CITY *of* BRISBANE

Infrastructure, Franchise, Utilities Subcommittee Agenda

Tuesday, July 15th, 2025 at 2:00PM ● Hybrid Meeting
Brisbane City Hall 25 Park Place, Brisbane, CA

The public may observe/participate in the Subcommittee meetings by using remote public comment options or attending in person. Subcommittee members shall attend in person unless remote participation is permitted by law. The Subcommittee may take action on any item listed in the agenda.

JOIN IN PERSON

Location: 25 Park Place, Brisbane, CA 94005 - Annex Conference Room
Masks are no longer required but are highly recommended in accordance with California Department of Health Guidelines. To maintain public health and safety, please do not attend in person if you are experiencing symptoms associated with COVID-19 or respiratory illness.

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TO ADDRESS THE SUBCOMMITTEE

IN PERSON PARTICIPATION

To address the Subcommittee on any item on or not on the posted agenda, please wait until Public Comments are being accepted.

REMOTE PARTICIPATION

Members of the public may observe/participate in the Committee meeting by logging into the Zoom Webinar. Aside from commenting while in the Zoom meeting, the following email line will be monitored during the meeting, and public comments received will be noted for the record during Public Comment or during an Item.
Email: aibarra@brisbaneca.org

SPECIAL ASSISTANCE

If you need special assistance to participate in this meeting, please contact Angel Ibarra at (415) 508-2109. Notification in advance of the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

SUBCOMMITTEE MEMBERS:

Mayor Lentz, Councilmember O'Connell

ROLL CALL

A. Consider any request of a City Councilmember to attend the meeting remotely under the "Emergency Circumstances" of AB 2449

PRESENTATIONS AND DISCUSSION ITEMS

B. Bay Area Water Supply & Conservation Agency (BAWSCA) Presentation of Recommended Water Supply Agreement Amendments and Updated Tier 2 Drought Response Implementation Plan

PUBLIC COMMENT

ADJOURNMENT

File Attachments for Item:

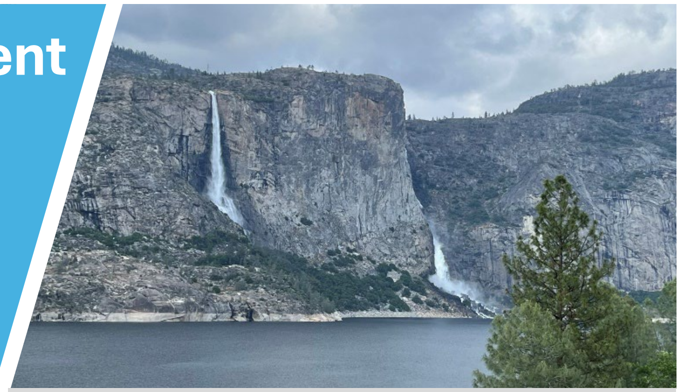
B. Bay Area Water Supply & Conservation Agency (BAWSCA) Presentation of Recommended Water Supply Agreement Amendments and Updated Tier 2 Drought Response Implementation Plan

B.

oposed Water Supply Agreement (WSA) Contract Amendment

Regarding the Minimum Purchase Quantity (MPQ)

December 2024



What is the Minimum Purchase Requirement?

As early as the 1960s, four agencies with access to sources of supply not available to either San Francisco or the other Wholesale Customers were required to purchase a "minimum annual quantity of water" from the San Francisco Regional Water System (RWS).

The Minimum Purchase requirement guarantees an ongoing financial stake in the RWS and provides year-to-year financial stability for the RWS.

To encourage water conservation during droughts, MPQs are waived.

Why is the Minimum Purchase Amendment Needed?

The Minimum Purchase Quantities (MPQs) are no longer achieving their intended purpose given today's conditions.

- Droughts, investments in water use efficiency, and development of local supplies have reduced demand on the RWS.
- The RWS is currently subject to severe drought and the SFPUC is investigating alternatives.
- MPQ agencies are well situated to develop local, drought resilient supplies, which improves reliability of the RWS for all users.
- Current MPQs disincentivize investments in local supplies.

Policy Considerations Driving the Minimum Purchase Amendment

- Acknowledge MPQ agencies' efforts toward permanent conservation and recycled water, while protecting the RWS from supply shifting based on cost.
- Reflect a realistic demand recovery period after droughts.
- Ensure cost impacts are shared between SF Retail and Wholesale Customers.
- 4 stablish a process to prevent the current issues from ecurring.

Proposed Amendment

The proposed amendment has three components:

1. MPQ Reset

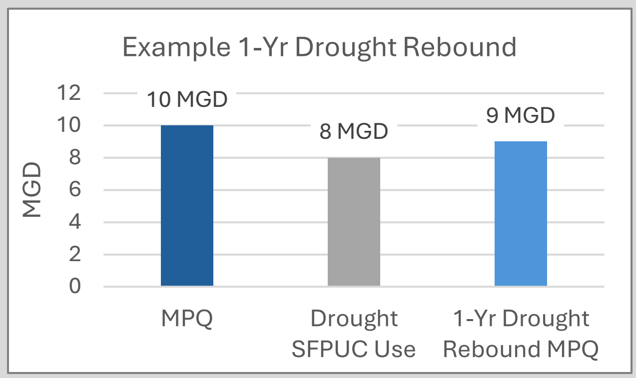
- MPQ reset at 80% of average SFPUC use from previous four non-drought years.
- Review every 10 years.

