

COUNTY OF SAN MATEO

Inter-Departmental Correspondence

Date: May 22, 2001

Board Meeting Date: June 5, 2001

TO: Honorable Board of Supervisors
FROM: Neil R. Cullen, Director of Public Works
SUBJECT: Interim Water Shortage Allocation Plan – East Palo Alto County Waterworks District

RECOMMENDATION

Adopt a Resolution approving the Interim Water Shortage Allocation Plan pursuant to Section 7.03(a) of the Master Water Sales Contract with the San Francisco Public Utilities Commission (SFPUC) for the East Palo Alto County Waterworks District (EPACWD).

Previous Board Action

Approved the 1984 Master Water Sales Contract with the SFPUC that provides for the purchase of water by the EPACWD

Key Facts

- 1. San Francisco uses about 33% of the water produced by its Hetch-Hetchy water system and sells 67% to twenty-nine (29) suburban agencies.
2. The EPACWD, one of the 29 suburban water agencies that uses Hetch-Hetchy water, currently purchases all of the water it sells to its customers from the SFPUC
3. Under the current Master Water Sales Contract, each suburban purchaser's share of water during a shortage is equal to its share of the deliveries immediately prior to the shortage. This method discourages water conservation
4. The Bay Area Water Users Association (BAWUA) has developed an alternate plan that encourages water conservation, the Interim Water Shortage Allocation Plan, which must be approved by all 29 suburban agencies on or before July 31, 2001, in order for it to go into affect.

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Background

Both the SFPUC and the suburban purchasers agreed after the last drought that the method used to allocate water during shortages discourages the suburban purchasers from taking steps during periods of normal water supply to reduce their purchases either through the development of alternative supplies, such as recycled water, or through water conservation programs. This is because the SFPUC prorates drought supply allocations solely on the basis of the consumption by each agency in the years prior to the drought. The 1984 Settlement Agreement and Master Water Sales Contract has a provision which allows the SFPUC and the suburban purchasers to develop a "Water Conservation Plan" to allocate water during periods of drought. In 1998, BAWUA requested its Water Resources Committee to develop an Interim Water Shortage Allocation Plan (IWSAP).

Discussion

The IWSAP clarifies both how drought supplies will be allocated between the City and BAWUA as a whole (Tier One), and among the BAWUA agencies (Tier Two), and provides a better basis for the BAWUA agencies to plan and manage their use of the limited drought period supplies. The IWSAP encourages development of conservation and reclamation projects and alternative supplies by the BAWUA agencies. The IWSAP also permits banking of water during droughts and allows for the development of a water transfers market among BAWUA agencies during shortages.

The IWSAP will.

1. establish agreed-upon percentages to be used to determine how the available water will be shared between the SFPUC and the collective suburban purchasers for system-wide supply reductions up to 20 percent.
2. establish an allocation formula that will determine how the available water will be allocated among individual suburban purchasers themselves during these same supply shortages
3. allow for "banking" of the SFPUC water during droughts by those agencies that use less than their allocation.
4. allow for the transfer of banked SFPUC water and water allocations among the parties during drought

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Under the IWSAP formula and based on FY 1998-99 purchases, the EPACWD would receive a cutback of 25.1% as opposed to the average suburban purchaser receiving a reduction of 23.6% in a drought. The EPACWD's reduction is slightly larger than the average suburban purchaser as the District is currently using a greater percentage of its SFPUC Supply Assurance than the average user.

As a comparison, based on current water purchases, Daly City would receive a reduction of 27.68%, Millbrae 21.74%, Menlo Park 20.27%, California Water Service 25.72%, Redwood City 30.03%, Hayward 18.86%, and Mountain View 18.62%.

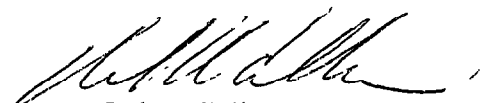
All 29 suburban purchasers must approve the IWSAP on or before July 31, 2001 in order for the IWSAP to be implemented. The IWSAP will remain in effect until the Master Contract expires in September 2009.

Your Board is currently considering the dissolution of the EPACWD and transferring the District's assets to the cities of East Palo Alto and Menlo Park. We expected that this transfer would occur in time for the City of East Palo Alto to consider the IWSAP. However, BAWUA is anxious to have the IWSAP approved and City staff, while having some concerns of the impact of the IWSAP, are not sure that there will be sufficient time for the City to consider the IWSAP between the time the District is dissolved and the July 31, 2001 dead line. It is also our understanding that all the other suburban water users will have considered and approved the IWSAP prior to June 5th.

