

Approve Suspension of Billing and Collection of the Water Stewardship Rate on Exchange Agreement Deliveries for Calendar Years 2018, 2019, and 2020

Finance & Insurance Committee
Item 8-2
April 9, 2018



Background and Overview

- 2003 exchange agreement with SDCWA
- Water Stewardship Rate currently collected and set aside pursuant to dispute/litigation
- SDCWA v. Metropolitan, Appellate Decision
 - Court held Administrative Record for CYs 2011-2014 did not support WSR Cost allocation for those years
- WSR Allocation merits further study for future years, but not mandated by the decision
- Current administrative record supports the allocation to transportation rates

Water Stewardship Rate (WSR)

- Recovers the costs of the Conservation Credits Program (CCP) and the Local Resource Programs (LRP), including the departmental labor, and vendor administration costs for these programs (Demand Management costs)
- Increasing by \$14/AF in 2019 to from \$55/AF to \$69/AF due to the increase in CCP expenditures and messaging
- Decreasing by \$4/AF in 2020 from \$69/AF to \$65/AF due to decreased LRP costs and an increase in budgeted water transactions of 50 TAF in FY 2019/20

Proposed Study of Demand Management Costs

- Transparent process working with the Board and Member Agencies to further study and determine most appropriate cost allocation of the Demand Management cost function
- Process may take up to two years to complete and staff expects to propose results be incorporated in
 - the next biennial budget, FY 2020/21 and FY 2021/22, and
 - in rate setting effective January 1, 2021 and January 1, 2022

Proposed Study of Demand Management Costs

- During study period, it is proposed to suspend billing the WSR on exchange agreement deliveries in CYs 2019 and 2020; forego collection during study period
- Additionally, suspend billing and collecting WSR on exchange agreement deliveries in CY 2018
- Total potential effect of the proposed suspension from lower revenues is approximately \$46 million

	CY 2018	CY 2019	CY 2020	Total
Exchange Deliveries, AF	212,000	242,000	274,000	728,000
WSR Revenues on Exchange	\$11,660,000	\$16,698,000	\$17,810,000	\$46,168,000

Board Options

Recommendation

- Option #1 - Adopt the CEQA determination, and
 - a) Approve suspension of billing and collection of the Water Stewardship Rate on exchange agreement deliveries to SDCWA for calendar years 2019 and 2020 during the Demand Management cost allocation study period, and
 - b) Suspend billing and collection of the Water Stewardship Rate for calendar year 2018.

Recommendation

- Option #2:
 - Do not approve the proposal to suspend the billing and collection of the Water Stewardship Rate on exchange agreement deliveries to SDCWA during the Demand Management cost allocation study period for Calendar Years 2018, 2019, and 2020.

Staff Recommendation

- Option #1