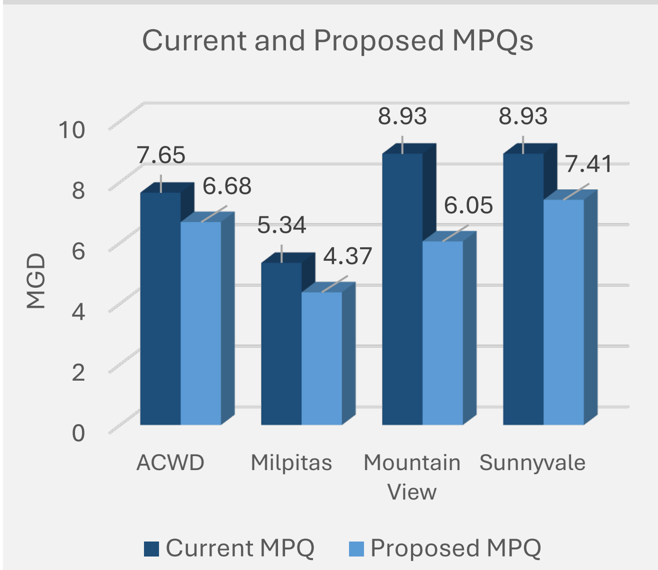
2. MPQ Family Plan

- Imputed sales will only be applied if the Minimum Purchase Agencies collectively use less than the sum of MPQ.

3. Drought Rebound

- One-year drought rebound MPQ set at the mid-point between drought use and MPQ.



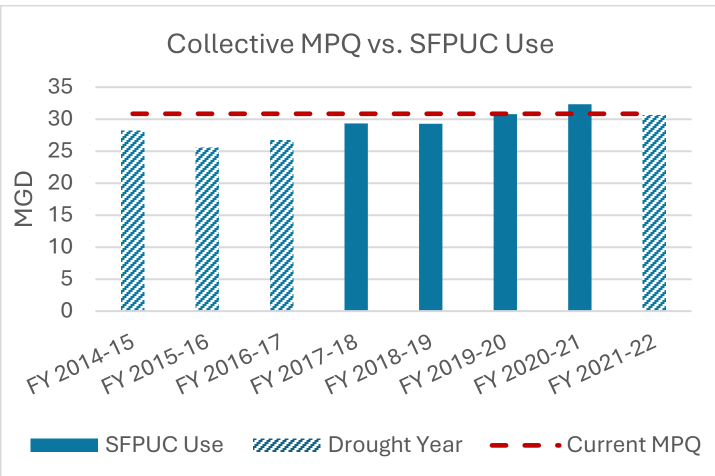


B.

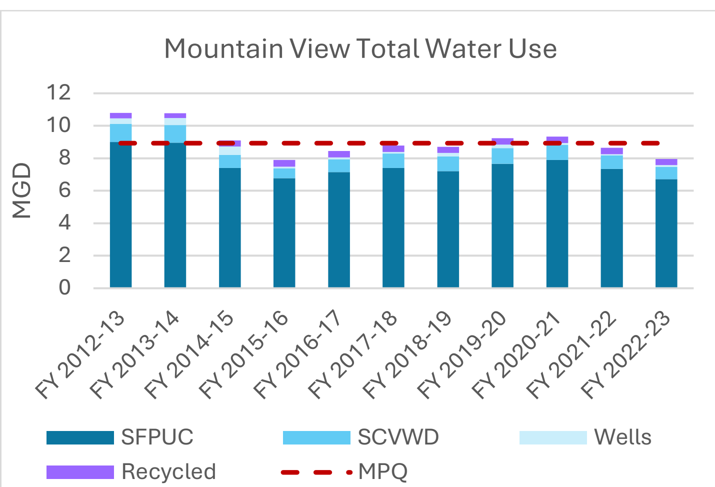
How does the Minimum Purchase Agencies' SFPUC use today compare to MPQs set in the 1980s?

Long-term investments in recycled water and water use efficiency have lowered demand on the RWS. Reductions in water use in response to SFPUC and state mandates for wise water use during droughts often persist for several years after restrictions are lifted. While MPQs are waived during droughts, they are reinstated immediately afterward, even though demand may take several years to rebound to pre-drought levels.

During the four non-drought years between the 2015-17 and the 2021-23 drought, the Minimum Purchase Agencies' collectively RWS purchases were at or below the total MPQ in all but one year.



More specifically, Mountain View's total water use from all potable supplies was below its MPQ in eight of the last 11 years (i.e., Mountain View doesn't have the demand in its service area to use the minimum amount of water it's required to purchase from the RWS).



What are the key Protections for the Wholesale Customer Provided by the Proposed Amendment?

Maintains purpose of the Minimum Purchase requirement:

- Ensures that Minimum Purchase Agencies don't shift purchases away from the RWS.

Improves the reliability of the RWS for all users:

- Allows Minimum Purchase Agencies to develop local supplies, reducing demand on the RWS.
- Extends duration that the 184 MGD Supply Assurance will meet Wholesale Customer demand.
- Cost shared proportionately between San Francisco and Wholesale Customers.

Enhances future stability of the WSA:

- Aligns intent of different sections of the WSA regarding development of local supplies while maintaining financial stability of the RWS.

What are the impacts to the WSA?

Cost Analysis

Given proportional allocation of costs based on purchases from the RWS, future analysis is imprecise (i.e., unit cost of water is based on variables that are hard to predict, such as total purchases).