Fiscal Impact

There is no impact to the General Fund and the impact on the District and its ratepayers will depend on the District's need for more water than it is allocated during a drought and the ability of its ratepayers to conserve water either before or during a drought.

A form of resolution has been approved by County Counsel.



Neil R. Cullen
Director of Public Works

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cc: Art Jensen, General Manager, BAWUA
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INTERIM WATER SHORTAGE ALLOCATION PLAN

This Interim Water Shortage Allocation Plan (“Plan”) describes the method for allocating water between the San Francisco Public Utilities Commission (“SFPUC”) and the Suburban Purchasers collectively during shortages caused by drought. The Plan implements a method for allocating water among the individual Suburban Purchasers which has been adopted by the Suburban Purchasers. The Plan includes provisions for transfers, banking, and excess use charges. The Plan applies only when the SFPUC determines that a system-wide water shortage due to drought exists, and all references to “shortages” and “water shortages” are to be so understood. This Plan is adopted pursuant to Section 7.03(a) of the 1984 Settlement Agreement and Master Water Sales Contract (“Master Contract”).

SECTION 1. SHORTAGE CONDITIONS

1.1. Projected Available SFPUC Water Supply. The SFPUC shall make an annual determination as to whether or not a shortage condition exists. The determination of projected available water supply shall consider, among other things, stored water, projected runoff, water acquired by the SFPUC from non-SFPUC sources, inactive storage, reservoir losses, allowance for carryover storage, and water bank balances, if any, described in Section 3.

1.2 Projected SFPUC Purchases. The SFPUC will utilize purchase data, including volumes of water purchased by the Suburban Purchasers and by Direct City Water Users (as those terms are used in the Master Contract) in the year immediately prior to the drought, along with other available relevant information, as a basis for determining projected system-wide water purchases from the SFPUC for the upcoming year.

1.3. Shortage Conditions. The SFPUC will compare the available water supply (Section 1.1) with projected system-wide water purchases (Section 1.2). A shortage condition exists if the SFPUC determines that the projected available water supply is less than projected system-wide water purchases in the upcoming Supply Year (defined as the period from July 1 through June 30). When a shortage condition exists, SFPUC will determine whether voluntary or mandatory actions will be required to reduce purchases of SFPUC water to required levels.

1.3.1 Voluntary Response. If the SFPUC determines that voluntary actions will be sufficient to accomplish the necessary reduction in water use throughout its service area, the SFPUC and the Suburban Purchasers will make good faith efforts to reduce their water purchases to stay within their annual shortage allocations and associated monthly water use budgets. The SFPUC will not impose excess use charges during periods of voluntary rationing, but may suspend the prospective accumulation of water bank credits, or impose a ceiling on further accumulation of bank credits, consistent with Section 3.2.1 of this Plan.

1.3.2 Mandatory Response. If the SFPUC determines that mandatory actions will be required to accomplish the necessary reduction in water use in the SFPUC service area, the SFPUC may implement excess use charges as set forth in Section 4 of this Plan.

1.4. Period of Shortage. A shortage period commences when the SFPUC determines that a water shortage exists, as set forth in a declaration of water shortage emergency issued by the SFPUC pursuant to California Water Code Sections 350 et seq. Termination of the water shortage emergency will be declared by resolution of the SFPUC.

SECTION 2. SHORTAGE ALLOCATIONS

2.1. Annual Allocations between the SFPUC and the Suburban Purchasers. The annual water supply available during shortages will be allocated between the SFPUC and the collective Suburban Purchasers as follows:

Level of System Wide Reduction in Water Use Required	Share of Available Water	
	SFPUC Share	Suburban Purchasers Share
5% or less	35.5%	64.5%
6% through 10%	36.0%	64.0%
11% through 15%	37.0%	63.0%
16% through 20%	37.5%	62.5%

The water allocated to the SFPUC shall correspond to the total allocation for all Direct City Water Users as defined in Section 4.01 of the Master Contract.

