,384 | - | - | | | - | - | $ 5,994,384 |
| INTEREST PAYMENT (GROSS) | $ 23,353,388 | $ 5,561,386 | $ 56,181,932 | | | | | |
| RETAIL PROJECTS | $ 7,382,006 | $ 1,276,338 | $ 10,910,531 | - | | - | - | $ 85,096,706 |
| REGIONAL PROJECTS | $ 15,971,382 | $ 4,285,048 | $ 45,271,401 | - | | - | - | $ 19,568,875 |
| | | | | - | | - | - | $ 65,527,831 |
| INTEREST PAYMENT (CAPITALIZED) | - | - | $ 56,181,932 | | | | | |
| RETAIL PROJECTS | - | - | $ 10,910,531 | | | | | |
| REGIONAL PROJECTS | - | - | $ 45,271,401 | | | | | |
| INTEREST PAYMENT (NET) | $ 23,353,388 | $ 5,561,386 | - | | | | | |
| RETAIL PROJECTS | $ 7,382,006 | $ 1,276,338 | - | | | | | |
| REGIONAL PROJECTS | $ 15,971,382 | $ 4,285,048 | - | | | | | |
| TOTAL PRINCIPAL AND INTEREST PAYMENT | 32,118,388 | 5,561,386 | - | - | - | - | - | $ 37,679,774 |
| RETAIL PROJECTS | 10,152,622 | 1,276,338 | - | - | - | - | - | $ 11,428,961 |
| REGIONAL PROJECTS | 21,965,766 | 4,285,048 | - | - | - | - | - | $ 26,250,813 |
| PROPORTIONAL ANNUAL USE | 68.39% | 68.39% | 68.39% | ZZ.ZZ% | ZZ.ZZ% | ZZ.ZZ% | ZZ.ZZ% | |
| WHOLESALE SHARE | $ 15,022,387 | $ 2,930,544 | - | - | - | - | - | $ 17,952,931 (TO SCHEDULE 1) |

ILLUSTRATION ONLY DRAFT

Note: Allocation of bond proceeds shown are for illustrative purposes only. Regional projects will not include bond proceeds used to construct or acquire assets capitalized prior to 7/1/09. Regional projects also will not include in-city groundwater or in-city recycled water projects.

WHOLESALE REVENUE REQUIREMENT SCHEDULES
WATER ENTERPRISE CAPITAL COST RECOVERY - REVENUE FUNDED CAPITAL PROJECTS
FISCAL YEAR 2009-10
REFERENCE SECTION 5.04.B

ATTACHMENT N-2
SCHEDULE 3

| | | PROJECT APPROPRIATION | CLASSIFICATION | ALLOCATION FACTOR | WHOLESALE SHARE | TOTAL APPROPRIATION ALL YEARS | ALL YEARS ACTUAL EXPENDITURES | FY 2009-10 ACTUAL EXPENDITURES | ENCUMBERED, NOT EXPENDED | APPROPRIATED, UNENCUMBERED BALANCE |
|---|---|---|---|---|---|---|---|---|---|---|
| CUH980 | Treasure Island Improvement Project | 3,800,000 | RETAIL | 0.0% | $ - | $ - | $ | $ - | $ - | $ - |
| CUW253 | Facilities Security | 500,000 | RETAIL | 0.0% | $ - | $ - | $ | $ - | $ - | $ - |
| CUW260 | Local Water R&R | 22,347,520 | RETAIL | 0.0% | $ - | $ - | $ | $ - | $ - | $ - |
| CUW686 | Automated Meter Reading System | 36,001,000 | RETAIL | 0.0% | $ - | $ - | $ | $ - | $ - | $ - |
| | Total Local | 62,648,520 | | | $ - | $ - | $ | $ - | $ - | $ - |
| CUW202 | Replace Prestressed Concrete Cylr Pipe | - | REGIONAL | 68.7% | $ - | $ - | $ - | $ - | $ - | $ - |
| CUW261 | Regional Water R&R - Storage | - | REGIONAL | 68.7% | $ - | $ - | $ - | $ - | $ - | $ - |
| CUW262 | Regional Water R&R -Treatment Facilities | 1,000,000 | REGIONAL | 68.7% | $ 687,000 | $ 687,000 | $ 235,000 | $ 235,000 | $ - | $ 452,000 |
| CUW263 | Regional Water R&R Conveyance/Transmission | 7,000,000 | REGIONAL | 68.7% | $ 4,809,000 | $ 4,809,000 | $ 1,395,000 | $ 1,395,000 | $ 25,000 | $ 3,389,000 |
| CUW264 | Regional Watersheds/ROW Management | 500,000 | REGIONAL | 68.7% | $ 343,500 | $ 343,500 | $ 115,000 | $ 115,000 | $ 50,000 | $ 178,500 |
| FUW100 | Regional Facilities Maintenance | 3,700,000 | REGIONAL | 68.7% | $ 2,541,900 | $ 2,541,900 | $ 850,000 | $ 850,000 | $ 123,000 | $ 1,568,900 |
| | Total Regional | 12,200,000 | | | $ 8,381,400 | $ 8,381,400 | $ 2,595,000 | $ 2,595,000 | $ 198,000 | $ 5,588,400 |
| | TOTAL ALL PROJECTS | 74,848,520 | | | $ 8,381,400 | $ 8,381,400 | $ 2,595,000 | $ 2,595,000 | $ 198,000 | $ 5,588,400 |
| | | | | | | | | (TO SCHEDULE 1) | (TO SCHEDULE 1) | (TO SCHEDULE 1) |

ILLUSTRATION ONLY DRAFT

WHOLESALE REVENUE REQUIREMENT SCHEDULES
CALCULATION OF WHOLESALE SHARE OF HETCH HETCHY WATER & POWER
FISCAL YEAR 2009-10
REFERENCE ARTICLE 5

ATTACHMENT N-2
SCHEDULE 4

| EXPENSE CATEGORY | CONTRACT REFERENCE | SCHEDULE REFERENCE | TOTAL | POWER SPECIFIC | WATER SPECIFIC | JOINT | JOINT ALLOCATION PERCENTAGE | WATER-RELATED TOTAL | WHOLESALE ALLOCATION FACTOR | WHOLESALE SHARE |
|---|---|---|---|---|---|---|---|---|---|---|
| OPERATION AND MAINTENANCE | | | | | | | | | | |
| OPERATION | 5.08 B 1 | SCH 8.2 | $ 44,612,220 | $ 31,853,965 | $ 9,557,861 | $ 3,200,394 | 45% | $ 10,998,038 | ADJUSTED PROPORTIONAL ANNUAL USE | $ 7,484,165 |
| MAINTENANCE | 5.08 B 1 | SCH 8.2 | $ 16,868,612 | $ 5,048,039 | $ 3,238,622 | $ 8,581,951 | 45% | $ 7,100,500 | ADJUSTED PROPORTIONAL ANNUAL USE | $ 4,831,890 |
| TOTAL OPERATION AND MAINTENANCE | | | $ 61,480,832 | $ 36,902,004 | $ 12,796,483 | $ 11,782,345 | | $ 18,098,538 | | $ 12,316,055 |
| ADMINISTRATIVE AND GENERAL | | | | | | | | | | |
| COWCAP | 5.08 B 2 | SCH 8.2 | $ 1,139,579 | $ - | $ - | $ 1,139,579 | 45% | $ 512,811 | ADJUSTED PROPORTIONAL ANNUAL USE | $ - |
| SERVICES OF SFPUC BUREAUS | 5.08 B 2 | SCH 7 | $ 8,255,307 | $ 5,375,656 | $ 2,879,651 | $ - | 45% | $ 2,879,651 | ADJUSTED PROPORTIONAL ANNUAL USE | $ 348,968 |
| OTHER A&G | 5.08 B 2 | SCH 8.2 | $ 25,581,481 | $ 14,913,071 | $ 36,070 | $ 10,632,340 | 45% | $ 4,820,623 | ADJUSTED PROPORTIONAL ANNUAL USE | $ 1,959,603 |
| CUSTOMER ACCOUNTS | 5.08 B 2 | SCH 8.2 | $ 347,403 | $ 347,403 | $ - | $ - | 45% | $ - | ADJUSTED PROPORTIONAL ANNUAL USE | $ 3,280,434 |
| TOTAL ADMINISTRATIVE AND GENERAL | | | $ 35,323,770 | $ 20,636,130 | $ 2,915,721 | $ 11,771,919 | | $ 8,213,085 | | $ 5,589,004 |
| PROPERTY TAXES | 5.08 B 3 | SCH 8.2 | $ 452,000 | $ - | $ - | $ 456,305 | 45% | $ 205,337 | ADJUSTED PROPORTIONAL ANNUAL USE | $ 139,732 |
| CAPITAL COST RECOVERY | | | | | | | | | | |
| PRE-2009 ASSETS | 5.09 B 1 | ATT K-4 | | | | | | | | $ 3,118,033 |
| DEBT SERVICE ON NEW ASSETS | 5.09 B 2 | SCH 5 | | | | | | | | $ - |
| REVENUE FUNDED ASSETS-APPROPRIATIONS TO WHOLESALE CAPITAL FUND | 5.09 B 3 | SCH 6 | | | | | | | | $ 7,740,688 |
| TOTAL CAPITAL COST RECOVERY | | | | | | | | | | $ 10,858,721 |
| WHOLESALE SHARE OF HETCH HETCHY WATER & POWER | | | | | | | | | | $ 28,903,512 (TO SCHEDULE 1) |
| WHOLESALE REVENUE COVERAGE[1] | | | | | | | | | | $ - |

[1]Adjusted Proportional Annual Use (68.39% X 99.50% = 68.05%)
[2]25% of Wholesale Share of Debt Service

ILLUSTRATION ONLY DRAFT

WHOLESALE REVENUE REQUIREMENT SCHEDULES
HETCH HETCHY CAPITAL COST RECOVERY - ANNUAL DEBT SERVICE
FISCAL YEAR 2009-10
REFERENCE SECTION 5.09.B.1

