



- Board of Directors
Water Planning and Stewardship Committee

6/14/2011 Board Meeting

8-5

Subject

Authorize payment of \$2.63 million for participation in the State Water Contractors, Inc. and payment of \$815,000 to the State Water Project Contractors Authority for fiscal year 2011/12

Description

Authority is requested to renew participation with the State Water Contractors, Inc. (SWC) and with the State Water Project Contractors Authority (SWPCA). Participation in these organizations is important in advancing Metropolitan's interest in the management of the State Water Project (SWP), particularly activities in the Bay-Delta. The SWC provides a unified voice among the contractors to influence Department of Water Resources (DWR) decision making on management of the SWP. The SWPCA provides a means, through service agreements, for DWR to utilize the talents and capabilities of participating SWP contractors. Participation payments for both organizations are within Metropolitan's FY 2011/12 budget. Metropolitan budgeted \$3.80 million to participate in both organizations. The requested authorization amount is \$3.45 million, \$0.35 million below budget.

The Organizations

[Attachment 1](#) is a schematic showing the financial support mechanisms of the SWC and SWPCA, which are discussed further below.

State Water Contractors

The SWC is a non-profit association of 27 public agencies from northern, central and southern California with contracts to purchase water from the SWP. The SWC's role and activities are intended to influence DWR's policy decision making process. Metropolitan benefits from the SWC organization by influencing the members and DWR's activities, as well as their interactions with other state, federal, and local entities. The SWC aligns its work effort similar to Metropolitan's SWP strategic initiatives and collects payments in three basic groupings:

1. Basic Dues Fund: cost management, infrastructure reliability, supply reliability, and water quality;
2. Energy Fund: cost-effective energy; and
3. Bay-Delta Fund: protect existing operations, collect scientific data, and plan for the future.

Experience has shown that the united voice of the SWC provides value in achieving favorable outcomes. It is especially focused on restoring supply benefits currently impaired by Delta constraints.

Refer to [Attachment 2](#) for a more detailed report on SWC accomplishments in FY 2010/11 and objectives for FY 2011/12.

State Water Project Contractors Authority

The SWPCA was formed in 2003 and is a joint powers organization of interested SWP contractors. Their objective is to provide DWR a vehicle to improve the reliability and efficiency of the SWP. It consists of an organization overseeing three specific project committees. The SWPCA is positioned to provide services to overcome problems such as DWR being unable to retain experienced staff, state budget-related constraints, need

for specialized talent, and assistance in the implementation of the Bay-Delta Conservation Plan. It also provides an opportunity for greater responsiveness and influence over major decisions.

The organizational units that Metropolitan participates in are:

1. State Water Project Contractors Authority; and
2. Specific Project Committees
 - a. Delta Specific Project Committee (DSPC) – Participation in Bay-Delta planning process;
 - b. Municipal Water Quality Investigation (MWQI) – Water quality monitoring and studies; and
 - c. East Branch Enlargement Specific Project Committee (EBESPC) – Guidance on the East Branch Enlargement (no activities planned in FY 2011/12).

Summary of Payment Distribution

Both the SWC and the SWPCA require payments from Metropolitan as summarized in the tables below:

<u>SWC Payments</u>	FY 2011/12
Dues Fund	\$ 1,200,256
Energy Fund	\$ 391,558
Bay-Delta Fund	\$ 1,038,083
Total: \$ 2,629,897	

<u>SWPCA Payments</u>	FY 2011/12
SWPCA	\$ 70,796
DSPC	\$ 608,534
MWQI	\$ 134,832
EBESPC	\$ 0.0
Total: \$ 814,162	

State Water Contractors and State Water Project Contractors Authority Objectives

State Water Contractors

SWC works with DWR, USBR and CVP tracking the funding and spending activities of the DHCCP, providing cash flow and budgetary oversight.
Advance DWR’s development of SWP’s strategic power and transmission resource plan for the near-term and long-term.
Advance litigation response to new OCAP biological opinions and environmental challenges.

State Water Project Contractors Authority

Manage payment for Delta Habitat Conservation and Conveyance Plan (DHCCP) costs.
Develop a plan to address concerns about SWP’s facilities reliability.
Support cost-effective monitoring of municipal water quality.

Policy

Metropolitan Water District Administrative Code Sections 11202 and 11203: Payment of Dues and Participation in Projects or Programs Serving District Purposes. This item is subject to a two-thirds vote requirement.

By Minute Item No. 45348, the Board, at its May 13, 2003 meeting, authorized entering into an agreement with the State Water Project Joint Powers Authority.

By Minute Item No. 47735, the Board, at its December 9, 2008 meeting, authorized the General Manager to execute the Delta Habitat Conservation and Conveyance Program Memorandum of Agreement and three related funding and management agreements.

By Minute Item No. 48302, the Board, at its June 8, 2010 meeting, authorized the General Manager to make payment of \$2,578,548 to the State Water Contractors and up to \$866,831 to the State Water Project Contractors Authority for FY 2010/11 to the State Water Contractors, Inc.

