

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # B-4

Urgent

Routine

AGENDA DATE March 6, 2012

CEO Concur with Recommendation YES  NO   
(Information Attached)

4/5 Vote Required YES  NO

SUBJECT:

Consideration of Presentation by the Modesto Irrigation District on the Potential Water Transfer to the City and County of San Francisco

STAFF RECOMMENDATIONS:

Consider the presentation by the Modesto Irrigation District on the potential water transfer to the City and County of San Francisco.

FISCAL IMPACT:

There is no fiscal impact associated with this information item.

BOARD ACTION AS FOLLOWS:

No. 2012-097

**INFORMATION ITEM ONLY. NO VOTE WAS TAKEN.**

## Consideration of Presentation by the Modesto Irrigation District on the Potential Water Transfer to the City and County of San Francisco

### DISCUSSION:

#### Background

On January 10, 2012, the Modesto Irrigation District (MID) Board directed their General Manager to negotiate terms and conditions for an agreement with the County and City of San Francisco (CCSF) to implement a water transfer of up to 2,200 acre feet per year; negotiate the terms and conditions for a Memorandum of Understanding with CCSF for larger water transfer; and to initiate environmental review of such transfer in compliance with the California Environmental Quality Act (CEQA).

As indicated in the accompanying MID staff report (Attachment A), the MID Board's actions were based on prior direction to have MID staff examine potential alternative sources of revenue to fund necessary irrigation system improvements and pay for the relicensing of Don Pedro. These and other expenses are projected over the next decade for the protection of MID's water rights and the continued reliability of MID's irrigation water distribution system. MID staff ascertains that unless an external source of revenue is identified to cover these expenses, they will fall on MID's ratepayers in the form of rate increases. Based on the MID staff report, the cost of meeting these obligations could mean a 5-fold or greater increase in MID's water rates, from the current \$6.95 an acre foot per year, to over \$40 an acre foot per year. This same rate increase would be reflected in the raw water charge paid by the City of Modesto in accordance with MID's Treatment and Delivery Agreement with the City.

MID further states, in their staff report, that other Central Valley water suppliers have recognized the benefits of transferring water to other entities. They cite that the Oakdale Irrigation District has been transferring an annual average of 42,500 acre feet for an annual average revenue of \$3.4 million.

#### Next Steps

Per their report, the Modesto Irrigation District intends to initially start small with the water transfer, within the 2 million gallons per day. This equates to approximately 2,200 acre feet of water a year, reportedly 1% less than MID's average annual water diversion. According to MID staff, the initial transfer could generate over \$1.5 million in revenue per year. MID staff will also evaluate the potential to gradually increase the amount of water transferred up to 25,000 acre feet a year. A full California Environmental Quality Act compliant environmental review of any such potential transfer would be conducted, providing opportunity for public comment and input.

Next steps identified by MID staff include negotiating with CCSF and presenting deal points to the MID Board to consider initiating a small 2,200 acre foot per year transfer as well as a new environmental review process for a subsequent larger water transfer up to 25,000 acre feet.

## Consideration of Presentation by the Modesto Irrigation District on the Potential Water Transfer to the City and County of San Francisco

### Presentation

During the January 10, 2012 Board of Supervisors meeting, Supervisor Terry Withrow commented on the recent MID Board discussion and actions regarding the potential water transfer to the City and County of San Francisco. The Chief Executive Officer was directed to bring this item back to the Board for discussion. The Chief Executive Officer contacted the MID General Manager to schedule a presentation on the topic before the Board of Supervisors.

In addition, at the special meeting held by the Modesto Irrigation District on February 28, 2012, there was considerable discussion regarding the proposed water sales to San Francisco during MID's presentation on their Comprehensive Water Resources Management Plan and Water Transfer - System Operations and Hydrology. At that meeting, the MID Board postponed until March 13, 2012, their consideration of a resolution approving and authorizing the General Manager to direct staff to issue a Notice of Proposed Irrigation Water Rates setting for the Modesto Irrigation District's agricultural water rate increase for 2012 and establishing the date for a public hearing on the proposed water rate increase.

It should be noted that the Modesto Irrigation District is a distinct and independent local entity that distributes water for irrigation purposes and provides electricity and domestic water.

### POLICY ISSUES:

This item falls within the Board's priorities of striving for A Strong Local Economy, A Strong Agricultural Economy/Heritage and A Well Planned Infrastructure System. The transfer of water out of Stanislaus County involves the planned use of a very valuable local resource.

### STAFFING IMPACT:

There are no staffing impacts associated with this item.

