



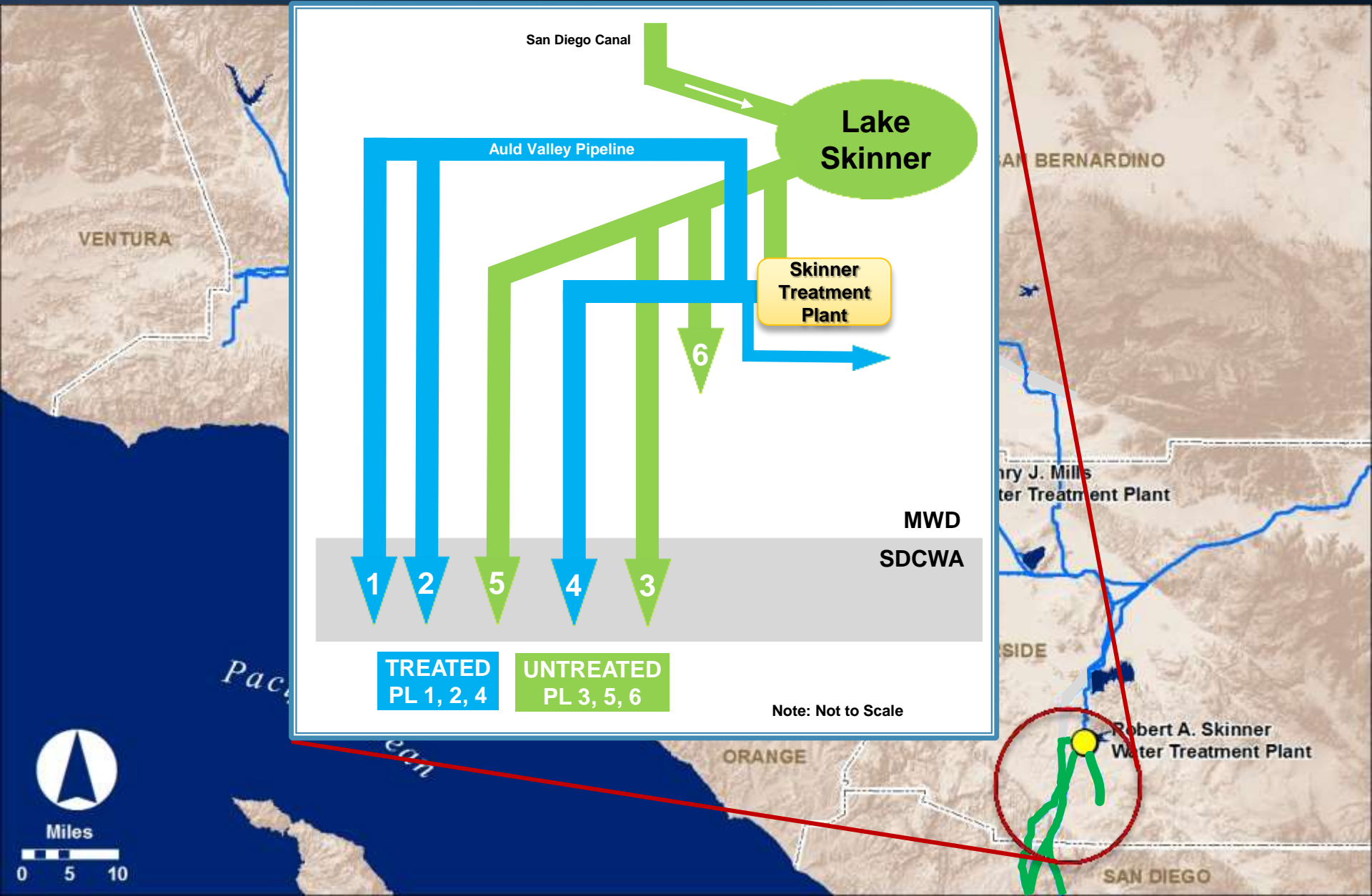
Report on settlement with the San Diego County Water Authority regarding unpaid invoices for Service Connection SD-7