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project, which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

Board Options

Option #1

Adopt the CEQA determination and, by two-thirds vote,

- a. Authorize the General Manager to make payment of \$2.63 million to the State Water Contractors
- b. Authorize the General Manager to make payment of \$815,000 to the State Water Project Contractors Authority

Fiscal Impact: \$3.45 million from the General District Requirement budget. \$3.80 million have been budgeted in Metropolitan's FY 2011/12 General District Requirement budget for the SWC and SWPCA.

Business Analysis: Metropolitan would benefit from the SWC and SWPCA representing positions with DWR, legislators, regulatory, and third-party groups that advance its SWP strategic initiatives.

Option #2

Do not authorize the General Manager to make payments to the SWC and SWPCA for FY 2011/12.

Fiscal Impact: None

Business Analysis: Metropolitan would be less effective in advancing its SWP and SWPCA strategic initiatives, reducing Metropolitan's representation on key issues and activities. Metropolitan would need to develop alternative means to manage the risk of higher costs or greater operational restrictions on supply deliveries.

Staff Recommendation

Option #1



Deven N. Upadhyay
Manager, Water Resource Management

5/24/2011
Date



Jeffrey Kightlinger
General Manager

6/1/2011
Date

Attachment 1 – Organizational Schematic Financial Pathways

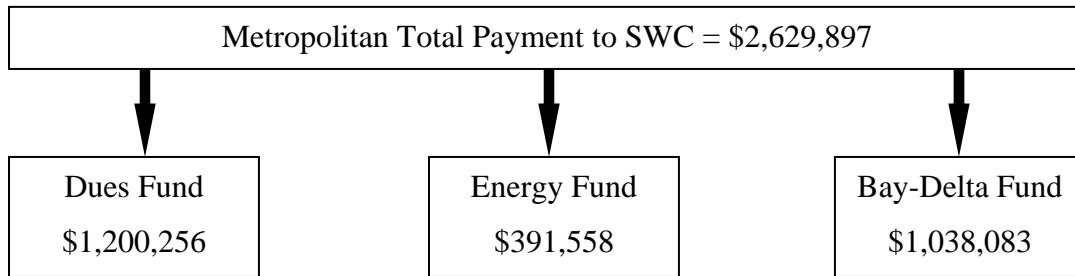
Attachment 2 – Accomplishments of the State Water Contractors

Ref# wrm12611183

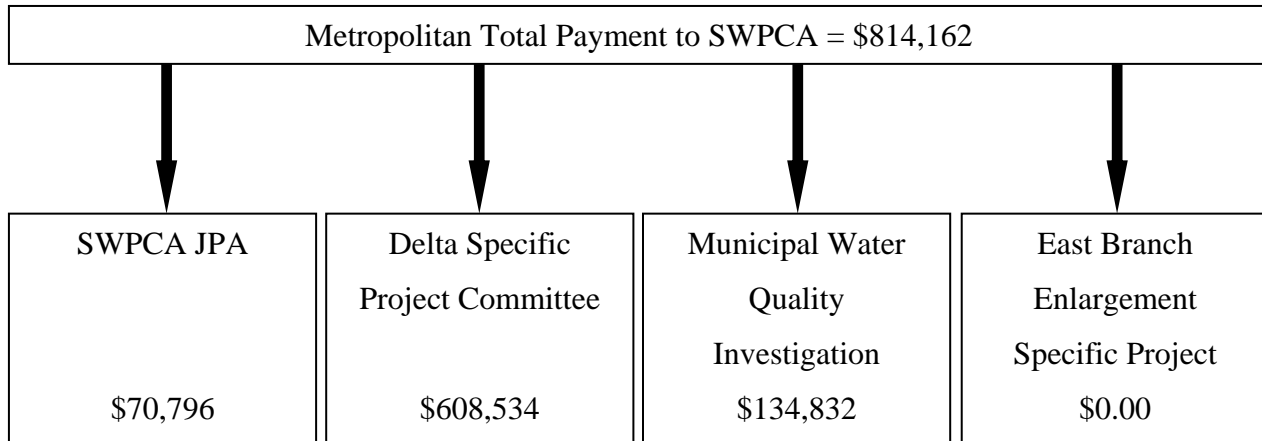
Organizational Schematic

Financial Pathways

State Water Contractors Total Budget = \$5.88 million



State Water Project Contractors Authority Total Budget = \$1,640,223



Accomplishments of the State Water Contractors

Strategic SWP Power Management Plan - Coordinate with DWR on Near-Term (up to 5 years) and Long-Term (up to 20 years) Resource Plan