### CONTACT PERSONS:

Monica Nino, Chief Executive Officer, Telephone: 209-525-6333

John Doering, County Counsel, Telephone: 209-525-6376



## BOARD AGENDA REPORT

**Complete all fields including resolution, if applicable.**

**Meeting Date:** January 10, 2012

<b>Subject:</b>	Potential Water Transfer to City and County of San Francisco
<b>Recommended Action:</b>	Update on discussions with the City and County of San Francisco (CCSF) for potential water transfer; direct the General Manager to negotiate terms and conditions for an Agreement with CCSF to implement a water transfer of up to 2,200 acre feet per year.
<b>Background and Discussion:</b>	<p>Although MID has not historically entertained the notion of transferring its water to any other entity, the Board has more recently directed staff to look at potential alternative sources of revenue to fund necessary irrigation system improvements and pay for the relicensing of Don Pedro. These and other significant expenses are projected over the next decade for the protection of MID's water rights and the continued reliability of MID's irrigation water distribution system. Unless an external source of revenue is identified to cover such expenses, they will necessarily fall on MID's ratepayers in the form of rate increases. While the bulk of such expenses would, under Proposition 26, have to be incorporated into irrigation water service rates, alternate sources of revenue for some of these expenses could benefit electric customers as well.</p> <p>Key factors contributing to the projected expenses include (1) necessary upgrades, automation and other efficiency improvements to MID's aging irrigation water distribution system, estimated \$115 million over the next 11 years; (2) the FERC Relicensing of the Don Pedro Project, estimated \$25 million over the next 5 years; and (3) increasing regulatory and legislative mandates seeking to increase water releases and administrative charges imposed on MID. The cost of meeting these obligations could mean a 5-fold or greater increase in MID's water rates, from the current \$6.95 an acre foot per year, to over \$40 an acre foot per year. This same rate increase would be reflected in the raw water charge paid by the City of Modesto in accordance with MID's Treatment and Delivery Agreement with the City.</p> <p>In accordance with the Board's direction and the authority granted pursuant to Resolution 95-66 (to negotiate water transfers from within the MID service boundary to areas outside, subject to identified criteria and final approval of the Board), the General Manager has initiated discussions for a potential water transfer from MID to CCSF. MID has a long-standing relationship with CCSF, dating back to the Federal "Raker Act" which required CCSF to recognize MID's water rights as a condition to CCSF's construction of the Hetch Hetchy System above Don Pedro on the Tuolumne River. MID and CCSF have executed and performed numerous agreements for the implementation of the Raker Act and stewardship of the River. MID has also on at least one previous occasion transferred water to CCSF (isolated transfer in 1990-1991 of 5,000 acre feet in environmental flows through the Delta).</p> <p>CCSF has for many years stated that it is in need of new water supply to meet its urban water delivery obligations in dry years, leading CCSF to include as part of its Water System Improvement Program (WSIP) a potential purchase of 2 million gallons</p>

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per day (roughly equivalent to 2,200 acre feet per year) of water from the Tuolumne River (from MID or TID). This potential transfer was fully reviewed as part of CCSF's WSIP Program Environmental Impact Report (PEIR) completed in compliance with the California Environmental Quality Act (CEQA). Such transfer would be accomplished through existing pipeline infrastructure within the Hetch Hetchy system and ensure that the water was being put to the highest use recognized by California law. It is clear that in light of CCSF's large customer base, and the high value of drinking water in the Bay Area, CCSF could offer a relatively high price for such water.

Other Central Valley water suppliers have also recognized the benefits of transferring water to other entities. For example, Oakdale Irrigation District has been transferring an average of 42,500 acre feet per year for an annual average revenue of about \$3.4 million dollars. Such transfers from agricultural to urban use, as a source of funding agricultural system efficiencies, is fully supported by existing law and public policy of the State of California.

MID staff has begun the process of evaluating the potential transfer of water to CCSF. Such a transfer would initially start very small, within the 2 million gallons per day identified in CCSF's WSIP PEIR. This equates to approximately 2,200 acre feet of water a year, less than 1% of MID's average annual water diversion. This small initial transfer could generate over \$1.5 million in revenue to MID per year. Staff is also evaluating the potential to gradually increase the amount of water transferred up to 25,000 acre feet a year. In accordance with State policy, the goal would be that revenues from a water transfer would finance water system improvements and in turn the water system improvements would increase system and water use efficiencies so that sufficient water would be available to be transferred. Such a transaction would result in no significant effect on flows in the Lower Tuolumne River and no significant impact to MID's current water supply or retail and wholesale water customers. A CEQA compliant environmental review of any such potential transfer would be conducted, providing significant opportunity for public comment and input to ensure these goals would be met.

As noted above, the goal of any transfer would be to protect MID's water rights in the long term for the beneficial use of MID's customers, to obtain operational savings and rate stability, and allow MID to provide additional water conservation assistance programs itself and through its alliance with the City of Modesto. Such activities could also lead to economic stimulus for MID's service area. It should also be recognized that such a new source of revenue could also benefit electric customers by relieving the burden of the FERC Relicensing process and providing other rate stabilizing effects.

