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**HAYWARD**  
HEART OF THE BAY

**Water Supply Agreement  
Between  
City and County of San Francisco  
and  
Wholesale Customers in Alameda, Santa Clara and San  
Mateo**

**City Council Worksession  
May 5, 2009**



# Background and History

- Hayward's 1962 Agreement
- Other Wholesale Customers Ind. Water Sales Agreements
- 1984 Settlement Agreement and Master Water Sales Contract
- Recent Negotiations and New Water Supply Agreement





# Main Provisions Included in New Water Supply Agreement

- Water Supply (Quantity)
- Water Quality
- Interim Water Supply Limitations
- Wholesale Revenue Requirements
- Rate Setting Parameters & Methodology
- Accounting Procedures



# Effective Date and Term

- Effective Date
- Term
- Amendments During Term





# Water Quality/Supply

- Water Quality
- Water Supply:
  - Supply Assurance
  - Supply Guarantees
  - Completion of Water System Improvement Program
- Permanent Transfer of Supply Guarantees



# Interim Supply Limitation Through 2018

- Interim Supply Limitation: 265 mgd; 184 mgd for wholesale customers (including San Jose & Santa Clara) and 81 mgd for in-City customers
- Individual Interim Supply Allocation (to be decided by Dec 2010)
- Environmental Enhancement Surcharge
- Establishment and use of Environmental Enhancement Surcharge



# Water Conservation/Shortages

- Conservation/Water Management Charge
- Shortages
  - Localized
  - Statewide
  - Drought
  - Wheeling of Water
- Tier 1 and Tier 2 Drought Allocations



# Wholesale Revenue Requirements

- Capital cost recovery for existing assets
- Capital cost contribution for new regional assets
- Water enterprise operations and maintenance
- Hetch Hetchy enterprise
- Additional agreements on financials



# Wholesale Revenue Requirements (cont'd)

- Rate adjustment timing and methodology
- Use of balancing accounts
- Wholesale revenue coverage reserve
- Working capital requirement
  
- Not in Water Supply Agreement: Rate structure



# Capital Cost Funding

- Existing: Utility Method
  - Depreciation and Rate of Return
- New: Primarily Cash Method
  - Debt Funded/Revenue Funded
- Under New Agreement, annual wholesale rate increase for next five years averages at over 17%.



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- Discussion
  - Issues to Research
  - Questions