- The SWC Energy Committee and Board supported DWR's decision to participate in the Lodi Energy Center. This included interfacing with DWR on financing and plant participation options. The plant is financed, construction is forty percent (40%) complete, and the commercial operations are targeted to commence by June 2012. Projections are the project will be completed on schedule and under budget.
 - The Energy Committee analyzed and provided feedback on the draft DWR Integrated Energy Resource Plan which guides DWR near- and long-term power purchases, risk management, performance assessment decisions. This culminated in the E-IRP being adopted by DWR and the SWC Board acknowledging the efforts of DWR staff and encouraging DWR to continue to coordinate with the SWC on the implementation. Discussions on the scope and timing of the 1st revision to the EIRP have commenced.
 - The SWC created a working group comprised of Board members, staff and consultants, and undertook extensive activities with DWR, USBR, WAPA and Federal Water Contractors to analyze options to maximize the value of SWP and CVP facilities. The SWC delivered a forecast of transmission rates and a communications plan that was adopted by the project Technical and Executive Steering Committees.
-

Near-Term Energy Risk - Coordinate with DWR on contract, energy, transmission, natural gas hedging program, staffing and State energy policy issues

- The SWC staff continued to interface with DWR at a technical level through the monthly Power Planning Workshop. The workshops provide the opportunity to conduct detailed review of matters related to the Objectives as described herein and hot topics. The SWC hired consultants to work with DWR on developing a fuel procurement strategy for the Lodi Energy Center, to estimate the future cost of transmission services and on Renewable Electricity Standards and Cap-N-Trade regulations. Representatives of the SWC participated in the close-out of the Nevada Power Company Reid Gardner contract. Staff also participated in PG&E and SCE Existing Transmission Contract/Transmission Owner rate filing settlements at FERC Delta Conveyance and Water Supply Reliability.
-

Greenhouse Gas/Renewables – Work with DWR on appropriate greenhouse gas and renewable policies that reflect SWP utility characteristics and rate concerns

- Staff coordinated with DWR and MWD and filed written and oral testimony to California Air Resources Board in the design of CARB Renewable Electricity Standards and Cap-and-Trade program to mitigate the operational and economic impact the regulation could have on the SWP. The ARB adopted regulations in both proceedings. The RES provide acceptable treatment to the SWP. SWC continues to work with DWR to understand the implications of the Cap-and-Trade regulations on the SWP. This include continued discussions with ARB and taking steps to ensure the financial impact on the SWP is understood and minimized. The SWC hired a consultant to help with communications to DWR and ARB in regard to effective price signals.
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Oroville FERC Relicensing – Advocate new license for the Oroville complex consistent with the Settlement agreement and DWR's application

- The Lake Oroville Relicensing team worked directly with DWR, National Marine Fisheries Services and State Water Resources Control Board on relicensing matters. In December the Water Control Board issued the Water Quality Certification. The LORT have arranged meetings with General Managers and agency executives to obtain acceptable decisions regarding the DWR/PG&E Habitat Expansion Plan and the NMFS

Biological Opinion. The final step will be a license issued by FERC which is expected this year. SWC staff sat on the Oroville Recreation Advisory Committee and Supplemental Benefits Fund Committee.

Monitor and Assess - Monitor and assess MRTU implementation and Banks interconnection

- Worked with DWR to develop reports and metrics to set budgets, measure performance, modify processes and make decisions.
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Defend SWP Against Energy Liabilities and Claims - Assure proper legal representation for potential litigation

- The Legal Committee and Energy Committee coordinated efforts to support DWR's negotiation with PG&E and SCE transmission rate cases at FERC on potential legal issues that arise with the expiration of the Reid Gardner power contract and litigation with Butte County regarding existing and new Oroville license.
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Edmonston Pump Replacement - Replace Edmonston Pumps

- Engineering Committee has been tracking progress of the remaining two pumps to be installed. Units W6 and W2 have been successfully installed in prior years and are in use. In FY 10/11, unique, microbiologically influenced corrosion damaged the auxiliary plumbing for the first two units, and some alterations were made. Unit W4 installation was completed and the pump is in final testing. Unit W8 installation is nearing completion. Engineering Committee is now discussing DWR's feasibility study to replace additional pump units in the east branch of the plant. The feasibility study will evaluate the trade-off between increased costs for the new units as compared to improved operational efficiency and reduced pumping costs.
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Communications System Upgrade - Design and implement communications upgrade project

- This project is discussed and tracked through the Operations and Maintenance Committee. Final contractor proposals for the upgrade were received by DWR on March 17, 2011 and DWR is reviewing the submittal packages and references. DWR site preparation for contractor installation is underway (53 of 132 have had upgraded DC power systems). The O&M Committee obtained an independent risk assessment this project in addition to the competing control system and protective relay upgrade projects.
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North Bay Aqueduct Alternate Intake - Initial Environmental work and preliminary design work for new intake facility for the NBA

- The proposed alignment and the location of the intake structure were redefined. Temporary entry permits (for biological, cultural and geotechnical resource surveys) process was launched (about 125 needed).
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Castaic Lake Dam Outlet Towers-Seismic Remediation - Remediation for seismic deficiency of both the low and high level outlet towers