ATTACHMENT N-2
SCHEDULE 5

| | XXXX BOND ISSUE ALL SERIES | XXXX BOND ISSUE ALL SERIES | XXXX BOND ISSUE ALL SERIES | XXXX BOND ISSUE ALL SERIES | XXXX BOND ISSUE ALL SERIES | XXXX BOND ISSUE ALL SERIES | XXXX BOND ISSUE ALL SERIES | TOTAL ALL OUTSTANDIN G BONDS |
|---|---|---|---|---|---|---|---|---|
| USE OF BOND PROCEEDS | | | | | | | | |
| POWER PROJECTS | XX.XX% | XX.XX% | XX.XX% | XX.XX% | XX.XX% | XX.XX% | XX.XX% | |
| WATER PROJECTS | YY.YY% | YY.YY% | YY.YY% | YY.YY% | YY.YY% | YY.YY% | YY.YY% | |
| JOINT PROJECTS | ZZ.ZZ% | ZZ.ZZ% | ZZ.ZZ% | ZZ.ZZ% | ZZ.ZZ% | ZZ.ZZ% | ZZ.ZZ% | |
| PRINCIPAL PAYMENT | | | | | | | | |
| POWER SHARE | - | - | - | - | - | - | - | - |
| WATER SHARE | - | - | - | - | - | - | - | - |
| JOINT SHARE | - | - | - | - | - | - | - | - |
| INTEREST PAYMENT (NET) | | | | | | | | |
| POWER SHARE | - | - | - | - | - | - | - | - |
| WATER SHARE | - | - | - | - | - | - | - | - |
| JOINT SHARE | - | - | - | - | - | - | - | - |
| TOTAL PRINCIPAL AND INTEREST PAYMENT | | | | | | | | |
| POWER SHARE | - | - | - | - | - | - | - | - |
| WATER SHARE | - | - | - | - | - | - | - | - |
| JOINT SHARE | - | - | - | - | - | - | - | - |
| WATER RELATED PRINCIPAL AND INTEREST PAYMENT[1] | | | | | | | | |
| ADJUSTED PROPORTIONAL ANNUAL USE | 68.05% | 68.05% | 68.05% | 68.05% | 68.05% | 68.05% | 68.05% | |
| WHOLESALE SHARE | - | - | - | - | - | - | - | - |

(TO SCHEDULE 4)

[1]Water Related = 100% of Water Share + 45% of Joint Share

ILLUSTRATION ONLY DRAFT

WHOLESALE REVENUE REQUIREMENT SCHEDULES
HETCH HETCHY CAPITAL COST RECOVERY - REVENUE FUNDED CAPITAL PROJECTS
FISCAL YEAR 2009-10
REFERENCE SECTION 5.04.B

ATTACHMENT N 2
SCHEDULE 5

| | | PROJECT APPROPRIATION | CLASSIFICATION | WATER RELATED PERCENTAGE | WATER RELATED SHARE | ALLOCATION FACTOR | WHOLESALE SHARE | TOTAL APPROPRIATION ALL YEARS | ALL YEARS ACTUAL EXPENDITURES | FY 2009-10 ACTUAL EXPENDITURES | ENCUMBERED, NOT EXPENDED | APPROPRIATED, UNENCUMBERED BALANCE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CUH931 | HH Microwave Replacement | $ 4,000,000 | JOINT | 45% | $ 1,800,000 | ADJUSTED PROPORTIONAL ANNUAL USE | $ 1,224,900 | $ 1,224,900 | $ 1,224,900 | $ 1,224,900 | $ - | $ |
| CUH977 | HH Water R&R - Facilities Maintenance | $ 3,500,000 | JOINT | 45% | $ 1,575,000 | ADJUSTED PROPORTIONAL ANNUAL USE | $ 1,071,788 | $ 1,071,788 | $ 1,071,788 | $ 1,071,788 | $ - | $ |
| | Total Joint | $ 7,500,000 | | | $ 3,375,000 | | $ 2,296,688 | $ 2,296,688 | $ 2,296,688 | $ 2,296,688 | $ - | $ |
| CUH947 | SEA - Go Solar Incentive Project | $ 4,000,000 | POWER | 0% | $ - | ADJUSTED PROPORTIONAL ANNUAL USE | $ - | | | | | |
| CUH971 | Alternative Transmission Studies | $ 1,000,000 | POWER | 0% | $ - | ADJUSTED PROPORTIONAL ANNUAL USE | $ - | | | | | |
| CUH976 | HH Water R&R - Power Infrastructure | $ 16,700,000 | POWER | 0% | $ - | ADJUSTED PROPORTIONAL ANNUAL USE | $ - | | | | | |
| CUH979 | Hunters Point Municipal Power | $ - | POWER | 0% | $ - | ADJUSTED PROPORTIONAL ANNUAL USE | $ - | | | | | |
| CUH983 | Civic Center Sustainability District | $ 1,090,000 | POWER | 0% | $ - | ADJUSTED PROPORTIONAL ANNUAL USE | $ - | | | | | |
| CUH986 | General Fund Dept - Energy Efficiency | $ 7,365,158 | POWER | 0% | $ - | ADJUSTED PROPORTIONAL ANNUAL USE | $ - | | | | | |
| | Renewable/Generation | $ 3,501,307 | POWER | 0% | $ - | ADJUSTED PROPORTIONAL ANNUAL USE | $ - | | | | | |
| | Treasure Island Improvement Project | $ 2,700,000 | POWER | 0% | $ - | ADJUSTED PROPORTIONAL ANNUAL USE | $ - | | | | | |
| | Enterprise Fund Dept - Energy Efficiency | $ 325,722 | POWER | 0% | $ - | ADJUSTED PROPORTIONAL ANNUAL USE | $ - | | | | | |
| | Total Power | $ 36,682,187 | | | $ - | | $ - | | | | | |
| CUH975 | HH Water R&R - Water Infrastructure | $ 6,000,000 | WATER | 100% | $ 6,000,000 | ADJUSTED PROPORTIONAL ANNUAL USE | $ 4,083,000 | $ 4,083,000 | $ 4,083,000 | $ 4,083,000 | $ - | $ |
| | Toulumne River Watershed Protection | $ 2,000,000 | WATER | 100% | $ 2,000,000 | ADJUSTED PROPORTIONAL ANNUAL USE | $ 1,361,000 | $ 1,361,000 | $ 1,361,000 | $ 1,361,000 | $ - | $ |
| | Total Water | $ 8,000,000 | | | $ 8,000,000 | | $ 5,444,000 | $ 5,444,000 | $ 5,444,000 | $ 5,444,000 | $ - | $ |
| | TOTAL ALL WATER RELATED PROJECTS | $ 96,364,374 | | | $ 11,375,000 | | $ 7,740,688 | $ 7,740,688 | $ 7,740,688 | $ 7,740,688 (TO SCHEDULE 4) | $ - (TO SCHEDULE 4) | $ - (TO SCHEDULE 4) |

ILLUSTRATION ONLY DRAFT

WHOLESALE REVENUE REQUIREMENT SCHEDULES
SERVICES OF SFPUC BUREAUS - ALLOCATION TO ENTERPRISES
FISCAL YEAR 2009-10
REFERENCE SECTION 5.05.B

ATTACHMENT N-2
SCHEDULE 7

| | | EXPENDITURES | ADJUSTMENTS | ADJUSTED EXPENDITURES | HETCH HETCHY POWER | HETCH HETCHY WATER | WATER RETAIL | WATER REGIONAL | WASTEWATER | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| ALLOCATION FACTORS (SCHEDULE N-7.1) | | | | | 11.13% | 5.96% | 16.94% | 29.59% | 36.37% | |
| PUC01 | General Manager | $ 7,609,114 | $ - | $ 7,609,114 | $ 847,180 | $ 453,820 | $ 1,288,884 | $ 2,251,548 | $ 2,767,682 | $ 7,609,114 |
| PUC1101 | BizServ-Administration | $ 4,081,981 | $ - | $ 4,081,981 | $ 454,478 | $ 243,456 | $ 691,434 | $ 1,207,864 | $ 1,484,749 | $ 4,081,981 |
| PUC1102 | Finance | $ 8,817,687 | $ - | $ 8,817,687 | $ 981,739 | $ 525,902 | $ 1,493,600 | $ 2,609,166 | $ 3,207,280 | $ 8,817,687 |
| PUC1103 | ITS[1] | $ 18,048,158 | $ (1,835,357) | $ 16,212,801 | $ 1,805,093 | $ 966,959 | $ 2,746,235 | $ 4,797,391 | $ 5,897,123 | $ 16,212,801 |
| PUC1106 | Human Resources | $ 7,678,483 | $ - | $ 7,678,483 | $ 854,903 | $ 457,958 | $ 1,300,634 | $ 2,272,074 | $ 2,792,914 | $ 7,678,483 |
| PUC1108 | Customer Services | $ 12,262,428 | $ (12,262,428) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| PUC12 | External Affairs | $ 3,882,455 | $ - | $ 3,882,455 | $ 432,263 | $ 231,556 | $ 657,637 | $ 1,148,824 | $ 1,412,175 | $ 3,882,455 |
| | TOTAL | $ 34,752,000 | $ (12,731,000) | $ 48,282,521 | $ 5,375,656 (TO SCHEDULE 4) | $ 2,879,651 (TO SCHEDULE 4) | $ 8,178,424 (TO SCHEDULE 1) | $ 14,286,867 (TO SCHEDULE 1) | $ 17,561,923 | $ 48,282,521 |

[1]Adjustment for Transfer of SCADA Expenditures to T&D Joint ($1,730,000)

ILLUSTRATION ONLY DRAFT

WHOLESALE REVENUE REQUIREMENT SCHEDULES
SERVICES OF SFPUC BUREAUS - ANNUAL SALARIES
FISCAL YEAR 2009-10
REFERENCE SECTION 5.05.B

ATTACHMENT N-2
SCHEDULE 7.1

| DEPARTMENT/DIVISION | ALLOCATION FACTOR | GROUP CODE | SALARIES | PERCENTAGE |
|---|---|---|---|---|
| HETCH HETCHY | | | | |
| POWER | | 1 | $ 6,677,939 | 6.27% |
| WATER | | 2 | $ 1,775,910 | 1.67% |
| JOINT | | | $ 9,428,450 | |
| WATER SHARE | 45% | 2 | $ 4,242,803 | 3.98% |
| POWER SHARE | 55% | 1 | $ 5,185,648 | 4.87% |
| WATER | | | | |
| ADMINISTRATION (WTR01) | | | $ 1,009,246 | |
| RETAIL SHARE | 33.4% | 3 | $ 336,415 | 0.32% |
| REGIONAL SHARE | 33.3% | 4 | $ 336,415 | 0.32% |
| HETCH HETCHY WATER SHARE | 33.3% | 2 | $ 336,416 | 0.32% |
| CDD (WTR03) | | 3 | $ 17,356,922 | 16.29% |
| WATER QUALITY (WTR04) | | 4 | $ 7,282,589 | 6.83% |
| WATER SUPPLY & TREATMENT (WTR05) | | 4 | $ 18,164,689 | 17.05% |
| NATURAL RESOURCES (WTR06) | | 4 | $ 4,682,073 | 4.39% |
| WATER RESOURCE PLANNING | | | $ 1,419,760 | |
| WATER CONSERVATION | | 3 | $ 355,703 | 0.33% |
| RETAIL WATER RESOURCE PLANNING | | 3 | $ - | |
| REGIONAL SHARE (NET SALARIES) | | 4 | $ 1,064,057 | 1.00% |
| WASTEWATER | | 5 | $ 38,757,578 | 36.37% |
| SALARIES BY GROUP CODE | | | | |
| HETCH HETCHY - POWER | | 1 | $ 11,863,587 | 11.13% (TO SCHEDULE 7) |
| HETCH HETCHY - WATER | | 2 | $ 6,355,129 | 5.96% (TO SCHEDULE 7) |
| WATER - RETAIL | | 3 | $ 18,049,040 | 16.94% (TO SCHEDULE 7) |
| WATER- REGIONAL | | 4 | $ 31,529,823 | 29.59% (TO SCHEDULE 7) |
| WASTEWATER | | 5 | $ 38,757,578 | 36.37% (TO SCHEDULE 7) |
| TOTAL SALARIES | | | $ 106,555,156 | 100.00% |