In order to ensure that its customers and other stakeholders interested in activities on the Tuolumne River were fully informed of MID's evaluation of a potential water transfer to CCSF, MID conducted a series of stakeholder and community meetings throughout its service area. The meetings were very well attended and MID received a wide variety of opinions and comments. The key issues raised, as anticipated, were protecting MID water rights, making certain its customers, including the City of

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Modesto, are served during dry periods, and ensuring there would be no significant impact to the River or the environment. Staff developed a set of “frequently asked questions” and responses, addressing these issues. A copy of the FAQ is available on MID’s website.

The next step would be to complete negotiations with CCSF and present the deal points to the Board to consider initiating a small, 2,200 acre foot per year, transfer. Staff seeks the Board’s direction to move forward to take such next step.

**Alternatives, Pros and Cons of Each Alternative:**

Approve negotiation of 2,200 acre feet per year water transfer:

Pros: if negotiations are successful and the Board subsequently approves the transactions after compliance with CEQA, the transactions could result in potential annual revenues to MID of over \$1.5 million that would be used to offset cost impacts to ratepayers, the extended support of CCSF for the protection of MID water rights, and the furtherance of State goals supporting ag-urban water transfers for water system improvement.

Cons: Expenditure of staff time.

Not approve negotiation of water transfer:

Pros: No commitment of MID resources.

Cons: Potential exposure of MID water rights, no revenue to offset cost impacts to ratepayers of water right protection activities and water delivery infrastructure projects.

**Concurrence:** Legal, Water Operations.

**Fiscal Impact:** Staff resources required to negotiate the water transfer terms and conditions have been budgeted within the 2012 operation budget.

The water transfers to be negotiated would have the potential to result in revenue to MID averaging over \$1.5 million a year that can be used to offset the cost of water rights protection activities, including the Relicensing of the Don Pedro Project, and necessary irrigation delivery infrastructure improvements. Without this revenue, MID ratepayers, both irrigation and electric customers in accordance with Proposition 26, will bear the cost of these activities and improvements through MID rate structures.

**Recommendation:** Update on discussions with the City and County of San Francisco (CCSF) for potential water transfer; direct the General Manager to negotiate terms and conditions for an Agreement with CCSF to implement a water transfer of up to 2,200 acre feet per year.

**Attachments:** Supporting documents attached:

Presentation       Other supporting docs       None attached

*Note: Original contracts and agreements are housed in the Board Secretary’s Office, phone (209) 526-7360.*

Details listed above are accurate and complete to the best of my knowledge.

<b>Presenter</b>
Type name
Date Signed

<b>Asst. General Manager</b>
Type name
Date Signed

<b>General Manager</b> <i>Allen Short</i>
Allen Short
1/4/12 Date Signed

## MID WATER TRANSFER | FAQ

The Modesto Irrigation District (MID) is in the process of considering a proposal to sell water to the City and County of San Francisco (CCSF). The goal of this potential transaction is to generate revenue which will be used to improve MID's irrigation system infrastructure. The cost of these necessary improvements, along with the cost of the Don Pedro relicensing project, are expected to exceed \$140 million. MID will have to pay these costs **whether or not** a water transfer agreement is reached. However, transfers would provide new revenue to MID, relieving the burden of these necessary activities on MID customers. A key outcome of this approach is that these infrastructure improvements will allow MID to improve the efficiency of our system and the water use, using the revenue received from the sale to conserve the water within our system to serve CCSF. This model serves state policy to look at agricultural to urban water transfers as a way to improve the health of California's water resources.

**1. Will transferring the water for a long term deal endanger MID's water rights?**

The proposal is for selling water. Just water; MID's water rights will be retained by MID; in fact by putting water to beneficial municipal and industrial uses, MID is protecting the water right.

**2. Why give the water to CCSF?**

MID is **NOT** giving water to CCSF. CCSF is offering an attractive market price in this area and the potential transfer will **NOT** require any new infrastructure. CCSF has a long standing relationship with the MID and has been a good river stewardship partner.

**3. Is there a guarantee or "opt out" in drought years?**

Any transfer being considered will be designed to protect MID's existing customers, including the agricultural and City of Modesto water users. There are a variety of ways to satisfy this requirement and unless this issue is resolved, there will be no transfer.

**4. How will sales revenues be used?**

Water sales revenue will be used for water related costs including infrastructure improvements, FERC relicensing and related obligations, water conservation programs and debt retirement. Such use of the revenues will enable MID to keep water rates stable for a number of years and take some of the hydroelectric facility burdens off of electric customers.

**5. Why are we considering such a long-term contract?**

Long-term water contracts aren't unusual. The domestic water contract with the City of Modesto has an unlimited term. MID has also engaged in contracts for as short as one year. As a rule, a long-term contract ensures reliability for both parties, commands a higher price and allows for built in price increases over the contract term. The terms of this proposal are still under discussion.