Based on historical analysis, the cost increase of the amendment, in non-drought years, may be between $0.007 to $0.040 per ccf (0.13% to 0.72%). There is no impact in drought years.

Benefits Analysis

Removes barrier for MPQ agencies to develop drought-resistant local supplies, which improves reliability of the RWS and benefits all RWS users.

Ensures agencies are not charged for unused water.

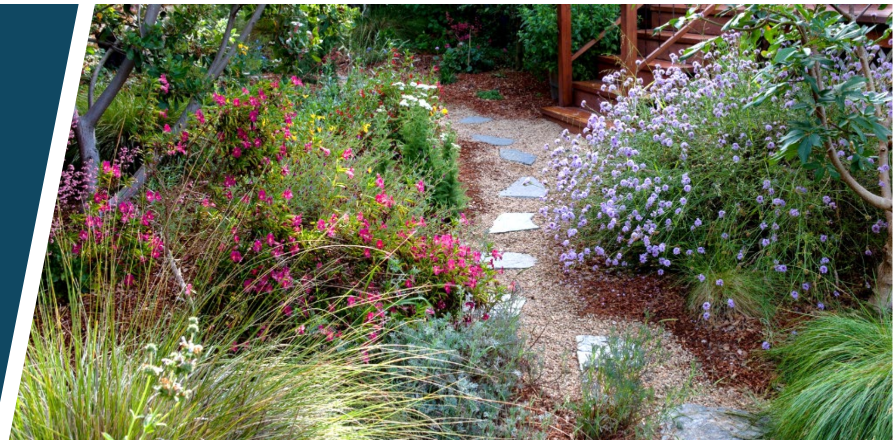
Why is this Minimum Purchase amendment moving forward with the Tier 2 Plan?

The updated Tier 2 Plan imposes higher drought cutbacks on Minimum Purchase Agencies, further reducing RWS use below their MPQs and increasing the risk of paying for unused water once the drought restrictions are lifted. The proposed WSA amendment addresses this issue and other long-standing concerns raised by the Minimum Purchase Agencies.

B.

Tier 1 and Tier 2 Drought Allocation Plans

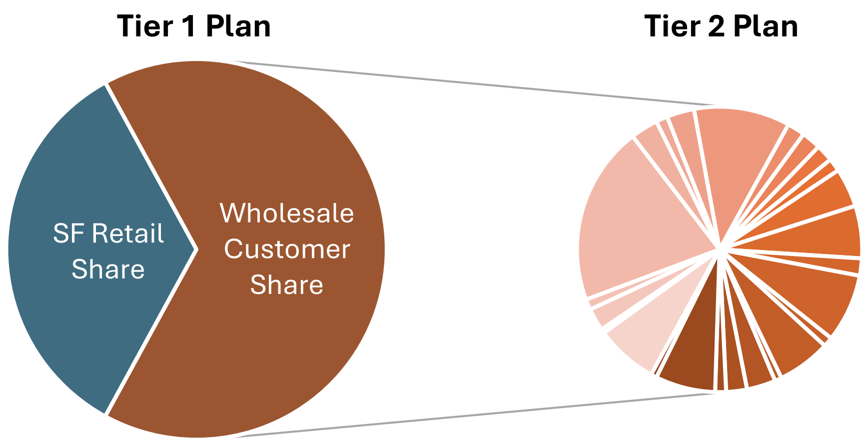
December 2024



Droughts on the San Francisco Regional Water System (RWS) are governed by two plans:

The **Tier 1 Plan** allocates RWS water between San Francisco retail customers and the Wholesale Customers collectively.

The **Tier 2 Plan** is the method for allocating the Wholesale Customers' share of RWS supply among the 26 Wholesale Customers.



Tier 1 and 2 Plan Implementation

Following declaration of a water shortage emergency by the San Francisco Public Utilities Commission (SFPUC), the SFPUC calculates the Tier 1 allocations. Then BAWSCA calculates each Wholesale Customer's individual allocation by applying the methodology in the Tier 2 Plan.

For the duration of the water shortage emergency, the SFPUC provides monthly reports to Wholesale Customers and BAWSCA, tracking actual water usage against drought allocations and detailing any transfers of shortage allocations or banked water among agencies.

The Tier 1 and Tier 2 Plans were implemented for the first time ever during the 2021-23 drought.

Application and Adoption of the Tier 1 and Tier 2 Plans

The Tier 1 and Tier 2 Plans only apply during system-wide water shortages caused by **drought of 20% or less**.

The Tier 1 Plan is contained in the Water Supply Agreement between San Francisco and the Wholesale Customers (WSA). **Changes to the Tier 1 Plan require an amendment to the WSA**.

The existing Tier 2 Plan was adopted in 2011 and set to expire in 2018. Since 2018, the BAWSCA Board has annually extended the existing Tier 2 Plan while the Wholesale Customers developed a revised Tier 2 Plan.

The Tier 2 Plan must be unanimously adopted by the 26 Wholesale Customers. Under the WSA, San Francisco must provide allocations of water unanimously agreed to by all Wholesale Customers or adopted by the BAWSCA Board. *(WSA Section 3.11.C)* If a Tier 2 Plan is not adopted by the BAWSCA Board, San Francisco may make a final allocation decision.

B.

Tier 1 Shortage Allocation Plan Update

The Tier 1 Shortage Allocation Plan (Tier 1 Plan) allocates RWS supplies between San Francisco retail customers and the Wholesale Customers collectively and outlines the administrative process for drought allocations, including timelines, transfers of shortage allocations, and excess use charges.