Engineering and Operations Committee

Item 6b

October 10, 2016

Skinner Area



San Diego Canal

Auld Valley Pipeline

Lake Skinner

Skinner Treatment Plant

MWD SDCWA

1

2

5

4

3

6

TREATED
PL 1, 2, 4

UNTREATED
PL 3, 5, 6

Note: Not to Scale



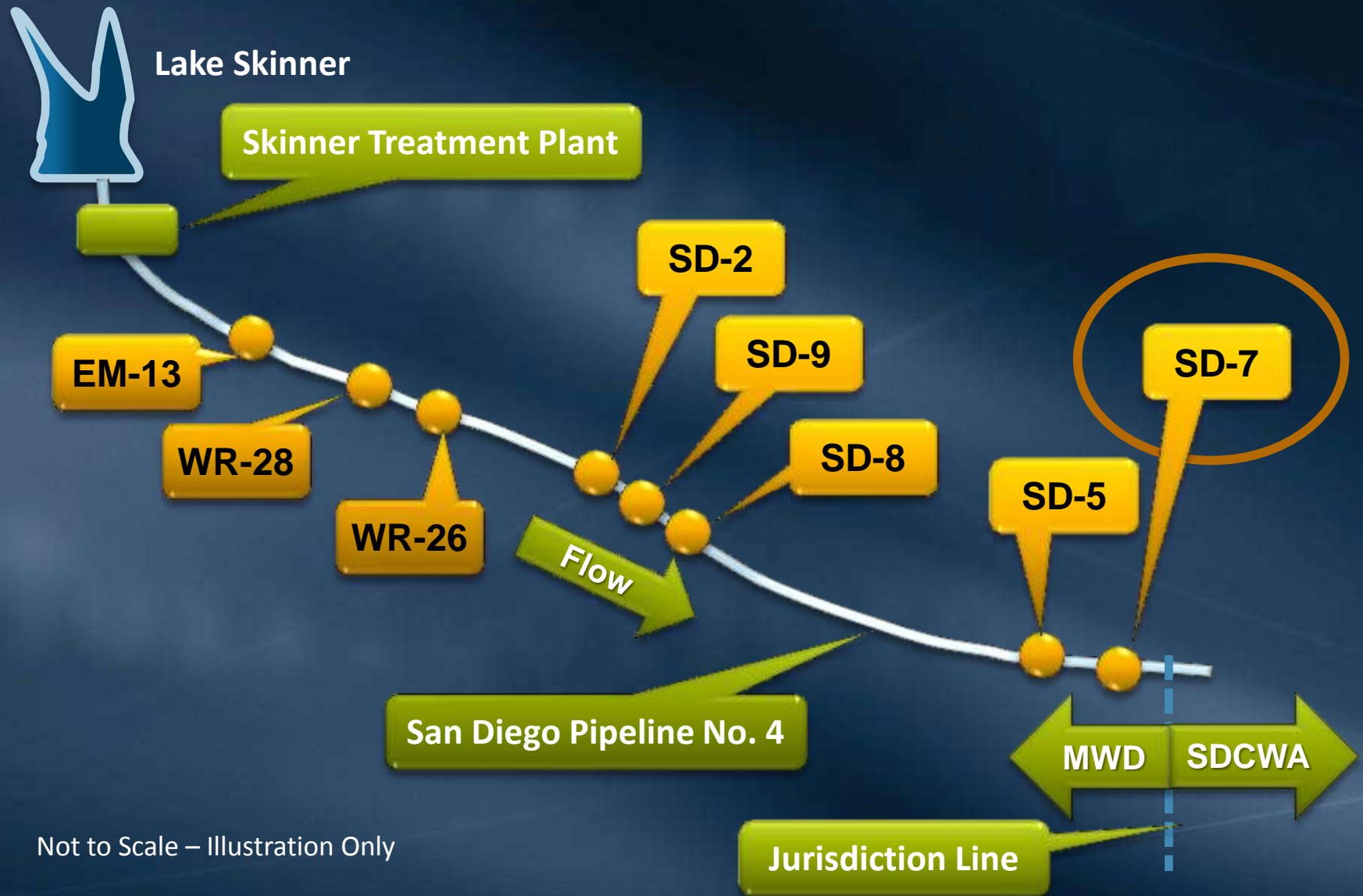
Miles



Background

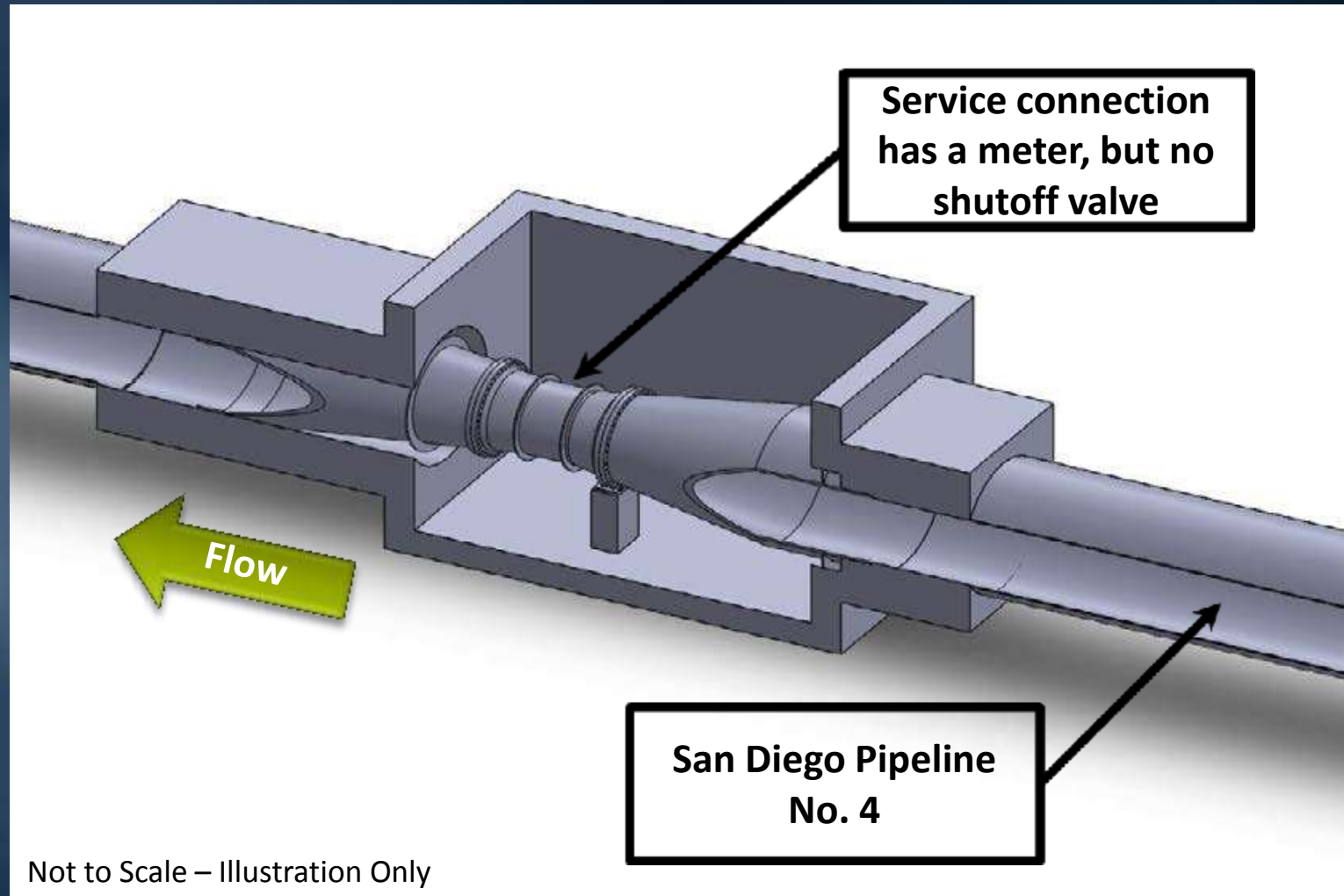
- SDCWA designed San Diego Pipeline No. 4 (SDPL 4) and Metropolitan approved the design
- SDPL 4 came online in 1972
- SDPL 4 delivers treated water from Skinner plant to SDCWA, Eastern MWD and Western MWD
- Service connection SD-7 is the last connection on SDPL 4, at the end of the pipeline before it enters SDCWA's system
- Because of the “falling grade” design of the pipeline, there is no shutoff valve at SD-7
- The only way to turn off SD-7 is to shut down the entire pipeline, which is not feasible under normal operations, because of other agency connections on SDPL 4