- The Engineering Committee has been working with DWR's Division of Engineering as it developed its report on the outlet tower's seismic remediation. The draft report was recently completed and concludes that both the high and low level towers will sustain damage during a major seismic event. However, DOE has concluded that the towers and outlet will still be able to safely drain the reservoir in the requisite time. This "do nothing" concept must next be approved by the State's Division of Safety of Dams.
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Subsidence Monitoring associated with increased SJ Valley pumping - Monitor subsidence in the western San Joaquin valley and the SWP Aqueduct alignment to determine operation and infrastructure effects

- Tracked through the O&M Committee. SWC staff attended the USGS study update on the general study of the subsidence the central San Joaquin Valley. The O&M Committee is working with DWR to evaluate subsidence damage to the SWP and determine the impact to operations/safety and priority/timeline/budget to rectify.
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Sisk Dam Seismic Stability - Geotechnical investigation and analysis to identify extent of stability issues and potential remediation options

- Tracked through the O&M Committee. SWC staff coordinated quarterly updates for Contractors representatives by the USBR. SWC staff represented SWP Contractor interests in a series of technical meetings, and economic analyses of remediation alternatives.
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Valve Rehab/Replacements - Replace or refurbishment major valves at Gianelli, Hyatt, Edmonston and Warner Plants

- The O&M Committee has been monitoring the costs and outage impacts of upcoming replacements and/or refurbishments of major valves associated with Gianelli and Hyatt. O&M Committee representatives participated in multi-day value engineering workshop to help determine the most economical and viable alternative to repair the first of eight original butterfly valves at Gianelli. They also inspected disassembled valve and the manufacturing plant which will repair the first valve. Work on the Hyatt turbine shutoff valve has not yet begun.
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Oroville Dam River Valves - Testing and modifications of river valves and appurtenant devices to enable the valves to return to safe service

- Project is tracked through the O&M Committee and reported to the SWC Board. Four items related to the River Valves are being tracked. The Cal OSHA – DWR on-going negotiation over initial fines imposed related to the failure incident are being monitored. Modeling study by Utah State University on the cause of incident are being reviewed. The O&M Committee is also reviewing the Division of Engineering's life extension study being conducted to see what would be needed to gain further life out of the valves. Finally, the O&M committee has worked with DWR on the contracted study/evaluation with the USBR on the feasibility to actually use the river valves as part of a standard operation. The committee is awaiting DWR's release of the results from all four efforts.
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East Branch Extension Phase 2 - Design the second phase of the East Branch Extension

- Project tracked by the Engineering Committee. DWR completed acquisition process with property owners where settlements have been reached. The Resolution of Necessity findings was prepared and presented at a public hearing at SBVMWD's office. Plans/specifications for the enlargement of Crafton Hills Reservoir are nearly complete. Construction as started on the Yucaipa connector pipeline. Equipment and civil contracts soon to be released.
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Perris Dam - Reconnaissance Study to identify approaches to Perris Dam Seismic Stability Concerns

- Project tracked by the Engineering Committee and reported to the SWC Board. Comments on draft EIR have been received by DWR and DWR is making final edits in preparation to finalize EIR. SWC participated in

Consultant review board where both Divisions of Engineering and Safety of Dams presented the results of the additional exploration and dewater and in-place soil-cement mixing techniques. Remediation design is in progress.

South Bay Aqueduct Enlargement - Oversee construction of the South Bay Enlargement

- Project tracked by the Engineering Committee in addition to monthly updates with actual South Bay member agencies. Canal modifications work started October 2010 – raised canal liner, check structure and overpass modifications. Dyer reservoir excavation and appurtenant structures have been completed. The 69kV transmission line and new banks switchyard have been completed (to be tested in May 2011). Work was also completed on the unexpected Del Valle branch pipeline break/landslide.
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Implement Centralized Control System - Revise control system as necessary to support centralized control and pursue development of control system renovation

- Project tracked by the O&M Committee. New AREVA software was installed and is now in production at the Oroville, Delta, and San Luis Field Divisions. Interface software was developed to allow new software to communicate with old hardware (RTUs) as an interim back-up measure. Thirty-two of the planned 192 RTUs replacements have been completed. Testing of hardware and software has occurred. Site preparation, software documentation and training has occurred.
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Desert Aqueduct - Project Planning and pre-design for possible Desert Aqueduct

- Work was done by individual SWP Contractors and their consultant. Project is called the ‘SWP Aqueduct Extension’. A Phase II study was completed, but the project appears to be on hold (no SWC oversight provided on this project).
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Gianelli Motor/Generatorwork - New stator core, rewinds, and pump casing reconditioning. Long-term job in conjunction with butterfly valve refurb.