ILLUSTRATION ONLY DRAFT

WHOLESALE REVENUE REQUIREMENT SCHEDULES
CALCULATION OF THE WHOLESALE REVENUE REQUIREMENT
FISCAL YEAR 2009-10
WATER ENTERPRISE SUMMARY OF OPERATING EXPENSES

ATTACHMENT N-2
SCHEDULE 8.1

| | Retail | Wholesale | Regional | Total |
|---|---|---|---|---|
| Operating Expenses | | | | |
| Transmission & Distributions | $ 30,163,286 | $ - | $ 23,252,946 | $ 53,416,232 |
| Adjustments to Transmission & Distribution | $ - | $ - | $ - | $ - |
| Adjusted Transmission & Distribution | $ 30,163,286 | $ - | $ 23,252,946 | $ 53,416,232 |
| Source of Supply | $ 1,251,062 | $ - | $ 13,692,891 | $ 14,943,953 |
| Adjustments to Source of Supply | $ - | $ - | $ - | $ - |
| Adjusted Source of Supply | $ 1,251,062 | $ | $ 13,692,891 | $ 14,943,953 |
| Pumping | $ 3,854,000 | $ - | $ 488,682 | $ 4,342,682 |
| Adjustments to Pumping | $ - | $ - | $ - | $ - |
| Adjusted Pumping | $ 3,854,000 | $ - | $ 488,682 | $ 4,342,682 |
| Treatment | $ | $ | $ 30,445,053 | $ 30,445,053 |
| Adjustments to Treatment | $ - | $ - | $ - | $ - |
| Adjusted Treatment | $ | $ - | $ 30,445,053 | $ 30,445,053 |
| Customer Accounts | $ 7,401,169 | $ 151,044 | $ - | $ 7,552,213 |
| Adjustments to Customer Accounts | $ - | $ - | $ - | $ - |
| Adjusted Customer Accounts | $ 7,401,169 | $ 151,044 | $ - | $ 7,552,213 |
| **Total Adjusted Operating Expense** | $ 42,669,517 | $ 151,044 | $ 67,879,572 | $ 110,700,133 |
| **General & Administrative Expense** | | | | |
| COWCAP | $ - | $ - | $ 1,238,009 | $ 1,238,009 |
| Services of SFPUC Bureaus | $ 8,178,424 | $ - | $ 14,286,867 | $ 22,465,291 |
| Other General & Administrative | $ 4,009,891 | $ - | $ 8,962,586 | $ 12,972,477 |
| Adjustments to General & Administrative | $ - | $ - | $ - | $ - |
| Adjusted General & Administrative | $ 4,009,891 | $ - | $ 8,962,586 | $ 12,972,477 |
| Compliance Audit | $ 100,000 | $ 100,000 | $ - | $ 200,000 |
| **Total General & Administrative** | $ 12,288,315 | $ 100,000 | $ 24,487,462 | $ 36,875,777 |
| **Property Taxes** | $ - | $ - | $ 1,417,293 | $ 1,417,293 |
| **Total** | $ 54,957,832 | $ 251,044 | $ 93,784,327 | $ 148,993,203 |

Source: FAMIS/EIS
Note: All adjustments to be separately identified above

ILLUSTRATION ONLY DRAFT

WHOLESALE REVENUE REQUIREMENT SCHEDULES
CALCULATION OF THE WHOLESALE REVENUE REQUIREMENT
FISCAL YEAR 2009-10
HETCHY HETCHY WATER & POWER SUMMARY OF OPERATING EXPENSES

ATTACHMENT N-2
SCHEDULE 8.2

| | Power | Water | Joint | Total |
|---|---|---|---|---|
| **Operating Expenses** | | | | |
| Purchased Power & Wheeling | $ 28,953,676 | | | $ 28,953,676 |
| Adjustments to Purchased Power & Wheeling | $ - | | | $ - |
| Adjusted Purchased Power & Wheeling | $ 28,953,676 | | | $ 28,953,676 |
| Operations | | | | |
| Hydraulic Generation | $ 2,900,291 | $ - | $ 3,200,394 | $ 6,100,685 |
| Transmission & Distribution | $ - | $ - | $ | $ |
| Water Quality Expense | $ - | $ 9,557,862 | $ | $ 9,557,862 |
| Adjustments to Operations | $ - | $ - | $ | $ - |
| Adjusted Operations | $ 2,900,291 | $ 9,557,862 | $ 3,200,394 | $ 15,658,547 |
| Maintenance | | | | |
| Hydraulic Generation | $ 1,840,096 | $ 3,238,622 | $ 8,581,952 | $ 13,660,670 |
| Transmission & Distribution | $ 3,359,385 | $ | $ - | $ 3,359,385 |
| Water Quality Expense | $ | $ | $ - | $ - |
| Adjustments to Maintenance | $ (151,442) | $ - | $ - | $ (151,442) |
| Adjusted Maintenance | $ 5,048,039 | $ 3,238,622 | $ 8,581,952 | $ 16,868,613 |
| **Total Adjusted Operating Expense** | $ 36,902,006 | $ 12,796,484 | $ 11,782,346 | $ 61,480,836 |
| **General & Administrative Expense** | | | | |
| COWCAP | $ - | $ - | $ 1,139,579 | $ 1,139,579 |
| Services of SFPUC Bureaus | $ 5,375,656 | $ 2,879,651 | $ - | $ 8,255,307 |
| Customer Accounts | $ 347,403 | $ - | $ - | $ 347,403 |
| Adjustments to Customer Accounts | $ - | $ - | $ - | $ - |
| Adjusted Customer Accounts | $ 347,403 | $ - | $ - | $ 347,403 |
| Other General & Administrative | $ 14,913,071 | $ 36,070 | $ 10,632,340 | $ 25,581,481 |
| Adjustments to General & Administrative | $ - | $ - | $ - | $ - |
| Adjusted General & Administrative | $ 14,913,071 | $ 36,070 | $ 10,632,340 | $ 25,581,481 |
| **Total General & Administrative** | $ 20,636,130 | $ 2,915,721 | $ 11,771,919 | $ 35,323,770 |
| **Property Taxes** | $ - | $ - | $ 452,000 | $ 452,000 |
| **Total** | $ 57,538,136 | $ 15,712,205 | $ 24,006,265 | $ 97,256,606 |

Source: FAMIS/EIS
Note: All adjustments to be separately identified above

ILLUSTRATION ONLY DRAFT

SCHEDULE OF PROJECTED WATER SALES, WHOLESALE REVENUE REQUIREMENTS, AND WHOLESALE RATES
CONTRACT REFERENCE: ARTICLE 6.03.A.3

ATTACHMENT N-3

| | FISCAL YEAR | | | | |
|---|---|---|---|---|---|
| | N | N+1 | N+2 | N+3 | N+4 |
| OPERATION AND MAINTENANCE EXPENSES | | | | | |
| SOURCE OF SUPPLY | $ 9,364,568 | $ - | $ - | $ - | $ - |
| PUMPING | $ 334,210 | $ - | $ - | $ - | $ - |
| TREATMENT | $ 20,821,372 | $ - | $ - | $ - | $ - |
| TRANSMISSION & DISTRIBUTION | $ 15,902,690 | $ - | $ - | $ - | $ - |
| CUSTOMER ACCOUNTS | $ 151,044 | $ - | $ - | $ - | $ - |
| TOTAL OPERATION AND MAINTENANCE EXPENSES | $ 46,573,884 | $ - | $ - | $ - | $ - |
| ADMINISTRATIVE AND GENERAL EXPENSES | | | | | |
| COWCAP | $ 520,857 | $ - | $ - | $ - | $ - |
| SF PUBLIC UTILITIES COMMISSION | $ 9,770,788 | $ - | $ - | $ - | $ - |
| OTHER A&G | $ 3,770,749 | $ - | $ - | $ - | $ - |
| COMPLIANCE AUDIT | $ 100,000 | $ - | $ - | $ - | $ - |
| TOTAL ADMINISTRATIVE AND GENERAL EXPENSES | $ 14,162,394 | $ - | $ - | $ - | $ - |
| PROPERTY TAXES | $ 969,287 | $ - | $ - | $ - | $ - |
| CAPITAL COST RECOVERY | | | | | |
| PRE 2009 ASSETS | $ 24,051,926 | $ - | $ - | $ - | $ - |
| DEBT SERVICE ON NEW ASSETS | $ 17,952,931 | $ - | $ - | $ - | $ - |
| REVENUE FUNDED CAPITAL | $ 8,381,400 | $ - | $ - | $ - | $ - |
| TOTAL CAPITAL COST RECOVERY | $ 50,385,657 | $ - | $ - | $ - | $ - |
| WHOLESALE SHARE HHW&P | $ 28,903,512 | $ - | $ - | $ - | $ - |
| WHOLESALE REVENUE REQUIREMENT | $ 140,994,734 | $ - | $ - | $ - | $ - |
| BALANCING ACCOUNT AS OF JUNE 30 | $ - | $ - | $ - | $ - | $ - |
| INTEREST ON BALANCING ACCOUNT | $ - | $ - | $ - | $ - | $ - |
| WHOLESALE REVENUES AT EXSITING RATE | $ (127,485,900) | $ - | $ - | $ - | $ - |
| WHOLESALE EXCESS USE CHARGES | $ - | $ - | $ - | $ - | $ - |
| SETTLEMENT CREDITS AND OTHER ADJUSTMENTS | $ 21,000 | $ - | $ - | $ - | $ - |
| 1984 AGREEMENT BALANCING ACCOUNT CREDITS | $ 1,997,220 | $ - | $ - | $ - | $ - |
| WHOLESALE DEBIT SERVICE COVERAGE RESERVE | $ 4,488,233 | $ - | $ - | $ - | $ - |
| WHOLESALE DEFICIENCY OR CREDIT | $ 20,015,287 | $ - | $ - | $ - | $ - |
| PERCENT WHOLESALE DEFICIENCY OR CREDIT OF REVENUES AND EXCESS USE CHARGES | 15.7% | | | | |
| PROJECTED WATER SALES (CCF) | 85,920,000 | 0 | 0 | 0 | 0 |
| WHOLESALE DEFICIENCY OR CREDIT ($/CCF) | 0.23 | 0 | 0 | 0 | 0 |
| PROJECTED WHOLESALE RATE (UNIT COST ($/CCF) | 1.66 | 0 | 0 | 0 | 0 |
| PROJECTED SERVICE CHARGE REVENUES | $ 4,620,300 | | | | |
| PROJECTED VOLUME CHARGE REVENUES | $ 142,627,200 | | | | |
| TOTAL WHOLESALE REVENUES | $ 147,247,500 | | | | |