San Diego Pipeline No. 4



Not to Scale – Illustration Only

Service Connection SD-7



Service Connection SD-7

- The SD-7 venturi meter was designed to measure flows between 45 cfs and 450 cfs
- SDCWA requested a modification to the existing meter to reduce the flow metering range to between 40 cfs and 400 cfs
- An amendment to the service connection agreement including this modification was entered into in May 2013
- MWD has performed several studies, at SDCWA's request and expense, to investigate even lower flows at SD-7
- Flows cannot be accurately metered below 40 cfs with the existing SD-7 venturi meter

Low Flow and Zero Flow Requests

- SDCWA requested zero flow at SD-7 on November 12, 2015. Since the flow could not be shut off, and the SD-7 meter minimum flow is 40 cfs, deliveries remained at 40 cfs at SD-7
- On December 23, 2015, SDCWA asked for an urgent flow decrease at SD-7. Flow was reduced to about 30 cfs at SD-7
- The reasons for the low flow requests were the Carlsbad desalination plant coming online and lower demands due to conservation
- Between December 2015 and July 2016, numerous low flow (<40 cfs) and zero flow requests were made
- SD-7 deliveries were still billed at 40 cfs, in accordance with Section 4504(b) of the MWD Administrative Code, since this is the minimum flow of the SD-7 meter

Billing Dispute

- SDCWA disputed the charges for delivery of water made above their requested flows
- The disputed amounts for SD-7 were not paid from December 2015 through July 2016
 - Zero flow requests (about 1,642 AF of water delivered)
 - Low flow requests (about 2,915 AF subject to low flow charge)
- Interest charges accrued on unpaid amounts in accordance with Section 4508 of MWD's Administrative Code

Settlement

- A settlement was signed on August 22, 2016 to address the outstanding issues between the parties
- Highlights of the settlement include:
- SDCWA Responsibility:
 - Pay all outstanding water delivery payments of about \$1.114 million, which excludes low flow charges
 - Pay interest penalties totaling about \$123,000, excluding interest on low flow charges
 - Pay an outstanding claim of about \$114,000 for an operational error and spill caused by SDCWA on Pipeline No. 3 that resulted in damage to property adjacent to the spill

Settlement (cont.)

- SDCWA Responsibility (cont.):
 - Pay for design, procurement, and construction of a new flow control and metering structure on SDPL 4 that will enable operating at flows as low as about 10 cfs at SD-7. This is currently estimated to cost about \$2.65 million

Settlement (cont.)

- Metropolitan Responsibility:

- Operate with a virtual meter that uses a calculation from other meters to compute a flow through SD-7, at flows below 40 cfs, and for a duration not to exceed 24 months
- Waive the low flow charges at SD-7 (in the amount of about \$2.74 million), under the General Manager's authority outlined in Administrative Code section 4504(d)
- Exclude interest penalties associated with the waived low flow charges, in the amount of about \$109,000
- Design, procure, and construct a new flow control and metering structure on SDPL 4 that will enable operating at flows as low as about 10 cfs at SD-7, subject to SDCWA payment