2.2 Annual Allocations among the Suburban Purchasers. The annual water supply allocated to the Suburban Purchasers collectively during system wide shortages of 20 percent or less will be apportioned among them based on a methodology adopted by all of the Suburban Purchasers, which shall supersede the provisions of Section 7.03(b) of the Master Contract, as contemplated in Section 7.03(a) of the Master Contract. In any year for which the methodology must be applied, the Bay Area Water Users Association (“BAWUA”) will calculate each Suburban Purchaser’s individual percentage share of the amount of water allocated to the Suburban Purchasers collectively pursuant to Section 2.1. Following the declaration or reconfirmation of a water shortage emergency by the SFPUC, BAWUA will deliver to the SFPUC General Manager a list, signed by the President of BAWUA’s Board of Directors and its General Manager, showing each Suburban Purchaser together with its percentage share and stating that the list has been prepared in accordance with the methodology adopted by the Suburban Purchasers. The SFPUC shall allocate water to each Suburban Purchaser, as specified in the list. The shortage allocations so established may be transferred as provided in Section 2.5 of this Plan.

The methodology adopted by the Suburban Purchasers utilizes the rolling average of each individual Suburban Purchaser’s purchases from the SFPUC during the three immediately preceding Supply Years. The SFPUC agrees to provide BAWUA by November 1 of each year a list showing the amount of water purchased by each Suburban Purchaser during the immediately preceding Supply Year. The list will be prepared using Customer Service Bureau report

MGT440 (or comparable official record in use at the time), adjusted as required for any reporting errors or omissions, and will be transmitted by the SFPUC General Manager or his designee.

2.3. Limited Applicability of Plan to System Wide Shortages Greater Than Twenty Percent. The allocations of water between the SFPUC and the Suburban Purchasers collectively, provided for in Section 2.1, apply only to shortages of 20 percent or less. The SFPUC and Suburban Purchasers recognize the possibility of a drought occurring which could create system-wide shortages greater than 20 percent despite actions taken by the SFPUC aimed at reducing the probability and severity of water shortages in the SFPUC service area. If the SFPUC determines that a system wide water shortage greater than 20 percent exists, the SFPUC and the Suburban Purchasers agree to meet within 10 days and discuss whether a change is required to the allocation set forth in Section 2.1 in order to mitigate undue hardships that might otherwise be experienced by individual Suburban Purchasers or Direct City Water Users. Following these discussions, the water allocation set forth in Section 2.1 of this Plan, or a modified version thereof, may be adopted by mutual written consent of the SFPUC and the Suburban Purchasers. If the SFPUC and Suburban Purchasers meet and cannot agree on an appropriate allocation within 30 days of the SFPUC's determination of water shortage greater than 20 percent, then (1) the provisions of Section 7.03(b) of the Master Contract will apply, unless (2) all of the Suburban Purchasers direct in writing that an allocation methodology agreed to by them be used to apportion the water to be made available to the Suburban Purchasers collectively, in lieu of the provisions of Section 7.03(b).

The provisions of this Plan relating to transfers (in Section 2.5), banking (in Section 3), and excess use charges (in Section 4) shall continue to apply during system-wide shortages greater than 20 percent.

2.4. Monthly Water Budgets. Within 10 days after adopting a declaration of water shortage emergency, the SFPUC will determine the amount of water allocated to the Suburban Purchasers collectively pursuant to Section 2.1. The SFPUC General Manager, using the percentages shown on the list delivered by BAWUA pursuant to Section 2.2, will calculate each Suburban Purchaser's individual annual allocation. The SFPUC General Manager, or his designee, will then provide each Suburban Purchaser with a proposed schedule of monthly water budgets based on the pattern of monthly water purchases during the Supply Year immediately preceding the declaration of shortage (the "Default Schedule"). Each Suburban Purchaser may, within two weeks of receiving its Default Schedule, provide the SFPUC with an alternative monthly water budget that reschedules its annual shortage allocation over the course of the succeeding Supply Year. If a Suburban Purchaser does not deliver an alternative monthly water budget to the SFPUC within two weeks of its receipt of the Default Schedule, then its monthly budget for the ensuing Supply Year shall be the Default Schedule proposed by the SFPUC.

Monthly water budgets will be derived from annual allocations for purposes of accounting for excess use. Monthly water budgets shall be adjusted during the year to account for transfers of shortage allocation under Section 2.5 and transfers of banked water under Section 3.4.

2.5. Transfers of Shortage Allocations. Voluntary transfers of shortage allocations between the SFPUC and any Suburban Purchasers, and between any Suburban Purchasers, will be permitted

using the same procedure as that for transfers of banked water set forth in Section 3.4. The SFPUC and the Bay Area Water Users Association (BAWUA) shall be notified of each transfer. Transfers of shortage allocations shall be deemed to be emergency transfers described in Sections 7.05 and 7.07(a) of the Master Contract and shall become effective on the third business day after notice of the transfer has been delivered to the SFPUC. Transfers of shortage allocations shall be in compliance with Section 7.05 of the Master Contract. The transferring parties will meet with the SFPUC, if requested, to discuss any effect the transfer may have on its operations.