**6. Will such a transfer impact the efforts to tear down O'Shaughnessy Dam and restore the Hetch Hetchy Valley?**

No. The proposal doesn't directly impact that effort. Hetch Hetchy and Don Pedro are independent projects. However, the group leading this effort opposes the water transfer proposal.

Removal of O'Shaughnessy Dam would result in CCSF being unable to serve its customers without construction of new facilities to store and divert water. Don Pedro Reservoir does not have sufficient storage capacity to replace Hetch Hetchy.

**7. Will this sale jeopardize MID's ability to serve agricultural customers and recharge groundwater?**

No, providing adequate water to MID agriculture customers has always been and will continue to be a priority and will not be impacted by water transfers to CCSF. MID will continue its efforts to maintain and manage groundwater conditions in our service area. In the future, if sufficient revenues are available, property could be purchased to use as groundwater recharge basins.

**8. How is MID's water currently distributed?**

MID's share of water from Don Pedro Reservoir is 300,000 acre-feet. Each year, approximately 185,000 acre-feet is distributed to agriculture customers and around 35,000 acre-feet to the City of Modesto. The remaining water is distributed in operational outflows, utilized for environmental stewardship, groundwater recharge and some is kept in storage in Don Pedro.

**9. Will there be an economic impact analysis discussing the pros and cons of the sale?**

Yes. The economic benefits of a proposed transfer and alternative uses of the water will be part of the MID Board of Directors' review process.

**10. Is there any loss of hydro generated power? If so, how will this be reconciled?**

Any lost hydropower, both long-term and short-term, will be fully reimbursed by the terms of the transfer. Hydropower accounts for only a small percentage – about 10% – of MID's total power generation.

**11. Why doesn't MID make this water available for purchase to west side or other nearby agricultural users?**

Significant infrastructure, economic and legal hurdles make this an unrealistic option at this time.

**12. What is the effect of this sale on the Tuolumne River?**

The Tuolumne River won't be significantly impacted by any water transfer by MID. MID remains committed to conservation and its stewardship of the river. CCSF has completed an environmental review of the potential 2,200 acre foot transfer, and before any larger arrangement moves forward a thorough environmental review process, including a full Environmental Impact Report, will be completed. If any concerns are identified, appropriate action will be recommended at that time.

**13. Will the purchase price for the water be a set price?**

No, the contract will include built-in price increases (escalator clause) to keep pace with market increases.

**14. Why not delay a water transfer until after the Federal Energy Regulatory Commission's (FERC) relicensing process for Don Pedro is complete?**

The FERC process will last five years or longer. MID can ill-afford to postpone action to improve our infrastructure. Without the needed improvements we face the likelihood of both a loss of water and loss of potential revenue. Water committed for urban use is viewed very favorably in the relicensing process and meets the "beneficial uses" standard.

Also, FERC doesn't have jurisdiction over transfers. The transfer being considered is consistent with the overall objectives of the FERC process.

**15. Why has MID changed its position from the 2007 Bee story?**

The circumstances around this proposal are considerably different. In this case a willing buyer and a willing seller exist. Proceeds from the transfer will relieve MID customers of hundreds of millions of dollars in improvement expenses and help pay for the Don Pedro relicensing project. The water sent to CCSF under the proposal is recovered water, conserved as a result of infrastructure improvements.

**16. How will this impact the economic conditions in our community?**

It protects our water rights which are the lifeblood of our community. Additional jobs could be generated by the construction activities of the infrastructure improvements. Domestic, agricultural and industrial water rates could remain stable, and some burden on electric rates could be eased, positively impacting overall job stability throughout the region.

**17. What are the next steps?**

- A) Negotiate terms and conditions of initial water transfer to CCSF.
- B) Public meeting, discussion and MID Board of Directors' consideration of the 2,200 acre foot transfer.
- C) Direction by MID Board to initiate environmental review and evaluation of larger water transfer subject to:
  - Protection of MID customers against any shortage of deliveries in drought years.
  - Commitment to looking at possibility of funding water conservation programs for urban and agricultural customers with proceeds from water sale.
  - Understanding that as much infrastructure improvement work as possible will be awarded to local contractors.
  - Reimbursement to MID's electric budget for any shortfall in power generation caused by the water sale.