San Francisco and the Wholesale Customers agreed to amend the Tier 1 Plan to include a new Tier 1 Excess Use Charge Family Plan (described below).

Tier 1 Excess Use Charge Family Plan

Excess use charges are only applied when the collective Wholesale Customer usage exceeds the Tier 1 allocation. If this occurs, excess use charges will be proportionally applied to agencies that exceeded their individual Tier 2 allocations.

Updated Tier 2 Drought Response and Implementation Plan

In early 2022, BAWSCA and Wholesale Customers began negotiating a Tier 2 Drought Response Implementation Plan (Tier 2 Plan) update. Lead negotiators appointed by each agency established four policy principles (listed below). Through mid-2024, the lead negotiators assessed various methods for allocating RWS drought supplies to align with these policy principles until they agreed on a final methodology.

Policy Principles

#1: Provide sufficient water for the basic health and safety needs of customers.

#2: Minimize economic and other adverse impacts of water shortages on customers and the BAWSCA region.

#3: Provide predictability of drought allocations through consistent and predetermined rules for calculation, while allowing for flexibility to respond to unforeseen circumstances.

#4: Recognize benefits of, and avoid disincentives for, water use efficiency and development of alternative water supply projects.

Tier 2 Plan Term

The Tier 2 Plan term is coordinated with the term of the WSA to avoid simultaneous renegotiation of these related agreements.

Negotiated Tier 2 Plan Allocation Formula

Allocations are determined using multiple factors:

- **Minimum and Maximum Cutbacks:** Establishes the upper and lower bounds of each Wholesale Customer's final allocation.
- **Residential Per Capita Basis:** Allocates water on a residential per capita basis, based on the portion of each agency's potable water demand met by the RWS.
- **Non-Residential Base Use:** Allocates water based on each agency's estimated non-residential indoor (base) use.
- **Seasonal Purchases:** Allocates water based on estimated seasonal use from the RWS.
- **Base Purchases/Individual Supply Guarantee (ISG) Weighted Share:** Remaining water is allocated based on a weighted share of 2/3 of RWS purchases and 1/3 of ISG.

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"A multicounty agency authorized to plan for and acquire supplemental water supplies, encourage water conservation and use of recycled water on a regional basis."

[BAWSCA Act, AB2058 (Papan-2002)]

Updated Tier 2 Plan and WSA Amendments Adoption

BAWSCA | Brisbane Mtg

July 15, 2025

BAWSCA
Bay Area Water Supply & Conservation Agency

B.

Agenda

1. Overview of the Water Supply Agreement between San Francisco and the Wholesale Customers (WSA)
2. Review two water supply reliability contract actions
   a. Updated Tier 2 Drought Response Implementation Plan (Tier 2 Plan)
   b. WSA amendments

B.

Key Elements of the Water Supply Agreement Between San Francisco and the Wholesale Customers (WSA)

WSA*

- Governs water supply from the San Francisco Regional Water System (RWS) to the Wholesale Customers

- Defines allocation of costs between San Francisco and the Wholesale Customers for water purchased from the RWS
- **Includes Minimum Purchase Requirements for four Wholesale Customers with access to imported supplies**

- **Provides method for allocating RWS supply between SF Retail and Wholesale Customers collectively during drought (Tier 1 Plan)**
- **Wholesale Customers may adopt method for allocating water amongst themselves (Tier 2 Plan)**

* BAWSCA has administrative ties and delegated authority but is not a party to the contract

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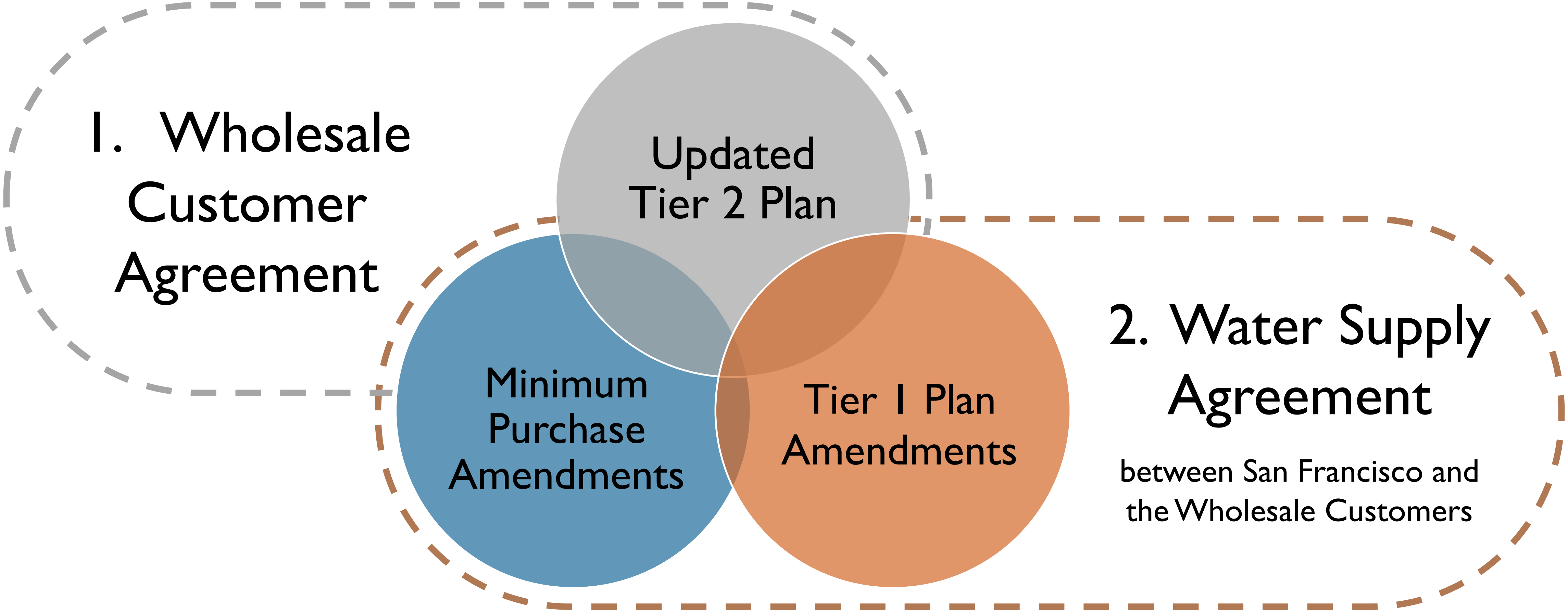
B.