ILLUSTRATION ONLY DRAFT

ATTACHMENT O
STATEMENT OF WHOLESALE REVENUE REQUIREMENT/ CHANGES IN BALANCING ACCOUNT
YEAR ENDED JUNE 30
(Section 7.02.B)

| | FY 2008-09 Allocation to Wholesale Customers | FY 2009-10 Allocation to Wholesale Customers | Difference |
|---|---|---|---|
| Wholesale Revenue Requirement Calculation: | | | |
| Operating and maintenance (O&M) expense: | | | |
| San Francisco Water Enterprise: | | | |
| Source of supply | $ 9,133,025 | $ 9,364,568 | $ 231,543 |
| Pumping | $ 325,946 | $ 334,210 | $ 8,264 |
| Purification | $ 20,437,460 | $ 20,821,372 | $ 383,912 |
| Transmission and distribution | $ 9,350,279 | $ 15,902,690 | $ 6,552,411 |
| Customer Accounts | $ 224,255 | $ 151,044 | $ (73,211) |
| Total SFWE operating and maintenance | $ 39,470,965 | $ 46,573,884 | $ 7,102,919 |
| Hetch Hetchy Water and Power (HHWP): | | | |
| Operating expenses | $ 10,359,786 | $ 7,484,165 | $ (2,875,621) |
| Maintenance expenses | $ 4,526,240 | $ 4,831,890 | $ 305,650 |
| Total HHWP operating and maintenance | $ 14,886,026 | $ 12,316,055 | $ (2,569,971) |
| Administrative and general (A&G) expenses: | | | |
| COWCAP | | | |
| SFWE | $ 512,438 | $ 520,857 | $ 8,419 |
| HHWP | $ 162,364 | $ 348,968 | $ 186,604 |
| SF Public Utilities Commission: | | | |
| SFWE | $ 7,461,835 | $ 9,770,788 | $ 2,308,953 |
| HHWP | $ 2,357,622 | $ 1,959,603 | $ (398,019) |
| Other A&G – SFWE | $ 8,234,799 | $ 3,770,749 | $ (4,464,050) |
| Other A&G – HHWP | $ - | $ 3,280,434 | $ 3,280,434 |
| Compliance audit | $ 95,338 | $ 100,000 | $ 4,662 |
| Total administrative and general expenses | $ 18,824,396 | $ 19,751,399 | $ 927,003 |
| Property taxes (outside city only): | | | |
| SFWE | $ 964,040 | $ 969,287 | $ 5,247 |
| HHWP | $ 120,923 | $ 139,732 | $ 18,809 |
| Total property taxes | $ 1,084,963 | $ 1,109,019 | $ 24,056 |
| Capital Cost Recovery | | | |
| Pre-2009 Assets | | | |
| SFWE | | $ 24,051,326 | |
| HHWP | | $ 3,118,033 | |
| Debt Service on New Assets | | | |
| SFWE | | $ 17,952,931 | |
| HHWP | | $ - | |
| Revenue Funded Assets | | | |
| SFWE | | $ 8,381,400 | |
| HHWP | | $ 7,740,688 | |
| Total Capital Cost Recovery | $ 46,378,941 | $ 61,244,378 | $14,865,437 |
| Total Wholesale Revenue Requirement | $ 120,645,291 | $ 140,994,735 | $20,349,444 |
| Balancing Account July 1 | $ 21,176,614 | $ - | |
| Interest on adjusted beginning balance | $ 529,415 | $ - | |
| Wholesale revenues billed | $ (123,604,000) | $ (147,247,500) | |
| Excess use charges billed | $ - | $ - | |
| Wholesale Revenue Coverage Reserve | $ - | $ 4,488,233 | |
| Other adjustments | $ - | $ - | |
| Settlement adjustments | $ 21,006 | $ 21,006 | |
| 1984 Agreement Balancing Account Credits | $ - | $ 1,997,220 | |
| Balancing Account June 30 | $ 18,768,326 | $ 253,694 | |

ILLUSTRATION ONLY DRAFT

## Attachment P

## REPRESENTATION LETTER

Certification Pursuant to Water Sales Agreement (the Agreement) between the City and County of San Francisco (San Francisco) and certain wholesale customers in the counties of San Mateo, Santa Clara, and Alameda (the Wholesale Customers) effective July 1, 2009.

Each of the undersigned certifies that:

1. I have reviewed San Francisco Water Department and Hetch Hetchy Water & Power Department Report on the Calculation of the Wholesale Revenue Requirement and Statement of Changes in the Balancing Account (the Statement) for the year ended June 30, 200X;

Based on my knowledge, this report and Statement do not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;

Based on my knowledge, the Statement and other financial information included in the report, fairly presents in all material respects the proper costs incurred and allocated to the Wholesale Customers in accordance with the provisions of the Agreement.

The below certifying officers and I are responsible for establishing and maintaining internal control over financial reporting and have:

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting for purposes of the preparation of the Statement.

Evaluated the effectiveness of the allocation procedures to ensure compliance with the terms of the Agreement.

The Statement fully complies with the contractual requirements of the Agreement and fairly presents, in all material respects, the allocation of costs to the Wholesale Customers in accordance with the Agreement.

_____

General Manager, SFPUC Date

_____

Assistant General Manager & Chief Financial Officer, SFPUC Date

_____

Finance Director, SFPUC Date

_____

Accounting Manager, SFPUC Date

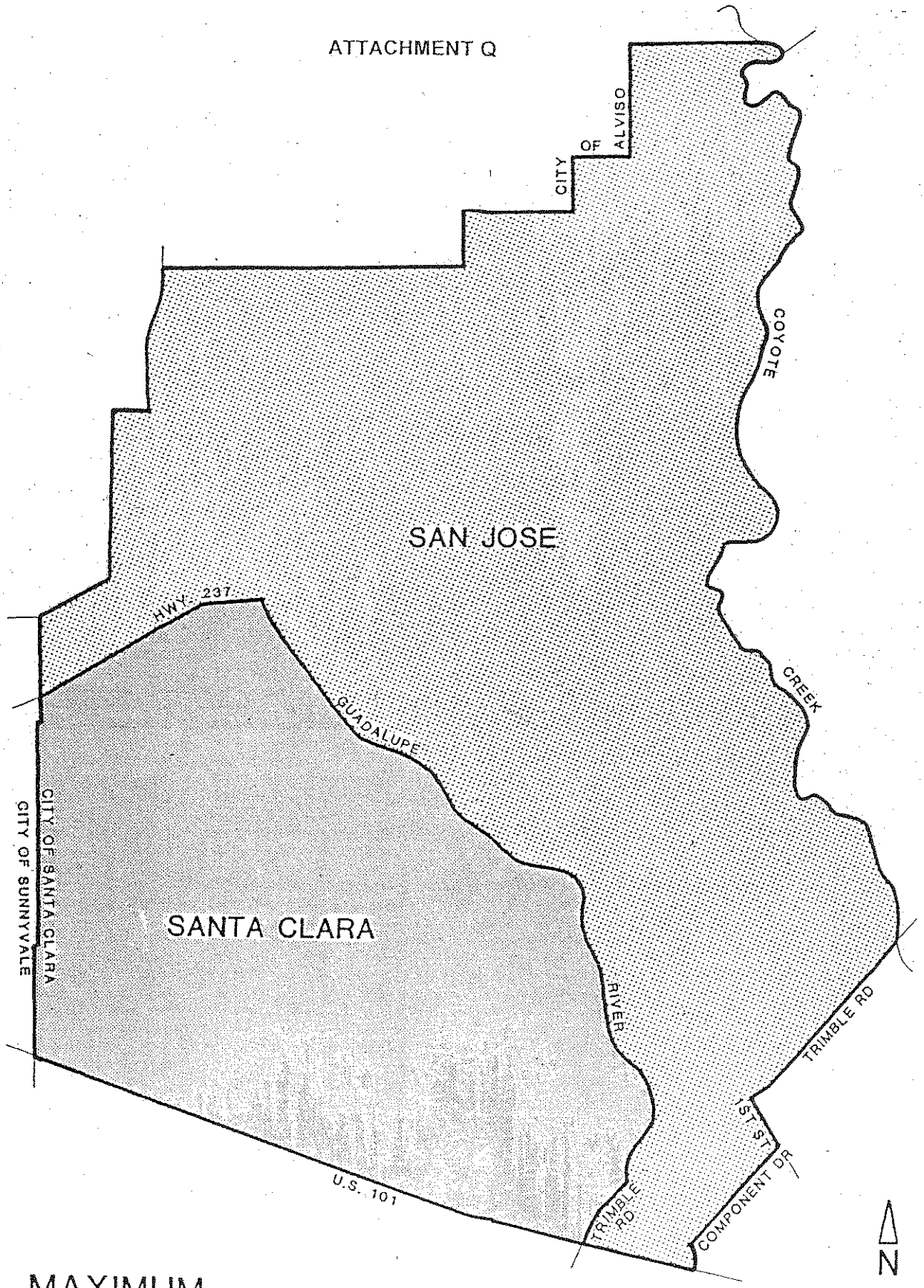
_____

Financial Planning Manager, SFPUC Date

_____

Senior Rates Administrator, SFPUC Date

ATTACHMENT Q




MAXIMUM
SERVICE AREAS

# APPENDIX C

South Bay Water Recycling Contract

# AGREEMENT
# FOR
# OPERATION AND MAINTENANCE
# OF
# RECYCLED WATER DISTRIBUTION FACILITIES
# BETWEEN CITY OF SAN JOSE
# AND
# CITY OF SANTA CLARA

This agreement ("Agreement ") is made and entered into on this 19th day of August, 1997 ("Effective Date"), between the City of San Jose, as Administering Agency of the Publicly Owned Treatment Works (POTW) now called the San Jose/Santa Clara Water Pollution Control Plant (WPCP) hereinafter referred to as the "Wholesaler" and the City of Santa Clara, a chartered municipal corporation of the State of California, hereinafter referred to as "City". Wholesaler and City may be referred to herein individually as a "Party" or collectively as the "Parties" or "Parties to this Agreement."

## RECITALS

WHEREAS:

A. Wholesaler and City are Parties to an agreement entitled a Sewage Treatment Plant Agreement dated May 6. 1959, Master Agreements for Wastewater Treatment dated on or about March 1, 1983, First Amendments to Master Agreement for Wastewater Treatment"), dated on or about December 17, 1985, and a Second Amendment to Master Agreement for Wastewater Treatment dated on or about November 21, 1995 (collectively "Prior Agreement"), defining rights and responsibilities concerning a Publicly Owned Treatment Works (POTW) now called the San Jose/Santa Clara Water Pollution Control Plant (WPCP); and

B. Wholesaler has certain authority as the Administering Agency under the Prior Agreement and as such is entitled to all powers common both to the City of San Jose and the City of Santa Clara; and

C. On October 20, 1993 , the San Francisco Bay Regional Water Quality Control Board re-issued and revised the WPCP regulatory permit to authorize development of a 21 million gallon per day (mg) nonpotable recycling project ("Project"); and

D. The entities that discharge wastewater through the WPCP, including Wholesaler and City are supporting the development and construction of the Project, and have previously agreed to share in the capital and operation and maintenance costs of the Project;and

E. Wholesaler and City are parties to an agreement entitled "South Bay Water Recycling Program Wholesaler - Retailer Agreement for Supply of Recycled Water between the City of San Jose and the City of Santa Clara " dated June 13, 1995 ("Retailer Agreement"); and

F. Wholesaler and City are parties to an agreement entitled "Agreement for Engineering, Construction and Construction Services by and between the City of Santa Clara and the City of San Jose for Implementation of Portions of the South Bay Water Recycling Program," dated May 24, 1995 ("Construction Agreement"); and

G. Wholesaler and City are parties to an agreement entitled "Agreement for Sale of Recycled Water Distribution System between the City of San Jose and City of Santa Clara", dated February 6, 1996 ("Sale Agreement"); and

H. Wholesaler and City desire for City to perform the necessary operation and maintenance services on the facilities of the recycled water distribution system which are located within City's boundaries.