SECTION 3. SHORTAGE WATER BANKING

3.1. Water Bank Accounts. The SFPUC shall create a water bank account for itself and each Suburban Purchaser during shortages in conjunction with its resale customer billing process. Bank accounts will account for amounts of water that are either saved or used in excess of the shortage allocation for each agency; the accounts are not used for tracking billings and payments. When a shortage period is in effect (as defined in Section 1.4), the following provisions for bank credits, debits, and transfers shall be in force. A statement of bank balance for each Suburban Purchaser will be included with the SFPUC's monthly water bills.

3.2. Bank Account Credits. Each month, monthly purchases will be compared to the monthly budget for that month. Any unused shortage allocation by an agency will be credited to that agency's water bank account. Credits will accumulate during the entire shortage period, subject to potential restrictions imposed pursuant to Section 3.2.1. Credits remaining at the end of the shortage period will be zeroed out; no financial or other credit shall be granted for banked water.

3.2.1. Maximum Balances. The SFPUC may suspend the prospective accumulation of credits in all accounts. Alternatively, the SFPUC may impose a ceiling on further accumulation of credits in water bank balances based on a uniform ratio of the bank balance to the annual water allocation. In making a decision to suspend the prospective accumulation of water bank credits, the SFPUC shall consider the available water supply as set forth in Section 1.1 of this Plan and other reasonable, relevant factors.

3.3. Account Debits. Each month, monthly purchases will be compared to the budget for that month. Purchases in excess of monthly budgets will be debited against an agency's water bank account. Bank debits remaining at the end of the fiscal year will be subject to excess use charges (see Section 4).

3.4. Transfers of Banked Water. In addition to the transfers of shortage allocations provided for in Section 2.5, voluntary transfers of banked water will also be permitted between the SFPUC and any Suburban Purchaser, and among the Suburban Purchasers. The volume of transferred water will be credited to the transferee's water bank account and debited against the transferor's water bank account. The transferring parties must notify the SFPUC and BAWUA of each transfer in writing (so that adjustments can be made to bank accounts), and will meet with the SFPUC, if requested, to discuss any affect the transfer may have on SFPUC operations. Transfers of banked water shall be deemed to be emergency transfers described in Sections 7.05 and 7.07(a) of the Master Contract and shall become effective on the third business day after notice of the transfer has been delivered to the SFPUC. If the SFPUC incurs extraordinary costs

in implementing transfers, it will give written notice to the transferring parties within ten (10) business days after receipt of notice of the transfer. Extraordinary costs means additional costs directly attributable to accommodating transfers and which are not incurred in non-drought years nor simply as a result of the shortage condition itself. Extraordinary costs shall be calculated in accordance with the procedures in the Master Contract and shall be subject to the disclosure and auditing requirements in the Master Contract. In the case of transfers between Suburban Purchasers, such extraordinary costs shall be considered to be expenses chargeable solely to individual Suburban Purchasers and shall be borne equally by the parties to the transfer. In the case of transfers between the SFPUC and a Suburban Purchaser, the SFPUC's share of any extraordinary transfer costs shall not be added to the Suburban Revenue Requirement

3.4.1. Transfer Limitations. The agency transferring banked water will be allowed to transfer no more than the accumulated balance in its bank. Transfers of estimated prospective banked credits and the "overdrafting" of accounts shall not be permitted. The price of transfer water originally derived from the SFPUC system is to be determined by the transferring parties and is not specified herein. Transfers of banked water shall be in compliance with Section 7.05 of the Master Contract.

SECTION 4. WHOLESALE EXCESS USE CHARGES

4.1. Amount of Excess Use Charges. Monthly excess use charges shall be determined by the SFPUC at the time of the declared water shortage consistent with the calendar in Section 6 and in accordance with Section 5.03 of the Master Contract. The excess use charges will be in the form of multipliers applied to the rate in effect at the time the excess use occurs. The same excess use charge multipliers shall apply to the Suburban Purchasers and all Direct City Water Users. The excess use charge multipliers apply only to the charges for water delivered at the rate in effect at the time the excess use occurred.