- Unit 2 turbine casing was refurbished and the 150 rpm stator was rewound. Similar work has been started on refurbishing unit 5 after the butterfly valve assembly was removed.
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Develop Management Reports - Work with DWR to develop management reports requested by the SWC to facilitate decision making

- DWR completed development of the SWP-related business reports. The key components necessary for the management reports, such as breakdown by division and plan vs. actual comparisons, to be included in the standard reporting functions of SAP have been included. SWC staff will continue to work with DWR staff to facilitate implementation of the management reports and to provide routine review.
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Davis-Dolwig Act Funding - Identify and implement strategies to receive reimbursement for Davis-Dolwig Act costs

- SWC staff coordinated with SWC policy-level representatives to work with DWR Deputy Director's Davis-Dolwig workgroup. The Davis-Dolwig workgroup is identifying past costs owed to DWR by the General Fund and developing potential strategies to begin negotiations with the State's Department of Finance to resolve longstanding issues. Additionally, with SWC lobbyist assistance, responses to Legislative Analyst Office requests were prepared for Legislative Committee meetings and discussions. Staff has continued to strategize with SWC policy, lobbyist and legal representatives to develop an appropriate course of action.
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Delta Habitat Conservation and Conveyance Program - Work with DWR on management of the DHCCP process and financial accountability of the program

- Accomplishments SWC staff worked with DWR, USBR, CVP and SWC policy and technical representatives to track the funding and spending activities of the DHCCP, providing cash flow and budgetary oversight. Additionally, staff worked with CVP and SWC to develop financing and cost allocation options and models for construction of the DHCCP.
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Protect Rate Management Credits - Manage costs to achieve rate management credits. Pursue cost recovery for programs such as South Delta barriers. Pursue reduction/elimination of Ag Drainage Program

- SWC staff worked with DWR through the Audit-Finance Committee to quantify cash available to the Contractors and to develop management measures to increase available funds. SWC staff has participated in the Protest Resolution Workgroup. SWC has also communicated the Contractors' position to DWR that the Agricultural Drainage Program is being inappropriately charged to the Contractors. DWR has committed to a gradual reduction in the Agricultural Drainage Program beginning in 2010. To maximize Rate Management Credits, SWC staff will create and implement management reports which will include analyses of expenses to ensure DWR appropriately manages its project budgets and is held accountable. SWC staff will also work with DWR to ensure that the cost classification is adopted and implemented appropriately to assist in the management of cash flow and Rate Management Credits.
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Recovery of Energy Sleeving Costs - Obtain reimbursement of \$11.5 million in sleeving costs from General Fund

- SWC is currently waiting for the final FERC decision in order to reclaim the \$11.5 million inappropriately taken by the State's Department of Finance from the Systems Revenue Account. The timeline for the FERC decision is not currently known.
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Extend Project Bonding Period - Coordinate with DWR on developing ability to provide 30-year or longer bonding and cost repayment period for SWP capital charges

- SWC staff is working with SWC policy-level representatives and DWR on a strategy for extending the water supply contracts and the project bonding period. SWC attorneys are continuing to determine the CEQA implications of such an extension.
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SWP Capital Project Tracking and Control - Development of a process to track, plan and prioritize all existing and foreseeable capital projects which are funded by the SWP Contractors

- SWC staff continues to encourage DWR management to develop improved processes to track capital projects such as through the Program Management and Control Committee. The Division of O&M committed to updating the specialized budget every 4 months, but workload and staffing shortages have limited their efforts on overall capital improvement program.
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Dispute Resolution Workgroup - Work with DWR to identify and resolve existing and potential protest items

- SWC staff has participated in the Protest Resolution Workgroup with a goal to provide closure on protest items, either resolution or determining the necessity of filing a claim against DWR. To date, 61 of the 146 identified items have been resolved and another 30 are being actively worked on.
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StateWater Project Capital Facilities Account Status - Track the status of the balance in the account and work with DWR to identify funding sources for future expenditures

- SWC staff worked with DWR through the Audit-Finance Committee to monitor the status of the capital facilities account. The balance is expected to be slightly positive by the end of 2011, even in the absence of obtaining any Prop 84 funding.
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SWP Capital Project Initiation (WREM 65) - Implementation of a process to identify funding sources and allocate costs of potential capital projects which are funded by the SWP Contractors

- DWR's Program Management and Control Committee produced a new charter process to instigate management controls including identifying internal resource needs/agreements, project budget, and funding sources. The Division of O&M has developed over 20 charters (many on projects which were previously instigated). O&M Committee is working on charter review/tracking process and protocol.
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Near Term ESA/CESA Coverage - Maintain litigation response to new OCAP biological opinions (BO)'s and environmental challenges. Participate in efforts to apply improved science towards the refinement of biological opinions