Two Important Water Supply Reliability Contract Actions



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B.

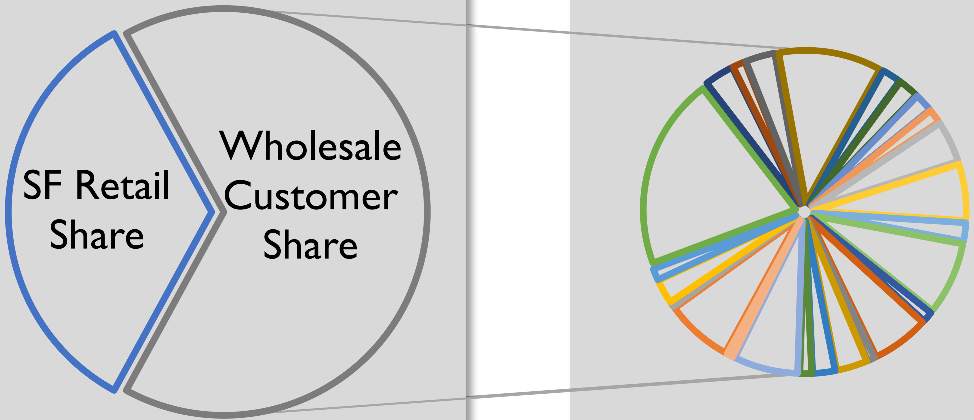
Shortages on the Regional Water System (RWS) are Governed by Two Plans

Shortages on the RWS

* Applies during system-wide shortages due to drought of 20% or less

Tier 1 Plan

Method of allocating water from the RWS between:



Tier 2 Plan*

Method of allocating water from the RWS among the Wholesale Customers

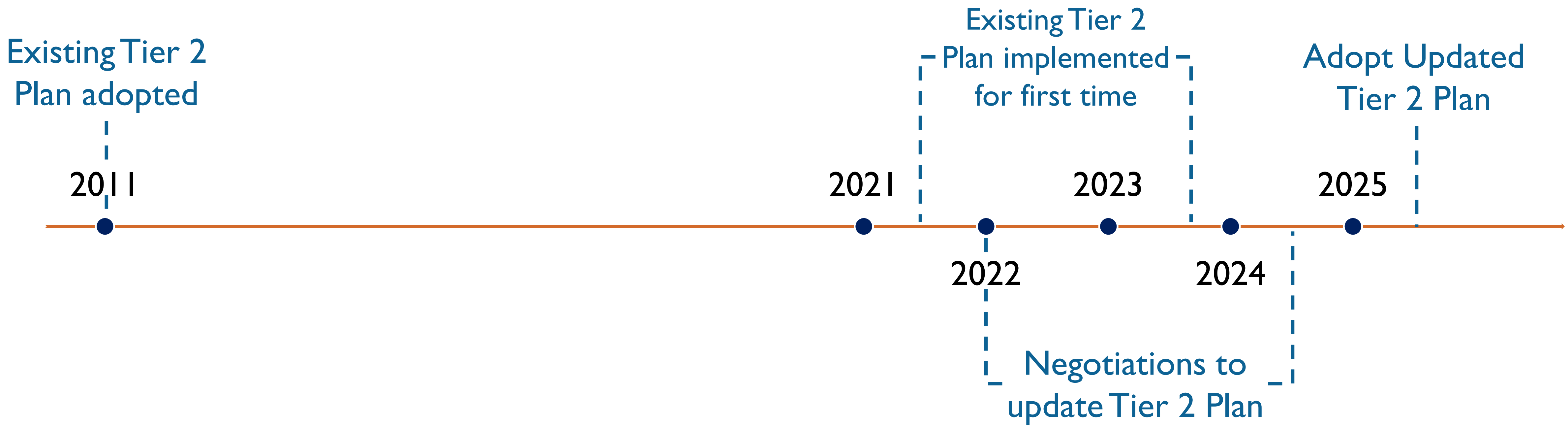
* Agreement among Wholesale Customers, San Francisco not included

Application of the Tier 1 and 2 Plans

- Apply during system-wide shortages due to drought of 20% or less
- Excess use charges only apply during mandatory shortage emergencies
- Wholesale Customers may transfer shortage allocations and banked water amongst themselves and with San Francisco

B.