# ***Water Transfers and Your MID***



# Overview

- **MID is evaluating the potential transfer of water to the City and County of San Francisco (CCSF)**
  - According to State law, urban use is considered the highest beneficial use
  - Transfer to CCSF can be accomplished through existing facilities
  - Transfer won't interfere with existing customers' water needs
  - Revenue generated would help pay for irrigation infrastructure improvements, FERC relicensing and regulatory costs, relieving burden on MID ratepayers

# *Why Now?*

- **MID Board has worked to keep rates down especially in difficult economic times, and is trying to achieve rates reflecting the cost of service**
- **Aging irrigation infrastructure, FERC relicensing and from federal and state mandates create a need for additional revenue**
- **MID revenue options are 1) rate increases, 2) water transfer, 3) bond financing, 4) grants and loans**
- **In addition, through FERC relicensing process and other current State proceedings MID could be forced to push additional water flows down the River without compensation**

# ***MID's Objectives***

- **Water Rights will not be sold or transferred**
- **MID service area customers will not underwrite the cost of any transfer**
- **MID service area customers will be protected even in water short years**
- **Price for transferred water will be competitive over the term of any transfer**
- **Number of years for any transfer obligation shall be limited to provide reasonable assurances to MID customers**
- **Terms of any transfer will be reviewed by an independent water expert in addition to MID staff**
- **MID water dedicated to environmental purposes will not be impaired**



# ***Water Rights are NOT at Risk***

- **According to California State Water Code 1040.** The transfer of water, or the offer of water for transfer, ***shall not*** cause, or be the basis for a forfeiture, abandonment, or modification of any water right, contract right, or other right to the use of that water. An offer of water for transfer, contract negotiations, or a transfer agreement shall not be used as evidence of water or unreasonable use, or of cessation of use, of the water made available for transfer.
- ***MID potential transfer of water, NOT rights***

# ***Further Protection Provided by Beneficial Use Doctrine***

- **According to California State Water Code 106, 106.5.** It is the policy of California that domestic use is ***the highest use*** and agriculture is the next highest use.
- ***Ensuring that MID water is allocated to highest beneficial use protects our water rights.***

# ***Successful Precedent for Transfers in San Joaquin Valley***

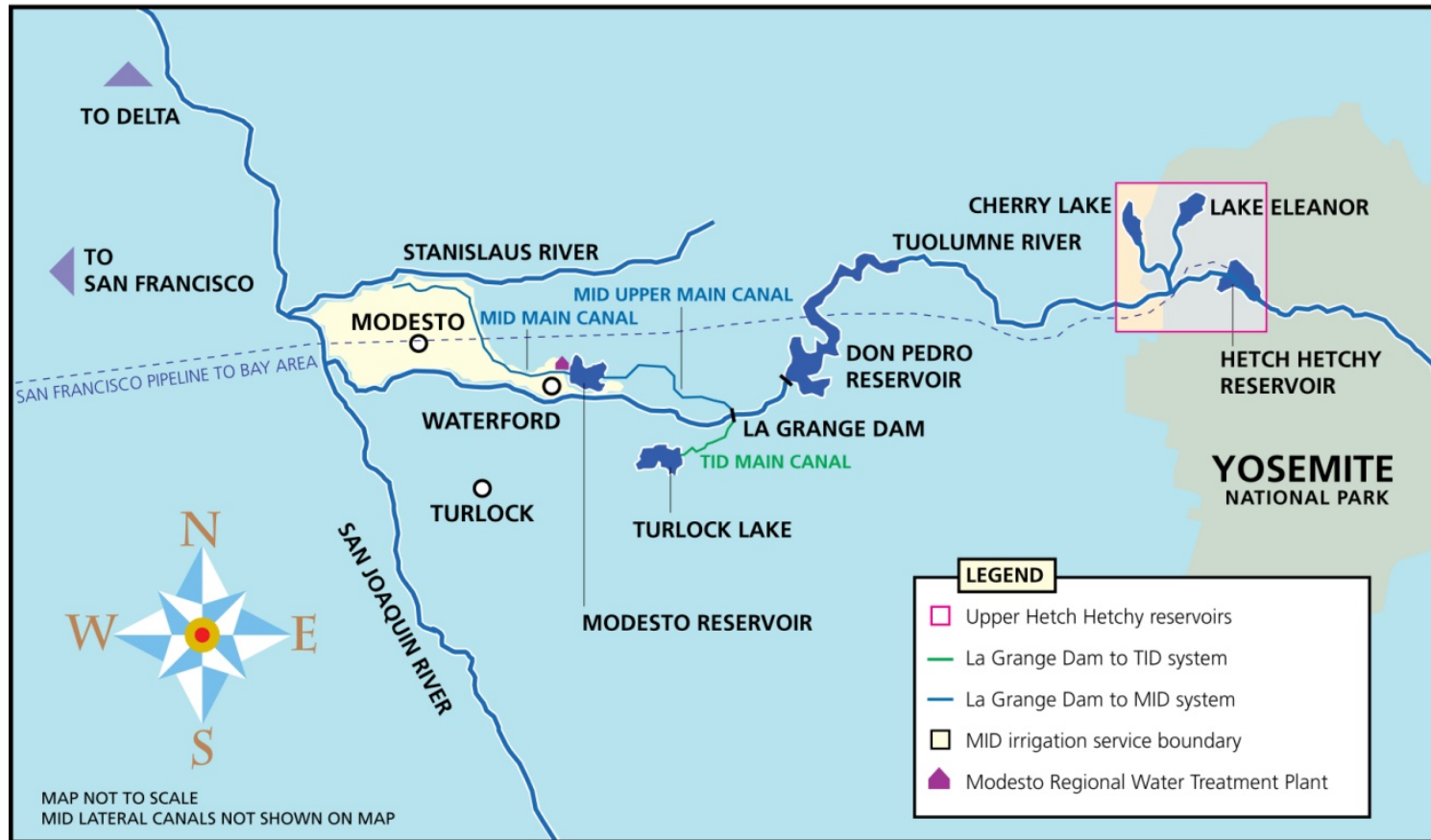
- MID 1990-1991 5,000 AF\* transfer to CCSF
- Oakdale Irrigation District
  - 10-year transfer to City of Stockton
    - Average annual transfer of 42,650 AF
    - Average annual revenue of \$3.4 million
    - No impact on OID deliveries
    - No impact on OID water rights
    - OID funded \$41 million of system improvements with this revenue
    - OID water rates have not increased
- Merced ID
  - 30,000 to 40,000 AF annually
  - Around \$100/AF
- ***Supported by existing law and public policy***