- The SWC participated in ongoing litigation against the Operations Criteria and Plan (OCAP) Biological Opinions (BO's) for salmon and smelt. SWC staff developed declarations for the litigation and provide expert witness testimony to the court. The SWC assisted in negotiating and developing litigation settlements regarding project operations. The SWC also participated in and provided input to DWR for CESA consistency determination litigation and settlement negotiations. Judge Wanger issued a decision on the OCAP BO for smelt, remanding the BO for reconsultation and declaring the operational actions in the Reasonable and Prudent Alternative (RPA) unlawful. Partially as a result of this decision, a settlement was reached for interim operations in the Delta for the spring of 2011 which provided for some water supply impact relief from the prior BO restrictions. Judge Wanger also required a National Environmental Protection Act (NEPA) analysis on the impacts of implementing the RPA. The hearing for the OCAP BO for salmon was completed in December 2010. A decision on the salmonid BO has not yet been issued, but is expected soon. A remedy or preliminary injunction hearing is expected sometime this summer.
-

Delta Conveyance Alternatives - Identify alternative configurations for Delta Conveyance, conduct technical evaluations of performance and provide support to BDCP, Delta Vision and related processes

- SWC and member agencies continued participating in the Delta Habitat Conservation and Conveyance Programs (DHCCP) through the Core Team, developing alternatives and reviewing the progress of the DHCCP engineering and environmental analysis. The SWC has also worked with SWC members, DWR and other stakeholders in identifying institutional and contractual arrangements that could be developed to implement and finance delta conveyance alternatives. SWC staff also developed analyses showing the capabilities of various configurations of the DHCCP and their performance in improving water supplies.
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Bay Delta Conservation Plan - Prepare Bay Delta Conservation Plan to provide ESA assurances for continued operation of the SWP

- With active participation by SWC, MWD, KCWA and other water users, the Bay Delta Conservation Plan (BDCP) hit a major milestone in November 2010, with publication of the working draft of the BDCP. The draft plan includes a proposed set of water operations criteria that meet our water supply goals, and also provide for contractor participation as a permittee.
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Yuba River Transfers Agreement - Begin negotiations for water supply availability and pricing assurances

- The SWC and members worked with DWR to develop Amendment #4 language was completed for the Yuba Accord, which basically provides a mechanism for annually adjusting the costs for certain component water transfer types under the Yuba Accord. A total of 81,856 af of Yuba Accord water was purchased by the SWP Contractors in 2010.
-

Dry Year Transfers - Identify and purchase water transfers from non-SWP sources to address SWP Contractors shortages

- SWC staff worked with SWP Contractors in successfully negotiating and purchasing approximately 99,000 acre-feet from sellers in the Sacramento Valley. The SWC worked extensively with DWR, Sacramento Valley water districts and their legal firms. Water has been delivered to participating Contractors at a very reasonable SWC administrative cost.
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Delta and Migratory Fish Analysis - Work with SFCWA Science Team to identify causes of Delta fisheries decline and develop management measures to prevent the decline

- The SWC continued to work with the State and Federal Contractors Water Agency (SFCWA) to develop and manage fisheries and habitat science projects. There was emphasis on food web issues, nutrient loading and ratios, and fishery lifecycle modeling. Pat Glibert published a paper in 2010 on food web issues and has submitted a more detailed follow-up paper outlining the fishery and food web effects of alterations in nutrient loading from wastewater discharge for publication in an on-line journal. Also, Dr. Deriso and Dr. Maunder developed a delta smelt lifecycle model which has been accepted for publication in a scientific journal.
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Water Supply Reduction Economic Impact Quantification - Quantify economic impacts incurred by SWC members due to regulatory water supply reductions

- The SWC consultant, Dr. David Sunding, worked with MWD staff on incorporating water supply, demand, and losses into IRPSIM for a subset of SWC members with some potential for short term water supply impacts. The modeling effort will help determine water management effects of water supply shortages due to

various water supply operations, such as the OCAP BO's and BDCP. Analysis of water supply economic impacts will be conducted for a representative project with new Delta Conveyance facility supply. The DHCCP is also pursuing analysis of delta conveyance alternatives using the new IRPSIM economic analysis framework developed by Dr. Sunding. The analysis will ultimately be extended to include more SWC members.

Sacramento Regional CSD Litigation - Manage litigation and regulatory efforts to reduce ammonia discharges and improve water quality, fishery, and water supply conditions

- The SWC are still waiting on the resolution of the appeal of the trial court decision in favor of SWC in relation to SRCSD CEQA needs. The SWC have coordinated with the SLDMWA in comments in Regional Water Quality Control Board (RWQCB) and State Water Resource Control board proceedings to identify the SRCSD discharge as a potential contributor to the Pelagic Organism Decline and to request a requirement for improved treatment processes. In September 2010, the RWQCB issued a permit favorable to SWC concerns, requiring more advanced treatment to remove nitrates, ammonia, and toxics. SRCSD is appealing the permit and the SWC will continue to stay involved to maintain the permit requirements.
-

Water Rights Processes - Present testimony and participate in hearings on updating the Bay-Delta Water Quality Control Plan and related activities such as San Joaquin River water rights and illegal diversions