Existing Tier 2 Plan Required an Update



- 2021-23 implementation made clear the Plan no longer operates as originally intended
  - Conditions and overall water use in the region has changed
  - Special rules carved out for certain agencies now may apply to multiple agencies

B.

Agreed Upon Plan Required Engagement from All 26 BAWSCA Member Agencies and 2.5 Years of Negotiation

2.5 Years of Monthly Half- and Full-Day Meetings

Lead Negotiator Appointed by Each Agency

Adhered to Agreed Upon Policy Principles

Excel-Based Tier 2 Model

Tier 2 Plan Policy Principles

Policy Principles

1. Provide sufficient water for the basic health and safety needs of customers
2. Minimize economic and other adverse impacts of water shortages on customers and the BAWSCA region
3. Provide predictability of drought allocations through consistent and predetermined rules for calculation, while allowing for flexibility to respond to unforeseen circumstances
4. Recognize benefits of, and avoid disincentives for, water use efficiency and development of alternative water supply projects

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B.

Tier 2 Plan Allocation Methodology

* No water allocated in these steps

- Establish Minimum* and Maximum* Allocations
- Residential Efficient Allocation
- Non-Residential Base Allocation
- Seasonal Allocation
- & ISG — RWS Use/ISG Weighted Allocation

"Needs-Based" Steps

ISG/SFPUC Purchases-Based Step

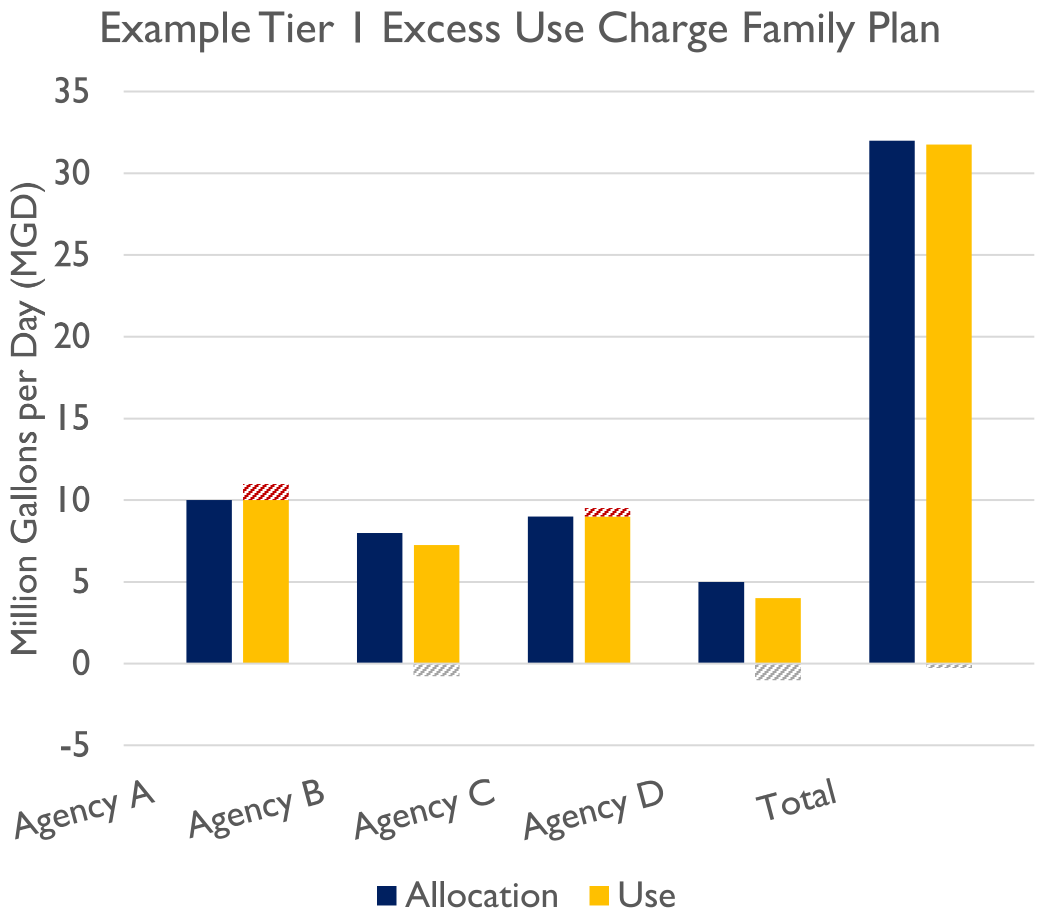
B. 26 Member Agencies Successfully Negotiated an Updated Tier 2 Plan

- Finalizing the updated Tier 2 Plan required concessions from all agencies including an agreement to make changes to:
  - Tier 1 Plan
  - Minimum Purchase Quantities
- Updated Tier 2 Plan must be unanimously adopted by the 26 member agencies' governing bodies
  - Once unanimously adopted, the updated Tier 2 Plan will be used in the event of drought

B.