## AGREEMENT PROVISIONS

For and in consideration of the mutual promises and covenants herein contained, the Parties hereto agree as follows:

## ARTICLE A. INTRODUCTORY PROVISIONS

1. **Term** - The initial term of this Agreement shall commence on approval of the O & M Manual by City, as set forth in Article B, Section 1 below, and shall continue through June 30, 1998.

2. **Renewal** - This Agreement shall be automatically renewed annually, upon submission and approval by the Parties of City's annual O & M Workplan, as set forth in Article D, Section 2 below. This Agreement shall automatically terminate at the end of the last Fiscal Year (June 30th) for which a City O & M Workplan is approved, if City's O & M Workplan for the following Fiscal Year has not been approved by both Parties.

3. **Termination** - This Agreement may be terminated for convenience by either Party upon six months written advance notice to the other Party. This Agreement may be terminated at any other time as mutually agreed to by the Parties. This Agreement may be terminated by either Party in the event of default by the other Party, pursuant to Article F, Section 9 below.

## ARTICLE B. SCOPE OF SERVICES TO BE PROVIDED BY CITY

1. **Performance Standards** - City shall operate and maintain all recycled water pipelines and fixed equipment, including valves, pumps, reservoirs, sampling points, Wholesaler-owned meters, and related appurtenances, located within City and originating from the WPCP and terminating at the downstream side of curb stop or water valve at customer retail meter ("Distribution Facilities") in a professional manner and in compliance with applicable permits, laws, regulations, and the O & M Manual, so as to continue the availability of recycled water to the City's customers, within the system protocols, including possible flow reductions. "O&M Manual" shall mean the Operations and Maintenance Manual, which will include guidelines for operating and maintaining the Distribution Facilities, and is to be prepared and updated from time to time by Wholesaler and reviewed and approved by City prior to performance of services by City.

2. **Staffing** - City shall be responsible for providing emergency on-call services 7 days per week, 24 hours per day with personnel trained in the routine and/or repetitive repair and replacement activities necessary to maintain the Distribution Facilities in good operating condition, including all activities required or recommended by any equipment manufacturer; all activities required to ensure compliance with regulatory requirements, except as specifically assigned to Wholesaler under this Agreement; and all activities approved by Wholesaler and City to maximize the useful life of the Distribution Facilities.

3. **Service Area** - Boundaries of area for O & M services to be provided under this Agreement are set forth in EXHIBIT A which is attached hereto and incorporated by reference herein.

4. **Response Procedure** - City shall respond effectively to field problems and complaints in a manner consistent with the City's established response procedures for City's potable water service.

5. **Basic Services** - City shall provide the following as "Basic Services":

   a. Operation and Maintenance of Distribution Facilities, in accordance with the Performance Standards set forth in Article B, Section 1 above, including but not limited to provision of all chemicals. contract services and replacement parts; and other consumables used directly for operation and maintenance activities and disposal of all waste matter, including construction spoils, waste chemicals and lubricants, contaminated water, etc. generated as a result of operation and maintenance activities.

   b. Security and inspection of Distribution Facilities.

   c. Ongoing data entry for a computerized maintenance management system, on hardware and software provided by the Wholesaler.

   d. Locating mains and services, including underground service alert locating and marking.

   e. Coordinate work with Wholesaler and other operation and maintenance service providers.

f. Maintain operation and maintenance records, including time and cost accounts.

g. Maintain inventory of capital equipment involving Wholesaler funds.

h. Maintain as-built drawings of Distribution Facilities and periodically provide updated drawings to Wholesaler.

i. Monitoring and enforcement activities relating to customer use of recycled water, during the hours of the standard workshift for City's potable water system, including: any routine inspections required under Title 22 of the California Administrative Code; reconnaissance and policing to prevent overspray and cross connections and to protect aesthetics; and review and inspection of customer facility plan and specifications.

6. **Emergency Services** - City shall provide such non-routine and/or non-repetitive activities required for operational continuity, safety and performance generally due to a failure, or to avert a failure of, the Distribution Facilities, caused by an event which occurs beyond the control of City. ("Emergency Repair and Replacement Services");provided, however, that City shall not be required to incur costs to perform Emergency Repair and Replacement Services beyond the amount contained in City's approved O & M Workplan. City shall give immediate verbal notice to Wholesaler of any emergency situation that occurs between 8:00 a.m. - 4:30 p.m. weekdays, and shall call the Wholesaler's Emergency Operator, after hours, weekends, and holidays, with follow-up written confirmation by personal delivery or fax on the same day verbal notice is given, or on the next business day if verbal notice is not given during business hours. City shall only perform Emergency Repair and Replacement Activities prior to notifying Wholesaler, when necessary to protect health, safety or property or for the continued delivery of recycled water to the Retailer's customer(s). City shall provide Wholesaler with a written report detailing any Emergency Repair and Replacement Services by the end of the next business day following commencement of such Emergency Repair and Replacement Services.

7. **Supplemental Services** - City shall provide, the following as "Supplemental Services", upon request by Wholesaler and agreement by

the Parties as to the compensation to be paid for such Supplemental Service through inclusion in the O & M Workplan :

a. Recycled water sampling and analysis.

b. Supervision and inspection of work done by Wholesaler's contractor.

c. Written cost estimates for capital improvements.

d. Operation and maintenance of ground water monitoring well(s) that are part of the SBWRP.

e. Periodic test and inspection of on-site facilities.

f. Cathodic protection testing and maintenance.

g. Customer retrofit plans and new plan review and approval, and inspections.

8. **Coordination of Services** - City shall at all times maintain communication with Wholesaler and other O & M service providers. City shall notify Wholesaler at least 48 hours in advance of any planned operations and miantenance activity which will sustantially reduce the delivery of recycled water.

## ARTICLE C. WHOLESALER RESPONSIBILITIES

1. **Operational and Administrative Responsibilities** - Wholesaler shall be responsible for operation and maintenance of all Project facilities except Distribution Facilities, including coordination of operations and maintenance distribution facilities located outside City by other service providers, in a professional manner and in compliance with applicable permits, laws, regulations, and the O & M Manual, so as to continue the availability of recycled water to the City's customers, within the system protocols, including possible flow reductions.; coordination with Treatment Plant Advisory Committee and San Jose City Council; except as specifically delegated to City herein, regulatory compliance, including compliance with Water Reclamation Blanket Permit; emergency

operations management; and dispatch functions, when necessitated by abnormal operating conditions of the Distribution Facilities.

2. **External Payments** -. Wholesaler shall be responsible for the supply of power to Distribution Facilities and shall directly pay all gas and electric bills incurred in operation of Distribution Facilities. Wholesaler shall also be responsible for payment of all costs and fees imposed by state or county regulatory agencies related to testing, sampling, plan review, inspection, monitoring and permit compliance, and for direct payment to any subcontractors that are contracted directly by the Wholesaler.

3. **Notice of Service Reduction** - Wholesaler shall notify City at least forty eight (48) hours in advance of any Wholesaler planned operations and maintenance activity which will substantially reduce delivery of recycled water.

## ARTICLE D. COMPENSATION

1. For the purpose of determining compensation under this Article D, the following definitions shall apply:

   (a) "Administrative Overhead" shall mean costs incurred by City to provide administrative support for work performed pursuant to this Agreement. Administrative Overhead may include office supplies and equipment such as computers and printers, and photocopying services.

   (b) "Direct Labor" shall mean wages paid by City to a City employee for work performed pursuant to this Agreement, based on hours worked, exclusive of retirement and other benefits.

   (c) "Direct Labor Overhead" shall mean compensation paid by City to a City employee, for work performed pursuant to this Agreement, other than wages, including but not limited to paid holidays, vacation and sick leave pay, retirement, life insurance, and medical insurance.

(d) "Direct Supplies" shall mean all chemicals and other consumables used directly for O & M activities.

2. **Annual Workplan** - On or before March 1 of each year during the term of this Agreement, City shall submit a written annual workplan ("O & M Workplan") to Wholesaler for approval. The O & M Workplan shall describe the resources that City plans to utilize during the succeeding fiscal year for the performance of work required under this Agreement, including any Supplemental Services that City anticipates providing. The O & M Workplan shall include City's budgetary estimate for Basic Services to be performed by City pursuant to this Agreement in the succeeding fiscal year. In addition, the O & M Workplan shall include a budgetary contingency for Emergency Repair and Replacement Services to be performed by City pursuant to this Agreement in the succeeding fiscal year, and a budgetary estimate for any Supplemental Services which City proposes to perform in the succeeding fiscal year. City's budgetary estimates shall be prepared using a format and level of detail to be agreed upon by the parties which will allow the budgetary estimates to be incorporated into the annual WPCP operating budget. The O & M Workplan, shall be considered and approved by Wholesaler as part of the annual WPCP operating budget process. Any modifications made during the budget process by Wholesaler to the budgetary estimates provided in the O & M Workplan shall be subject to approval by both parties.

3. **Mid-Year Plan Adjustments**- In the event that City or Wholesaler should determine that mid-year amendment of City's O & M Workplan is necessary to add Supplemental Services not included in City's approved O & M Workplan, or to increase the funding for Emergency Repair and Replacement Services, either City or Wholesaler may propose a mid-year Workplan adjustment, which shall be considered as part of the mid-year WPCP operating budget adjustment process.

4. **Compensation for Basic and Supplemental Services** - Compensation for Basic Services and Supplemental Services payments shall be based on City's O & M Workplan, as approved by Wholesaler, for such services.

5. **Compensation for Emergency Repair and Replacement Services** - Wholesaler shall pay City for Emergency Repair and Replacement Services, based on the actual cost incurred by City to perform Emergency Repair and Replacement Services, including City's Direct Labor Cost, Direct Labor Overhead, Direct Supplies, and Administrative Overhead, up to total amount set forth in City's approved Workplan for such Emergency Repair and Replacement Services.