\* AF = Acre Foot





# How the System Works

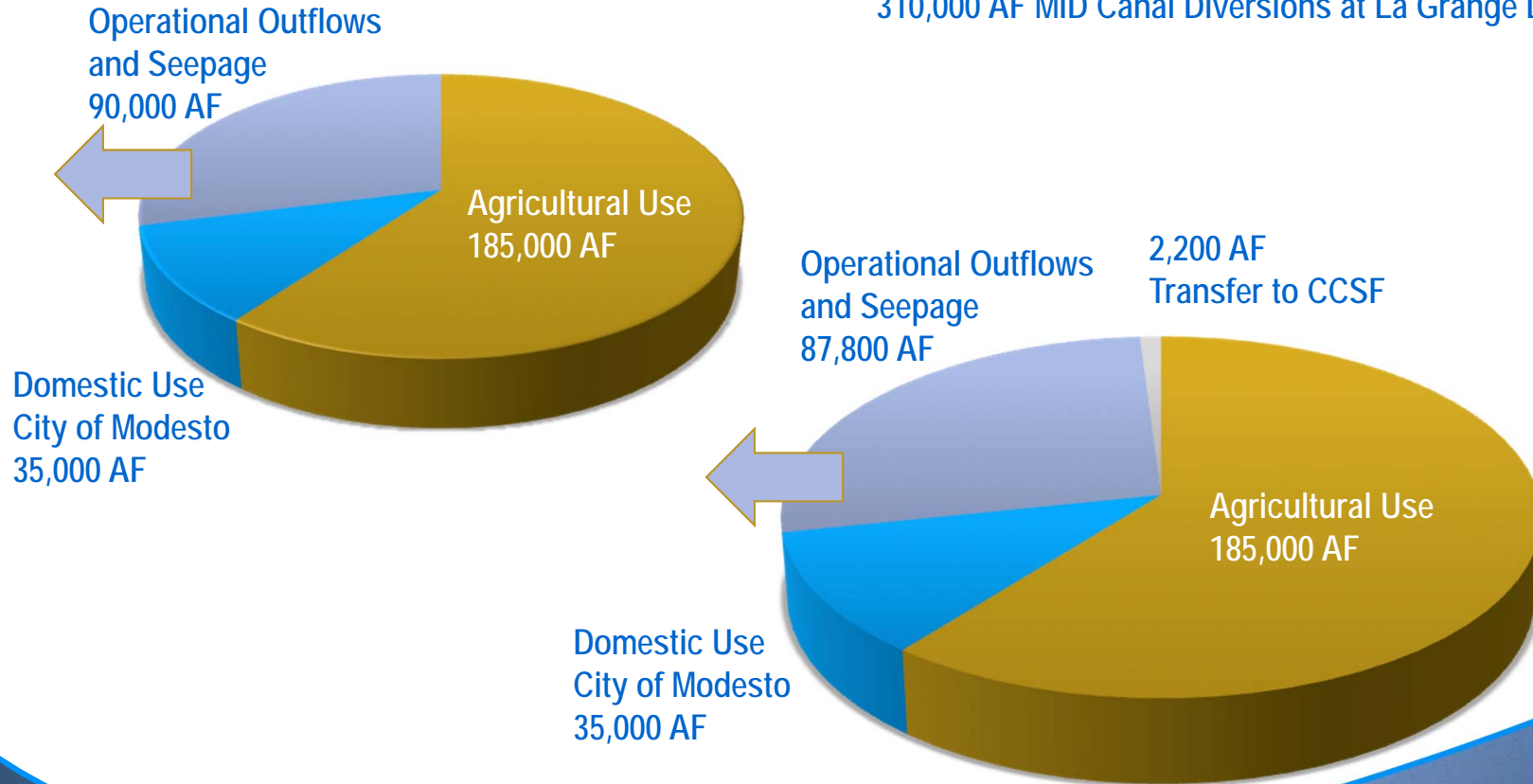




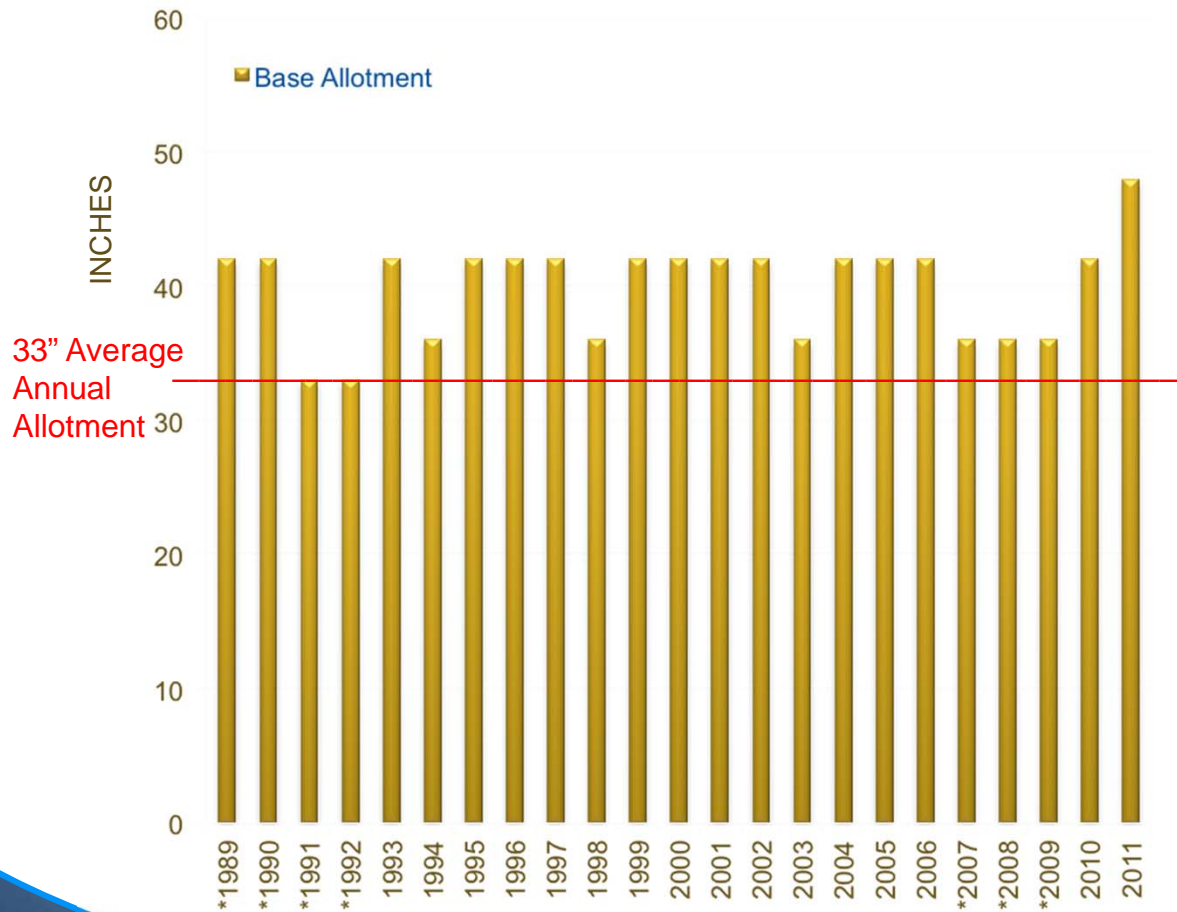
# MID Canal Diversions

*Before and After Infrastructure Improvements and Proposed Transfer*

310,000 AF MID Canal Diversions at La Grange Dam



# Historical Irrigation Water Allotment



- *MID has consistently provided adequate supplies to its irrigation customers*
- *Average water use has never exceeded base allotment, even in drought years*
- *No ag land has been lost or forced to go fallow due to lack of water, even in drought years*

*\*1989-1992, 2007-2009 Drought declared by Governor*

# *Irrigation Infrastructure Costs*

- **Project includes planning and construction**
  - Total estimated cost of planned activity is \$115 million
  - Total implementation period of around 11 years
- **Without outside funding the cost of improvements would require a 5-fold increase in water rates**
- **Improvements are necessary whether or not water transfers are implemented**
- **Improvements maximize system and water use efficiency and result in no net water lost**