Tier 1 Plan Amendment Incorporates New Tier 1 Excess Use Charge Family Plan

- ***Existing* - Excess use charges only applied during mandatory rationing conditions**
- ***New* - No excess use charges applied if collective Wholesale Customer purchases are less than Tier 1 allocation *(Similar to a cell phone family plan)***



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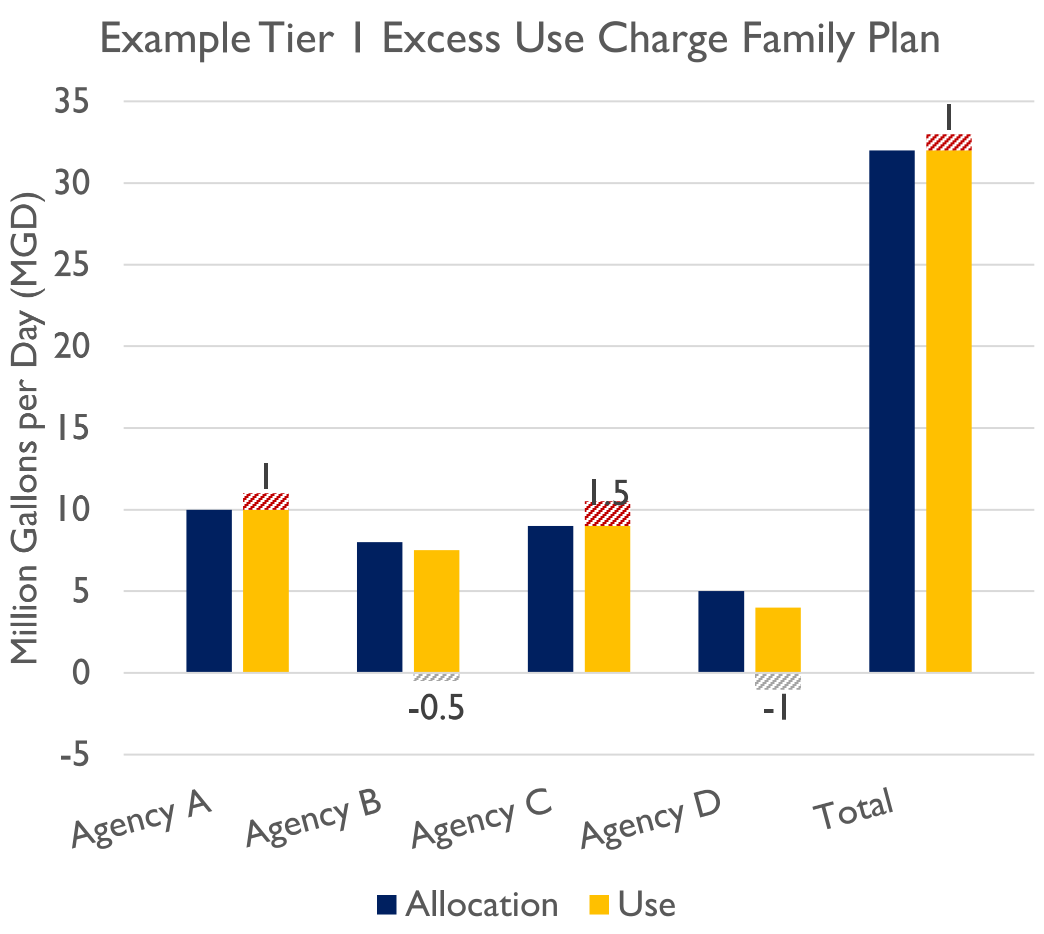
B.

Example of Proportional Excess Use Charge if Wholesale Customers Exceed Tier 1 Allocation

Agency	Allocation	Use	Over/ Under	Proportional Excess Use
A	10	11	1	0.4
B	8	7.5	-0.5	
C	9	10.5	1.5	0.6
D	5	4	-1	
Total	**32**	**33**	**1**	**1**



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B.

Minimum Purchase Requirements Apply to Four Agencies

- Minimum purchase requirements have been in place since the 1960s
  - Minimum Purchase Quantities (MPQs) lowered in 2009 (15+ years ago)
- Four Wholesale Customers with access to other imported water must purchase a minimum amount of water from the San Francisco Regional Water System (RWS)
  1. Alameda County Water District
  2. City of Milpitas
  3. City of Mountain View
  4. City of Sunnyvale
- Conditions have changed since MPQs were lowered in 2009 and require another reset
  - Overall demand on the RWS is lower
  - RWS is still subject to severe drought
  - San Francisco and all Wholesale Customers want to improve reliability of the RWS
  - Some MPQ agencies are paying for water they cannot use

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B.