6. **Payment** - Payment for Basic Services, Supplemental Services, and Emergency Repair and Replacement Services for the current fiscal year (July 1 through June 30) shall be made in two equal installments, September 1 and January 1. The City shall present invoices at least thirty (30) days prior to the date payment is due. The invoices shall indicate separately the compensation for Basic Services and Supplemental Services. Wholesaler shall make payment to City in the amount of the invoice by the due date or within forty five (45) days of receipt of the invoice, whichever is later . The format of the invoice shall be as mutually agreed upon by both Parties

7. **Payment Adjustment** - At the time that the January 1 invoice is submitted, as indicated in Article D.3. above, City shall provide Wholesaler with a statement regarding the amount actually expended by City for provision of Basic Services, Supplemental Services and Emergency Repair and Replacement Services in accordance with this Agreement during the preceding fiscal year. The statement shall itemize the amounts expended by City for Direct Labor, Direct Labor Overhead, Direct Supplies and Administrative Overhead in the preceding fiscal year. Administrative Overhead shall not exceed sixteen percent (16%) of Direct Labor. In the event that the total of City's expenditures for Direct Labor, Direct Labor Overhead, Direct Supplies and Administrative Overhead are less than the sum of all payments made by Wholesaler to City pursuant to this Agreement during the preceding fiscal year, Wholesaler shall be entitled to a credit on the next payment to be made to City under this Agreement, in the amount of the excess of total payments over costs.

8. **Audits and Access** - Wholesaler shall have the right to conduct an audit and evaluation of the City's operations and maintenance performance, including operations, activities, and records. City agrees to fully cooperate with any such audit. Wholesaler may employ consultants at the Wholesaler's expense to assist City in the audit. City shall give Wholesaler access to the Distribution Facilities and its records at all reasonable times with reasonable notice.

## ARTICLE F. GENERAL PROVISIONS

1. **Ownership** - Wholesaler shall be the sole owner of the Distribution Facilities and Wholesaler shall be responsible for any damage or destruction caused by or to the Distribution Facilities, except for damage or destruction caused by City's failure to operate and maintain the Distribution Facilities as required under this Agreement. Customer meters may be owned by City or customer and Wholesaler shall have no responsibility for any damage or destruction caused by or to meters. On-site facilities shall be owned by the recycled water customer.

2. **Use of Streets, Easements and Rights of Way**- Wholesaler shall have a perpetual non-exclusive easement in City streets, easements and rights of way for operation and maintenance of the Distribution Facilities within City limits, without payment of any fee or charge to City, except as set forth in this Agreement. City shall have the perpetual non-exclusive right to use any easements and rights of way acquired by Wholesaler for operation of the Distribution Facilities, to the extent permitted under the terms of the acquisition, for such uses as do not conflict with operation and maintenance of the Distribution Facilities. This provision shall survive the termination of this Agreement.

3. **Relocation of Facilities** - Except for Distribution Facilities located within easements or rights of way owned by Wholesaler, if City determines that modification of City owned or operated improvements which are located in City streets, easements or rights of way prior to the installation of the Distribution Facilites, necessitate the relocation of the Distribution Facilities, Wholesaler shall relocate the Distribution Facilities to a suitable

location at Wholesaler's cost and expense. In the event that Wholesaler modification of Distribution Facilities in Wholesaler owned easements or rights of way necessitate the relocation of the City facilities located in such easements or rights of way, City shall relocate such facilities to a suitable location at City's cost and expense. Each Party shall notify the other Party as soon as the need for a relocation of facilities is identified, Relocation shall occur within eighteen (18) months of receiving written

4. **Licenses and Permits** - Licenses or permits, including encroachment permits, necessary for operation and maintenance of the Distribution Facilities within the O & M Area, may be held in the name of either or both Parties, with the understanding that each Party shall be entitled to exercise any right provided to either of the Parties under the permit or license to the extent necessary to perform its obligations under this Agreement. Any work within the City of Milpitas requires an encroachment permit and construction permit from City. Wholesaler shall be responsible for payment of all costs or fees associated with any such licenses or permits.

5. **Indemnification** - Wholesaler shall hold City, its City Council, officers, agents and employees, free and harmless from any and all costs, liability, damages or health-related claims arising out of any act or omission to act, including any negligent act, by Wholesaler, its officers, agents or employees arising out of the Wholesaler's performance of its obligations under this Agreement. City shall hold Wholesaler, its officers, agents and employees, free and harmless from any and all cost liability, damages or health-related claims arising out of any act or omission to act, including any negligent act, by City, its officers, agents or employees arising out of the City's performance of its obligations under this Agreement. Nothing contained herein shall be construed, however, as a waiver of any immunities or defenses that either party may have under applicable provisions of the California Tort Claims Act (Government code Section 810 et seq.)

6. **Insurance** - Each of the Parties is self insured. Each Party agrees to provide the other with a certificate of self insurance, confirming that its self

insurance program provides coverage equivalent to the insurance requirements set forth in Exhibit B, which is attached hereto and incorporated by reference herein.

7. **Means of Communication** - Wholesaler and City shall conduct communications through the most appropriate means. Wholesaler and City shall maintain means of communication among the following: telephone, facsimile machine, electronic mail, computer network, two-way radio, cellular telephone, and pagers.

8. **Notices** - All notices or other writings in this Agreement provided to be given or made or sent, or which may be given or made or sent, by either Party to the other, shall be deemed to have been given or made or sent when made in writing and deposited in the United States mail, registered, or certified, postage prepaid, and addressed as follows:

Wholesaler:

Director, Environmental Services Department
SJ/SC Water Pollution Control Plant
700 Los Esteros Road
San Jose, California 95134
telephone number: (408)945-5300
fax number: (408)9945-5442

City:

Director Water and Sewer Utilities
City of Santa Clara
1500 Warburton Ave.
Santa Clara CA. 95050
telephone number: (408)984-3183
fax number: (408)247-0784

The address to which any notice or other writing may be given or made or sent to either Party may be changed upon written notice given by such Party as above provided.

9. **Reasonable Cooperation** - If any third party claim is made against either or both Parties relating in any way to the receipt, distribution or use of

recycled water hereunder, each Party agrees to provide reasonable cooperation to the other Party under the circumstances in the defense of such claims in any proceeding, including without limitation, arbitration, judicial proceedings or administrative proceedings.

10. **Default** - In addition to all other rights and remedies that either Party may have in the event of a default under this Agreement, the non defaulting Party may provide a written notice of default to the defaulting Party, specifying the nature of the default and demanding that the default be corrected as soon as reasonably practicable. If the default cannot reasonably be corrected within thirty (30) days of the date of the notice, the defaulting party shall be responsible for commencing the correction and providing the non-defaulting party with a schedule for completing the correction within thirty (30) days of the date of the notice . If a material default is not corrected within thirty (30) days of the date of a notice of default, or a schedule for correction is not provided within said thirty (30) day period and correction is not completed within such additional reasonable time as may be set forth in the schedule provided by the defaulting Party, the nondefaulting Party may, at its sole option, in addition to any and all other remedies it may have in law or equity, terminate this Agreement immediately by providing written notice of termination to the defaulting Party; provided, however, City shall be compensated for all services provided and all costs incurred hereunder as of such termination date.

11. **Force Majeure** - The Parties shall be excused from strict performance hereunder, to the extent that performance is impeded or prevented by occurrence of force majeure, which shall be deemed to include, without limitation, act of God, acts of local, federal or state government in either its sovereign or contractual capacity, fire, flood, earthquake, epidemic, war, labor disputes, and any other similar cause beyond the control of the responsible Party .

12. **Dispute Resolution** - Any controversies between Parties regarding the construction or application of this Agreement, and claims arising out of this Agreement or its breach, shall be submitted to mediation within 30

days of the written request of one Party after the service of that request on the other Party. The Parties may agree on one mediator. If they cannot agree on one mediator, the Party demanding mediation shall request that the Superior Court of Santa Clara County appoint a mediator. The mediation meeting shall not exceed one day (eight hours). The Parties may agree to extend the time allowed for mediation under this Agreement. The costs of mediation shall be borne by the Parties equally. Mediation under this section is a condition precedent to filing an action in any court.

13. **Waiver of Rights** - Any waiver at any time by either Party of its rights with respect to a default or any other matter arising in connection with this Agreement shall not be deemed to be a waiver with respect to any other default or matter. None of the covenants or agreements contained in this Agreement can be waived except by the written consent of the waiving Party.

14. **Severability** - If any one or more of the covenants or terms and conditions set forth in this Agreement on the part of either Wholesaler or City, or both of them, to be performed should be contrary to any provision of law or contrary to the policy of law to such extent as to be unenforceable in any court of competent jurisdiction, then such covenant(s), and/or terms and conditions, shall be deemed to be null and void and shall be deemed separable from the remaining covenant(s) and/or terms and conditions and shall in no way affect the validity of this Agreement.

15. **Paragraph Headings** - Paragraph headings in this Agreement are for convenience only and are not to be construed as a part of this Agreement or in any way limiting or amplifying the provisions hereof.

16. **Successors and Assigns** - Subject to the provisions of the succeeding Section 16 hereof, this Agreement and all the covenants, terms and conditions herein contained shall inure to the benefit of and be binding upon the successors and assigns of the Parties.

17. **Assignment** - No assignment or transfer by either Party of this Agreement or any part hereof, or of any rights or obligations hereunder or interest herein, shall be valid unless approved by the other Party, which approval each Party agrees shall not be unreasonably withheld. The foregoing provisions of this Section 16 to the contrary notwithstanding, no consent shall be required on an assignment to a public agency with the power of eminent domain; provided, such public agency expressly assumes the obligations of this Agreement and provided, further, that if said public agency assumes only a portion of the obligations of this Agreement, City shall remain obligated for the remainder of such obligation. The City shall provide written notification to the Wholesaler of such assignment.

18. **Governing Law and Venue-** This Agreement shall be governed, construed and enforced in accordance with the laws of the State of California. In the event that suit shall be brought by either Party to this Agreement, the Parties agree that venue shall be exclusively in the state courts of the County of Santa Clara, or where otherwise appropriate; exclusively in the United States District court, Northern District, San Jose, California.

19. **Integrated Agreement** - There are no understandings or agreements between the parties as to matters covered by this Agreement except as herein expressly stated.

The Parties acknowledge and accept the terms and conditions of this Agreement as evidenced by the following signatures of their duly authorized representatives. It is the intent of the Parties that this Agreement shall become operative on the Effective Date.