# Specific Infrastructure Categories and Costs

Benefits				Broad Categories	Initial Costs*
General	Water Retention	Safety	Farmer Service		(2010 Million \$)
	X		X	Main Canal Reservoir (head of Lateral 3), controls, Main Canal modifications	\$10 M
		X		Dry Creek Flume	\$10 M
	X		X	Laterals 6 and 8 Reservoirs, interceptor, and return lines	\$22 M
	X	X	X	Computer control system upgrades (SCADA)	\$10 M
		X		Trash screens on highway crossings	\$ 1 M
			X	Removal of bottlenecks	\$ 3 M
X				Planning/Permitting (CEQA/EIR)	\$ 3 M
	X		X	Waterford area improvements	\$ 6 M
	X		X	Laterals 4 and 5 Reservoir, interceptor, and supply pipelines	\$25 M
	X		X	Laterals 3 and 7 Reservoir, interceptor, and supply pipelines	\$25 M

\*Initial costs include engineering, mobilization, contingency



# ***Irrigation System Efficiency***

- ***Operational outflow is the water that runs out the ends of MID's irrigation system each season due to the system's gravity flow design***
- ***Various irrigation infrastructure improvements could help reduce operational outflows and conserve this water within the system***
- ***With the ability to retain water within the system, there is more water available to transfer***
- ***Revenue from such transfers could in turn pay for the necessary irrigation system improvements leading to water system and water use efficiencies***

# *Potential Water Savings and Estimated Cost*

## **Retained Water**

- The average amount of water to be retained annually will be between 25,000 and 40,000 AF

## **Cost**

- The total estimated cost of all anticipated improvements will be about \$115 million

# Limited Funding Options

## **OPTION A: Pay as you go**

Significant increase needed to cover \$115 million infrastructure improvement costs

### •Water Rates

- Average cost is \$7.71 / AF
- Potential increase to meet needs is \$60-65 /AF

### •City of Modesto Drinking and Industrial Water

- City of Modesto pays the same raw water rates as irrigation customers
- Raw water costs could increase about \$2 million annually

## **OPTION B: Debt Financing**

Financing \$115 million infrastructure improvement costs = \$7.9 million annually for 30 years

### •Water Rates

- Average cost is \$7.71 / AF
- Potential increase to meet needs is \$40-45 /AF

### •City of Modesto Drinking and Industrial Water

- City of Modesto pays the same raw water rates as irrigation customers
- Raw water costs could increase about \$1.3 million annually

- Rate scenarios based on current base allocation water rate of \$27 per acre and don't include any other potential rate increases.
- Average cost = MID's current water base allocation rate (\$27 per acre) divided by the historical average base allocation (42 inches or 3.5 feet).





# *Limited Funding Options* (continued)

## ***OPTION C: Irrigation Bill Adjustment***

- **Only irrigation customers pay adjustment to cover \$115 million infrastructure improvement costs**
  - *City of Modesto would not pay this irrigation adjustment*
- **Adjustment is estimated to total \$200 / acre annually**
  - *Average irrigator (20 acres) would pay \$4,000 annually*
- **This adjustment would be on top of a base water rate of \$27 / acre (equivalent to \$7.71 / AF)**

- Rate scenarios based on base allocation water rate of \$27 per acre (\$7.71 per AF) and don't include any other potential rate increases.
- Adjustment calculation = \$115 million divided by 10 years (\$11.5 million per year), divided by total acres irrigated by MID customers (58,000 acres).



# *Potential Revenue from 2,200 AF Water Transfer*

<b>2,200 AF @ \$700 AF</b>	<b>w/ 2% increase</b>	<b>w/ 3% increase</b>
5 years	\$8,014,221	\$8,176,069
10 years	\$16,862,570	\$17,654,374
15 years	\$26,631,862	\$28,642,327
20 years	\$37,417,949	\$41,380,376
25 years	\$49,326,661	\$56,147,267

An MID analysis of projected water supply and demand show that approximately 56% of the time, San Francisco will have no need for the transferred water. However, San Francisco will be obligated to pay the full contractual price for the water in storage.

# *Potential Revenue from 25,000 AF Water Transfer*

<b>25,000 AF @ \$700/AF</b>	<b>w/ 2% increase</b>	<b>w/ 3% increase</b>
5 years	\$91,070,702	\$92,909,876
10 years	\$191,620,117	\$200,617,887
15 years	\$302,634,796	\$325,480,993
20 years	\$425,203,971	\$470,231,553
25 years	\$560,530,245	\$638,037,125

An MID analysis of projected water supply and demand show that approximately 56% of the time, San Francisco will have no need for the transferred water. However, San Francisco will be obligated to pay the full contractual price for the water in storage.

# ***Critical Need for Action***

- **Aging infrastructure**
- **Regulatory pressure to increase system efficiencies**
- **Water could be reallocated due to legal and environmental mandates without compensation to MID**
- **Ratepayer relief**

# Questions?