- The SWC stayed actively involved in commenting on and providing input to SWRCB efforts to reconsider flow standards for the San Joaquin River and water quality standards for the South Delta. The SWRCB issued preliminary draft revised standards, which were generally favorable to SWC concerns. SWC will remain actively involved in providing evidence and technical analysis showing the level of responsibility or lack of responsibility of the SWP for meeting South Delta water quality, water levels, and circulation. The SWC will also advocate for the appropriate use of science in developing flow standards. Additionally, the SWC worked with the San Joaquin River Group and San Luis Delta Mendota Water Authority to pursue illegal diversions in the South Delta.
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Monterey Amendment EIR - Work with DWR in defending Monterey Plus EIR against litigation. Continue participation in Plumas Watershed Forum

- Litigation against DWR's final EIR for the Monterey Plus Amendment was filed by several groups including the Center for Biological Diversity and the California Water Impact Network. DWR and SWC are currently participating in the litigation activity. SWC staff and members continued to participate in the Plumas Watershed Forum and advised DWR that SWC would oppose continuing funding for watershed projects until litigation against the EIR is settled.
-

Delta Habitat Development - Work with SFCWA in planning and implementation of new Delta habitat measure to meet conditions of the OCAP BO's and the BDCP

- SWC staff coordinated with SFCWA and DWR staff to plan, develop, and implement Delta habitat measures required by the OCAP BO's and planned in the BDCP. SWC staff participated in development of funding agreements for implementation of these habitat measures, including a new Delta fish agreement that provides for implementation of habitat measures contained in the OCAP BO's.
-

Delta Operations Contingency Plan - Implement emergency avoidance, preparedness and response plans for Delta water supply

- SWC staff worked with DWR and Army Corps of Engineer staff to plan and implement emergency avoidance, preparedness, and response plans for Delta water supply. Several projects were initiated to locate emergency materials in important locations the Delta. Possible response plans were analyzed in terms of feasibility and water supply. Complete Phase 8 Transfers Re-evaluate Phase 8 approach in light of POD, recent SWRCB actions and Delta Conveyance concerns. Proceed with adjusted approach if identified
- The Sacramento Valley Water Management Agreement (Phase 8) has continued to be held up due to limited bond funding. Additional funding identified to complete the EIR was used to conduct a peer review of groundwater modeling studies, evaluating potential transfer impacts on groundwater and streamflow. SWP contractors policy representatives have held some discussions with upstream interests on whether the Phase 8 process is relevant in light of current regulatory proposals (specifically, the Delta Flow Criteria).

Delta Stewardship Council - Coordinate with SFCWA representatives in monitoring and influencing the new Delta Stewardship Council to provide constructive input towards solving Delta challenges

- SFCWA is taking the lead for future activities related to the Delta Stewardship Council (DSC), which was established by the 2009 water legislation to proceed with implementation of the Delta Vision recommendations through development of a Delta Plan. SWC staff provided input on SFCWA comment letters on various drafts of the DSC's Delta Plan and have commented separately where the DSC has proposed actions directly affecting the SWP.

Banked Groundwater Return - Review and refine policy for accepting banked groundwater into the aqueduct. Participate in development and implementation of pump-in projects

- An SWC workgroup continued to work with DWR to implement the current policy for accepting banked groundwater into the aqueduct, ensuring that concerns related to water quality, subsidence and other impacts to the California Aqueduct are addressed. The SWC and members participated in and coordinated several ongoing pump-in projects.