**CITY OF SAN JOSE, CALIFORNIA**

APPROVED AS TO FORM:

MOLLIE J. DENT
Senior Deputy City Attorney

CITY OF SAN JOSE, a municipal corporation

By _____
REGINA V.K. WILLIAMS
City Manager

**CITY OF SANTA CLARA, CALIFORNIA**

APPROVED AS TO FORM:

ROLAND D. PFEIFER
Assistant City Attorney

ATTEST:

JUDY BOCCIGNONE
City Clerk

CITY OF SANTA CLARA, a municipal corporation

By _____
JENNIFER SPARACINO
City Manager

1500 Warburton Avenue
Santa Clara, CA. 95050

37977_4.DOC

WHOLESALER - CITY AGREEMENT
FOR
OPERATION AND MAINTENANCE
OF
RECYCLED WATER DISTRIBUTION FACILITIES

BETWEEN CITY OF SAN JOSE
AND
CITY OF SANTA CLARA

EXHIBIT A

DISTRIBUTION FACILITIES BOUNDARIES FOR CITY'S O&M AREA

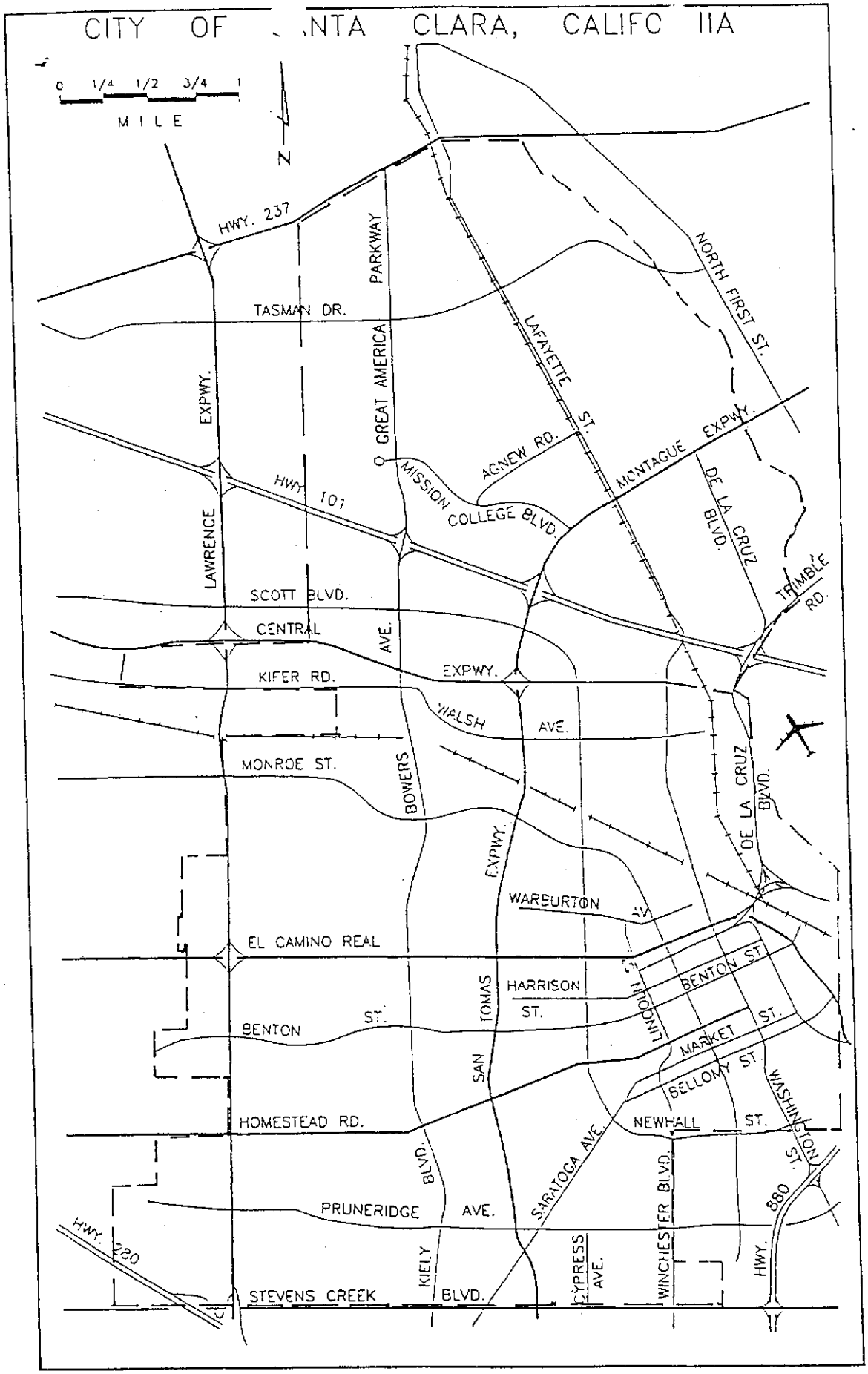

CITY OF SANTA CLARA, CALIFORNIA
0 1/4 1/2 3/4 1
MILE
N
HWY. 237
TASMAN DR.
PARKWAY
GREAT AMERICA
LAFAYETTE ST.
NORTH FIRST ST.
EXPWY.
AGNEW RD.
MONTAGUE EXPWY.
HWY. 101
MISSION COLLEGE BLVD.
DE LA CRUZ BLVD.
LAWRENCE
SCOTT BLVD.
TRIMBLE RD.
CENTRAL
AVE.
KIFER RD.
EXPWY.
WALSH AVE.
MONROE ST.
BOWERS
DE LA CRUZ BLVD.
EXPWY.
WARBURTON AV.
EL CAMINO REAL
BENTON ST.
HARRISON ST.
TOMAS
LINCOLN
BENTON ST.
MARKET ST.
SAN
BELLOMY ST.
WASHINGTON ST.
HOMESTEAD RD.
NEWHALL ST.
BLVD.
SARATOGA AVE.
WINCHESTER BLVD.
880
PRUNERIDGE AVE.
HWY.
HWY. 280
KIELY BLVD.
CYPRESS AVE.
STEVENS CREEK BLVD.

**EXHIBIT A**

**A-2**

## APPENDIX D

The proposed Development Plan water demand and impacts were calculated using the following data:

1) 528,900 square feet of institutional space at 0.14 gpd/square foot = 74,046.0 gpd = 27,026,790.0 gpy = 82.9 acre ft/yr [a]
2) 151 multifamily residential units at 121 gpd/square foot = 18,271 gpd = 6,668,915 gpy = 20.5 acre ft/yr
5) Average Historical Use: 2005-2010 = 43.0 acre ft/yr
6) Increase Water Demand for Development Plan = Total Projected Demand (103.4 acre ft/yr) - Historical Use (43.0 acre ft/yr) = 60.4 acre ft/yr

[a] Institutional space demand is calculated using a factor for office space.

| Project | Address | Number | Units | Use | Water Demand Rate unit/day | Water Demand gallons/year | Water Demand (acre feet/year) | Existing Demand (acre feet/year) | Demand Delta (acre feet/year) | Recycled water available | Anticipated year built | Calendar year soonest | Calendar year latest |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3000 Bowers Avenue* | 3000 Bowers Avenue | 300,000 | sq. ft. | Office | 54,000.00 gal/day | 19,710,000.00 | 60.5 | 0.7 | 143.99 | No | 1-3 years | 2013 | 2015 |
| | | 92,925 | sq. ft. | Irrigation | 75,176.30 gal/day | 27,439,358.60 | 84.2 | | | | | | |
| 2200 Lawson Lane* | 2200 Lawson Lane | 300,000 | sq. ft. | Office | 54,000.00 gal/day | 19,710,000.00 | 60.5 | 5.8 | 141.09 | No | 1-3 years | 2014 | 2016 |
| | | 95,300 | sq. ft. | Irrigation | 77,097.70 gal/day | 28,140,660.50 | 86.4 | | | | | | |
| 4301, 4401, 4551 Great America Pkwy | 4301, 4401, 4551 Great America Pkwy | 718,000 | sq. ft. | Office | 129,240.0 gal/day | 47,172,600.00 | 144.8 | 1.9 | 350.6 | Yes | 1-5 years | 2014 | 2016 |
| | | 229,239 | sq. ft. | Irrigation | 185,454.40 gal/day | 67,690,838.10 | 207.7 | | | | | | |
| 3700 El Camino Real | 3700 El Camino Real | 475 | Dwelling units | Residential | 142,500.0 gal/day | 52,012,500.00 | 159.6 | 1.2 | 286.3 | No | 2 years | 2016 | 2019 |
| | | 86,388 | sq. ft. | Retail | 6,565.5 gal/day | 2,396,403.10 | 7.4 | | | | | | |
| | | 133,000 | sq. ft. | Irrigation | 107,597.0 gal/day | 39,272,905.00 | 120.5 | | | | | | |
| 3333 Scott Blvd. | 3333 Scott Blvd. | 1,358,647 | sq. ft. | Office | 190,211 gal/day | 69,427,015 | 213.1 | 9.5 | 240.1 | Yes | 1-3 years | 2015 | 2017 |
| | | 284,000 | sq. ft. | Irrigation | 24,140 gal/day | 8,811,100 | 27 | | | | | | |

| Project | Address | Number | Units | Use | Water Demand Rate unit/day | Water Demand gallons/year | Water Demand (acre feet/year) | Existing Demand (acre feet/year) | Demand Delta (acre feet/year) | Recycled water available | Anticipated year built | Calendar year soonest | Calendar year latest |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3515 Monroe St. | 3515 Monroe St. | 825 | Dwelling units | Residential | 141,075.0 gal/day | 51,492,375.00 | 158 | 6.1 | 179.6 | No | 1-2 years | 2015 | 2017 |
| | | 14,929 | sq. ft. | Amenity Space | 1134.6 gal/day | 414,130.50 | 1.3 | | | | | | |
| | | 15,200 | sq. ft. | Retail | 1,155.20 gal/day | 421,648.00 | 1.3 | | | | | | |
| | | 20,000 | sq. ft. | Market | 4,800.00 gal/day | 1,752,000.00 | 5.4 | | | | | | |
| | | 5,000 | sq. ft. | Restaurant | 5,200.00 gal/day | 1,898,000.00 | 5.8 | | | | | | |
| | | 161,483 | sq. ft. | Irrigation | 12,434.20 gal/day | 4,538,479.70 | 13.9 | | | | | | |
| Santa Clara Square | 2465-2727 Augustine 3333 Bowers | 138,000 | sq. ft. | Retail | 10,488.00 gal/day | 3,828,120.00 | 11.7 | 46.8 | 314.1 | Yes | 1-2 years | 2014 | 2015 |
| | | 1,862,100 | sq. ft. | Office | 260,694.00 gal/day | 95,153,310.00 | 292 | | | | | | |
| | | 503,900 | sq. ft. | Irrigation (Recycled) | 38,800.30 gal/day | 14,162,109.50 | 43.5 | | | | | | |
| | | 158,000 | sq. ft. | Irrigation (Potable) | 12,166.00 gal/day | 4,440,590.00 | 13.6 | | | | | | |
| City Place Parcel 5 (Phase 1) | TBD | 258,000 | sq. ft. | Office | 36,120 gal/day | 13,183,800.00 | 40.5 | 311.3 | (78.3) | Yes | 3 years | 2019 | 2019 |
| | | 87,000 | sq. ft. | Retail | 6,612 gal/day | 2,413,380.00 | 7.4 | | | | | | |
| | | 280,000 | sq. ft. | Hotel | 134,400 gal/day | 49,056,000.00 | 150.5 | | | | | | |
| | | 87,100 | sq. ft. | Irrigation | 87,100 gal/day | 2,447,945.50 | 7.5 | | | | | | |
| | | 200 | Dwelling units | Residential | 24,200 gal/day | 8,833,000.00 | 27.1 | | | | | | |