Minimum Purchase Amendment has Three Simple Elements

1 MPQ Reset

2 Drought Rebound MPQ

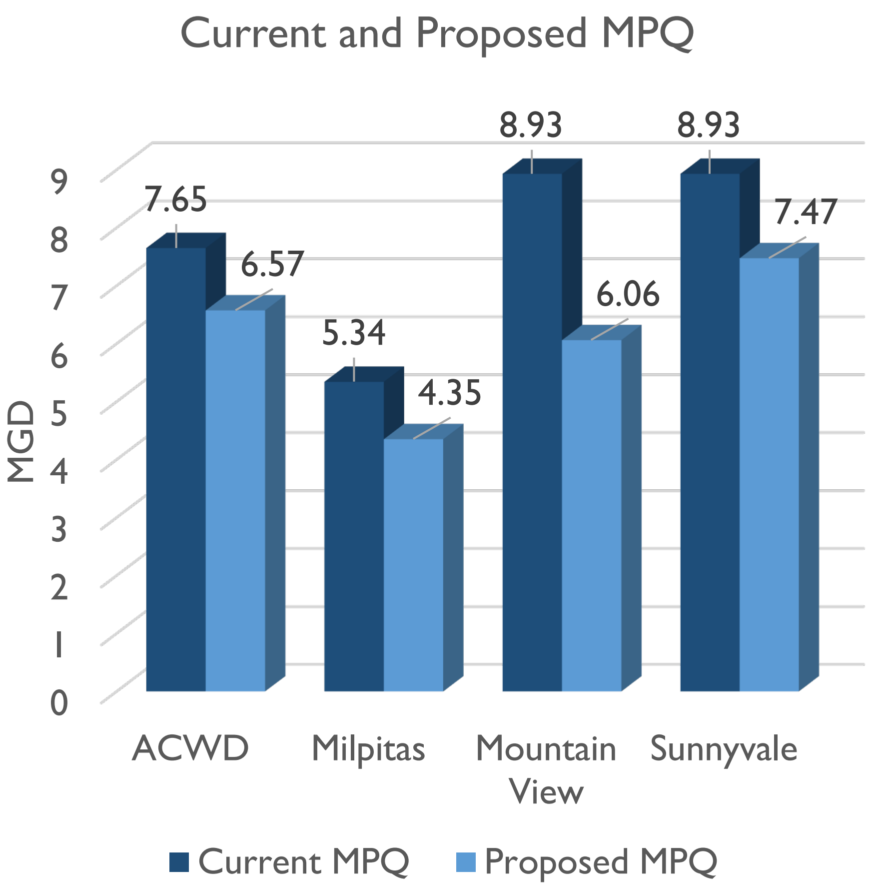
3 MPQ Collective Purchases Family Plan

B.

Element 1: Minimum Purchase Quantity Reset

- MPQs reset at 80% of SFPUC use from previous four non-drought years
- 10-year review for possible downward adjustment, if warranted

Note: *1984 Contract which set MPQs at 80% to 100% of each agency's 1981 San Francisco purchases*



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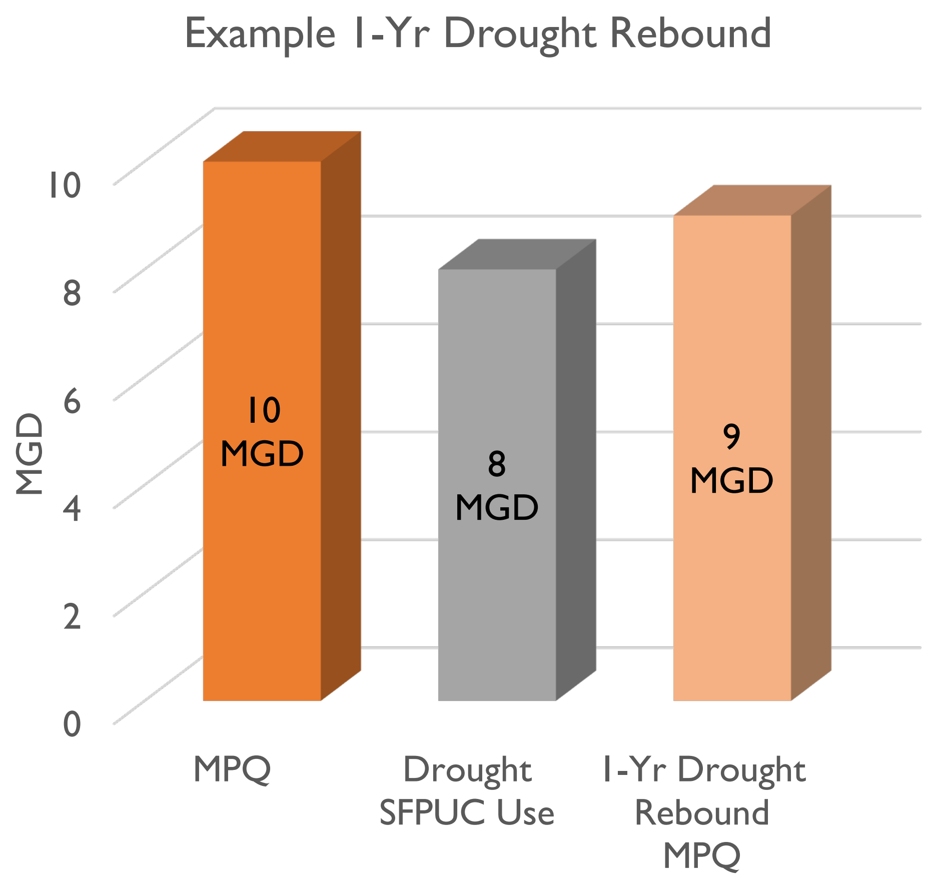
B.

Element 2: Drought Rebound MPQ

- Creates a one-year drought rebound MPQ, which is set at midpoint between actual drought water use and the reset MPQ

Note: *MPQs are waived during drought to not disincentivize water conservation*



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Element 3: MPQ Collective Purchases Family Plan

- MPQ Collective Purchases Family Plan
  - If the MPQ agencies collectively achieve the total required MPQ, no agency pays a penalty for not meeting their individual required MPQ
- If not collectively achieved, MPQ agencies pay proportional to their share of under-usage

B.

WSA Amendment Impacts

Cost Analysis

- $0.007 to $0.040 per Ccf (0.13% to 0.72%) wholesale and retail customer increase

Benefits Analysis

- Removes a barrier for MPQ agencies to develop drought resistant local supplies and investment in water use efficiency
  - Improves reliability of the RWS
  - Benefits all RWS users
- MPQ agencies are well situated to develop local, drought resistant supplies
  - Large water agency
  - Manage own wastewater
  - Access to groundwater
- Minimizes agencies being charged for unused water