State Water Contractors Objectives for FY2011/12

	Objective	Description	Priority	SWC Assignment
Energy Operations	Strategic SWP Power and Transmission plan	Coordinate DWR's development of a near-term and long-term resource plan	●	Haines
	Near-term Risk Management	Coordinate with DWR on power resource, transmission, staffing and State energy policy issues	●	Haines
	Oroville FERC Relicense Settlement	Advocate solutions related to obtaining new license for the Oroville complex consistent with the Settlement agreement and DWR's application	○	Haines
	Greenhouse Gas/Renewables Policies	Work with DWR on appropriate greenhouse gas and renewables policies that reflect SWP utility characteristics and rate concerns	○	Haines
Infrastructure	Communications System Upgrade	Design and implement the communications upgrade project	●	Chapman
	Motor/Generator Refurbishments	New stator core, rewinds, and pump casing reconditioning. Long-term task in several of SWP plants	●	Chapman
	Oroville Dam River Valves	Testing and modification of river valves and appurtenant devices to enable regular use by DWR as required for normal SWP operations	●	Chapman
	Sisk Dam Seismic Stability	Geotechnical Investigation and analysis to identify extent of stability issues and potential remediation options	●	Chapman
	Protective Relay Replacements	Replace unit protective relays in the 15 major SWP pumping/power plants, fix deficient protection schemes, improve training and documentation of relay settings and schematics	○	Chapman
	Edmonston Pump Replacement	Track performance/efficiency of four new units. Consider DWR's business case for additional pump replacements in east wing of plant	○	Chapman
	Control System Upgrade	Implement the control system upgrade	○	Chapman
	North Bay Aqueduct Alternate Intake	Initial Environmental work and preliminary design work for new intake facility for the NBA	○	Chapman
	Aqueduct Subsidence Repairs	Determine the impacts of subsidence to SWP operations, work with DWR to prioritize the repairs and assure repairs expenses are appropriately distributed between the CVP and SWP Contractors	○	Chapman
	Valve Rehab/Replacements	Replace or refurbishment major valves at Gianelli, Hyatt, Edmonston and Warne Plants	○	Chapman
	Perris Dam -Remediation of seismic deficiency	Design of repair alteration to Perris Dam to address seismic stability concerns	○	Chapman
	East Branch Extension Phase 2	Construction of the second phase of the East Branch Extension	○	Chapman
	Hyatt Unit 2, 4, 6 Runner Cover Plate	Alterations to address latent defect which lead to an actual forced outage of unit 4	○	Chapman
Business Processes	Davis-Dolwig Act Funding	Identify and implement strategies to receive reimbursement for Davis-Dolwig Act costs	●	Ramsay/Lightle
	Contract Amendment/Extension	Coordinate with DWR on developing ability to provide 30-year or longer bonding and cost repayment period for SWP capital charges, including funding and financing options for a new conveyance facility	●	Ramsay/Lightle
	Cash and Financing Oversight	Work with DWR to finalize the Springing Amendment allocation, complete the 51(e) review, and determine options for Habitat Restoration funding	●	Ramsay/Lightle
	Future Capital Projects and Capital Financing Oversight	Develop a process to track, plan and prioritize all existing and foreseeable capital projects which are funded by the SWP Contractors	○	Ramsay/Lightle
	Cost Recovery/Statement of Charges Oversight (Budgeted Costs)	Provide oversight over DWR's budgeted costs and recovery of those costs through review of the future project cost projections, the Delta Water Charge calculation, Rate Management Credits review, and return of excess Replacement Accounting System funds	○	Ramsay/Lightle
	Job Costing Oversight (Actual Costs)	Provide oversight over DWR's actual expenditures compared to budgeted costs	○	Ramsay/Lightle
	Financial Audit and Dispute Oversight	Work with Contractors and DWR to identify and resolve existing and potential protest items	○	Ramsay/Lightle

Objective	Description	Priority	SWC Assignment
Near Term ESA/CESA Coverage	Maintain litigation response to new OCAP biological opinions and environmental challenges. Participate in Federal efforts to apply improved science towards the refinement of biological opinions	●	Erlewine
Delta Conveyance Alternatives	Identify alternative configurations for Delta Conveyance, conduct technical evaluations of performance and provide support to BDCP, Delta Vision and related processes	●	Febbo
Bay Delta Conservation Plan	Complete public draft Bay Delta Conservation Plan to provide ESA assurances for continued operation of the SWP	●	Moon
Delta and Migratory Fish Analysis	Work with SFCWA Science Team to identify causes of Delta fisheries decline and develop management measures to prevent the decline	●	Erlewine
Water Supply Reduction Economic Impact Quantification	Quantify economic impacts incurred by SWC members due to regulatory water supply reductions	●	Febbo
Sacramento Regional CSD Litigation	Manage litigation and regulatory efforts to reduce ammonia discharges and improve water quality, fishery, and water supply conditions	●	Febbo
Water Rights Processes	Present testimony and participate in hearings on updating the Bay-Delta Water Quality Control Plan and related activities such as San Joaquin River water rights and illegal diversions	●	Febbo
Monterey Amendment EIR	Work with DWR in defending Monterey Plus EIR against litigation. Continue participation in Plumas Watershed Forum	●	Erlewine
Delta Habitat Development	Work with SFCWA in planning and implementation of new Delta habitat measure to meet conditions of the OCAP BiOp and the BDCP	●	Moon
San Joaquin River Accord/VAMP II	Participate in discussions regarding a potential San Joaquin River Accord or next phase of the Vernalis Adaptive Management Program (VAMP). Evaluate benefits of SWC involvement	○	Febbo
Delta Operations Contingency Plan	Implement emergency avoidance, preparedness and response plans for Delta water supply	○	Erlewine
Complete Phase 8 Transfers	Re-evaluate Phase 8 approach in light of POD, recent SWRCB actions and Delta Conveyance concerns. Proceed with adjusted approach if identified	○	Erlewine
Delta Stewardship Council	Coordinate with SFCWA representatives in monitoring and influencing the new Delta Stewardship Council to provide constructive input towards solving Delta challenges	○	Erlewine
Water Quality Banked Groundwater Return (Pump-in water Quality)	Review and refine policy for accepting banked groundwater into the aqueduct. Participate in development and implementation of pump-in projects	○	Febbo

- Priority I (Highest Priority) Objectives
- Priority II (High Priority) Objectives
- Priority III (Medium Priority) Objectives