City Place – Scheme A (only one scheme will be developed)

| Project | Address | Number | Units | Use | Water Demand Rate unit/day | Water Demand gallons/year | Water Demand (acre feet/year) | Existing Demand (acre feet/year) | Demand Delta (acre feet/year) | Recycled water available | Anticipated year built | Calendar year soonest | Calendar year latest |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| City Place Parcel 4 (Phases 2-4) | TBD | 1,386,400 | sq. ft. | Office | 194,096.0 gal/day | 70,845,040.0 | 217.4 | 0* | 775.6 | Yes | 3-6 years | 2020 | 2023 |
| | | 1,415,000 | sq. ft. | Retail | 107,540.0 gal/day | 39,252,100.0 | 120.5 | | | | | | |
| | | 298,000 | sq. ft. | Hotel | 143,040.0 gal/day | 52,209,600.0 | 160.2 | | | | | | |
| | | 1,393,900 | sq. ft. | Irrigation | 107,330.3 gal/day | 51,231,400.0 | 120.2 | | | | | | |
| | | 1,160 | Dwelling units | Residential | 140,360.0 gal/day | 51,231,400.0 | 157.2 | | | | | | |
| City Place Parcel 3 (Phase 5) | TBD | 720,000 | sq. ft. | Office | 100,800.0 gal/day | 36,792,000.0 | 112.9 | 0* | 192.9 | Yes | 3 years | 2025 | 2025 |
| | | 927,800 | sq. ft. | Irrigation | 71,440.6 gal/day | 26,075,819.0 | 80.0 | | | | | | |
| City Place Parcel 1 (Phase 6) | TBD | 1,200,000 | sq. ft. | Office | 168,000.0 gal/day | 61,320,000.0 | 11.7 | 0* | 259.9 | Yes | 3 years | 2027 | 2027 |
| | | 832,000 | sq. ft. | Irrigation | 64,064.0 gal/day | 23,383,360.0 | 71.8 | | | | | | |
| City Place Parcel 2 (Phase 7) | TBD | 1,080,000 | sq. ft. | Office | 151,200.0 gal/day | 55,188,000.0 | 169.4 | 0* | 224.6 | Yes | 3 years | 2029 | 2029 |
| | | 640,350 | sq. ft. | Irrigation | 49,306.95 gal/day | 17,997,036.75 | 55.2 | | | | | | |
| City Place Parcel 2 (Phase 8) | TBD | 1,080,000 | sq. ft. | Office | 151,200.0 gal/day | 55,188,000.0 | 169.4 | 0* | 224.6 | Yes | 3 years | 2031 | 2031 |
| | | 640,350 | sq. ft. | Irrigation | 49,306.95 gal/day | 17,997,036.75 | 55.2 | | | | | | |

* Existing demand accounted for in Phase 1 of City Place project

City Place – Scheme B (only one scheme will be developed)

| Project | Address | Number | Units | Use | Water Demand Rate unit/day | Water Demand gallons/year | Water Demand (acre feet/year) | Existing Demand (acre feet/year) | Demand Delta (acre feet/year) | Recycled water available | Anticipated year built | Calendar year soonest | Calendar year latest |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| City Place Parcel 5 (Phase 1) | TBD | 258,000 | sq. ft. | Office | 36,120 gal/day | 13,183,800.00 | 40.5 | 311.3 | (78.3) | Yes | 3 years | 2019 | 2019 |
| | | 87,000 | sq. ft. | Retail | 6,612 gal/day | 2,413,380.00 | 7.4 | | | | | | |
| | | 280,000 | sq. ft. | Hotel | 134,400 gal/day | 49,056,000.00 | 150.5 | | | | | | |
| | | 87,100 | sq. ft. | Irrigation | 87,100 gal/day | 2,447,945.50 | 7.5 | | | | | | |
| | | 200 | Dwelling units | Residential | 24,200 gal/day | 8,833,000.00 | 27.1 | | | | | | |
| City Place Parcel 4 (Phases 2-4) | TBD | 2,546,400 | sq. ft. | Office | 356,496.0 gal/day | 130,121,040.0 | 399.3 | 0* | 800.2 | Yes | 3-6 years | 2020 | 2023 |
| | | 1,415,000 | sq. ft. | Retail | 107,540.0 gal/day | 39,252,100.0 | 120.5 | | | | | | |
| | | 298,000 | sq. ft. | Hotel | 143,040.0 gal/day | 52,209,600.0 | 160.2 | | | | | | |
| | | 1,393,900 | sq. ft. | Irrigation | 107,330.3 gal/day | 51,231,400.0 | 120.2 | | | | | | |
| City Place Parcel 3 (Phase 5) | TBD | 720,000 | sq. ft. | Office | 100,800.0 gal/day | 36,792,000.0 | 112.9 | 0* | 192.9 | Yes | 3 years | 2025 | 2025 |
| | | 927,800 | sq. ft. | Irrigation | 71,440.6 gal/day | 26,075,819.0 | 80.0 | | | | | | |
| City Place Parcel 1 (Phase 6) | TBD | 1,200,000 | sq. ft. | Office | 168,000.0 gal/day | 61,320,000.0 | 11.7 | 0* | 259.9 | Yes | 3 years | 2027 | 2027 |
| | | 832,000 | sq. ft. | Irrigation | 64,064.0 gal/day | 23,383,360.0 | 71.8 | | | | | | |
| City Place Parcel 2 (Phase 7) | TBD | 980,000 | sq. ft. | Office | 137,200.0 gal/day | 50,078,000.0 | 153.7 | 0* | 217.4 | Yes | 3 years | 2029 | 2029 |
| | | 100,000 | sq. ft. | Retail | 7,600.0 gal/day | 2,774,000.0 | 8.5 | | | | | | |
| | | 640,350 | sq. ft. | Irrigation | 49,306.95 gal/day | 17,997,036.75 | 55.2 | | | | | | |

| Project | Address | Number | Units | Use | Water Demand Rate unit/day | Water Demand gallons/year | Water Demand (acre feet/year) | Existing Demand (acre feet/year) | Demand Delta (acre feet/year) | Recycled water available | Anticipated year built | Calendar year soonest | Calendar year latest |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| City Place Parcel 2 (Phase 8) | TBD | 980,000 | sq. ft. | Office | 137,200.0 gal/day | 50,078,000.0 | 153.7 | 0* | 217.4 | Yes | 3 years | 2031 | 2031 |
| | | 100,000 | sq. ft. | Retail | 7,600.0 gal/day | 2,774,000.0 | 8.5 | | | | | | |
| | | 640,350 | sq. ft. | Irrigation | 49,306.95 gal/day | 17,997,036.75 | 55.2 | | | | | | |
| Santa Clara Square Apartments | TBD | 4,500 | sq. ft. | Office | 630.0 gal/day | 229,950.0 | 0.7 | 119.5 | 169.6 | Yes | 3 years | 2018 | 2018 |
| | | 40,000 | sq. ft. | Retail | 3,040.0 gal/day | 1,109,600.0 | 3.4 | | | | | | |
| | | 38,000 | sq. ft. | Amenity | 4,180.0 gal/day | 1,525,700.0 | 4.7 | | | | | | |
| | | 422,000 | sq. ft. | Irrigation | 32,494.0 gal/day | 11,860,310.0 | 36.4 | | | | | | |
| | | 1,800 | Dwelling units | Residential | 217,800.0 gal/day | 79,497,000.0 | 244.0 | | | | | | |
| Mission Town Center | TBD | 4,000 | sq. ft. | Office | 560.0 gal/day | 204,400.0 | 0.6 | 1.7 | 58.4 | No | 2-3 years | 2018 | 2018 |
| | | 27,000 | sq. ft. | Retail | 2,052.0 gal/day | 748,980.0 | 2.3 | | | | | | |
| | | 6,000 | sq. ft. | Amenity | 660.0 gal/day | 240,900.0 | 0.7 | | | | | | |
| | | 50,000 | sq. ft. | Irrigation | 3,850.0 gal/day | 1,405,250.0 | 4.3 | | | | | | |
| | | 385 | Dwelling units | Residential | 46,585.0 gal/day | 17,003,525.0 | 52.2 | | | | | | |
| Lawrence Station Area Plan (Phase I) | TBD | 53,040 | sq. ft. | Retail | 4,031.0 gal/day | 1,471,329.6 | 4.5 | 45.4 | 234.3 | No | 5 years | 2020 | 2020 |
| | | 12,904 | sq. ft. | Amenity | 1,419.4 gal/day | 518,096.4 | 1.6 | | | | | | |
| | | 366,351 | sq. ft. | Irrigation | 28,209.0 gal/day | 10,296,290.6 | 31.6 | | | | | | |
| | | 1,785 | Dwelling Units | Residential | 215,985 gal/day | 78,834,525.0 | 241.9 | | | | | | |

| Project | Address | Number | Units | Use | Water Demand Rate unit/day | Water Demand gallons/year | Water Demand (acre feet/year) | Existing Demand (acre feet/year) | Demand Delta (acre feet/year) | Recycled water available | Anticipated year built | Calendar year soonest | Calendar year latest |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Lawrence Station Area Plan (Phase II) | TBD | 33,280 | sq. ft. | Retail | 2,529.3 gal/day | 923,187.2 | 2.8 | 28.5 | 147.0 | No | 5 years | 2030 | 2030 |
| | | 8,097 | sq. ft. | Amenity | 890.6 gal/day | 325,080.1 | 1.0 | | | | | | |
| | | 229,867 | sq. ft. | Irrigation | 17,699.8 gal/day | 6,460,417.7 | 19.8 | | | | | | |
| | | 1,120 | Dwelling Units | Residential | 135,520 gal/day | 49,464,800 | 151.8 | | | | | | |
| Lawrence Station Area Plan (Phase III) | TBD | 17,680 | sq. ft. | Retail | 1,343.7 gal/day | 490,443.2 | 1.5 | 15.1 | 78.1 | No | 5 years | 2035 | 2035 |
| | | 4,301 | sq. ft. | Amenity | 473.2 gal/day | 172,698.8 | 0.5 | | | | | | |
| | | 122,117 | sq. ft. | Irrigation | 9,403.0 gal/day | 3,432,096.9 | 10.5 | | | | | | |
| | | 595 | Dwelling Units | Residential | 71,995 gal/day | 26,278,175.0 | 80.6 | | | | | | |
| Santa Clara University Development Plan | 500 El Camino Real | 528,900 | sq. ft | Institutional | 74,046 gal/day | 27,026,790 | 82.9 | 43.0 | 60.4 | No | 1-3 years | 2016 | 2019 |
| | | 151 | Dwelling Units | Residential | 18,271 gal/day | 6,668,915 | 20.5 | | | | | | |

* Existing demand accounted for in Phase 1 of City Place project

** Water demand for the table has been updated for office space per average daily flow of 0.140 gpd/sf versus the estimated peak water demand at 95% (0.482 mgd)