4.2. Monitoring Suburban Water Use. During periods of voluntary rationing, water usage greater than a customer's allocation (as determined in Section 2) will be indicated on each SFPUC monthly water bill. During periods of mandatory rationing, monthly and cumulative water usage greater than a Suburban Purchaser's shortage allocation and the associated excess use charges will be indicated on each SFPUC monthly water bill.

4.3. Suburban Excess Use Charge Payments. An annual reconciliation will be made of monthly excess use charges according to the calendar in Section 6. Annual excess use charges will be calculated by comparing total annual purchases for each Suburban Purchaser with its annual shortage allocation (as adjusted for transfers of shortage allocations and banked water, if any). Excess use charge payments by those Suburban Purchasers with net excess use will be paid according to the calendar in Section 6. The SFPUC and the Suburban Purchasers have discussed the possibility of dedicating excess use charges paid by Suburban Purchasers toward the purchase of water from the State Drought Water Bank or other willing sellers in order to provide additional water to the Suburban Purchasers. The parties may continue discussions of this concept in order to develop the accounting and operational details of such a program. However, unless and until the SFPUC and the Suburban Purchasers agree in writing to an amendment of the Plan to implement such a program, excess use charges paid by the Suburban Purchasers constitute "revenues received from the Suburban Purchasers for the sale of water" for purposes

of Section 5 07 of the Master Contract.

SECTION 5. GENERAL PROVISIONS GOVERNING WATER SHORTAGE ALLOCATION PLAN

5.1. Construction of Terms. This Plan is for the sole benefit of the parties and shall not be construed as granting rights to any person other than the parties or imposing obligations on a party to any person other than another party.

5.2. Governing Law. This Plan is made under and shall be governed by the laws of the State of California.

5.3. Effect on Master Contract. This Plan describes the method for allocating water between the SFPUC and the collective Suburban Purchasers during system-wide water shortages of 20 percent or less. This Plan also provides for the SFPUC to allocate water among the Suburban Purchasers in accordance with directions provided by the Suburban Purchasers through BAWUA under Section 2.2, and to implement a program by which such allocations may be voluntarily transferred among the Suburban Purchasers. The provisions of this Plan are intended to implement Section 7.03(a) of the Master Contract and do not affect, change or modify any other section, term or condition of the Master Contract.

5.4. Role of Suburban Advisory Group. Section 8.04 of the Master Contract identifies the Suburban Advisory Group as a forum for ensuring that the Suburban Purchasers are informed of matters affecting the SFPUC water system. Regularly scheduled meetings of the Suburban Advisory Group will be used to ensure that the important information concerning potential water shortages is provided to the Suburban Purchasers for consideration and examination. The parties agree to meet upon request up to two times per month in order to keep the SFPUC and the Suburban Advisory Group (or a subset of that group) informed of the status of the available water supply and measures under consideration to alleviate shortage conditions affecting the SFPUC water system.

5.5. Inapplicability of Plan to Allocation of SFPUC System Water During Non-Shortage Periods and to Water Wheeling. The SFPUC's agreement in this Plan to a respective share of SFPUC system water during years of shortage shall not be construed to provide a basis for the allocation of water between the SFPUC and the Suburban Purchasers when no water shortage emergency exists. Nor shall this Plan provide any precedent for the transfer, banking, determination of available capacity, or rate to be charged for water proposed to be wheeled through the SFPUC system from non-SFPUC sources by any person or entity under Water Code Section 1810 et seq.

5.6. Termination. This Plan shall expire on June 30, 2009. The SFPUC and the Suburban Purchasers can mutually agree to revise or terminate this Plan prior to that date due to changes in the water delivery capability of the SFPUC system, the acquisition of new water supplies, and other factors affecting the availability of water from the SFPUC system during times of shortage.

SECTION 6. ALLOCATION CALENDAR

6.1. Annual Schedule. The annual schedule for the shortage allocation process is shown below. This schedule may be changed by the SFPUC to facilitate implementation.

6.1.1

In All Years	Target Dates
1. SFPUC delivers list of annual purchases by each Suburban Purchaser during the immediately preceding Supply Year	November 1
2. SFPUC meets with the Suburban Advisory Group and presents water supply forecast for the following Supply Year	January 1-30
3. SFPUC issues initial estimate of available water supply	February 1
4. SFPUC announces potential first year of drought (if applicable)	February 1
5. SFPUC and Suburban Advisory Group meet upon request to exchange information concerning water availability and projected system-wide purchases	February 1-May 31
6. SFPUC issues revised estimate of available water supply, and confirms continued potential shortage conditions, if applicable	March 1
7. SFPUC issues final estimate of available water supply	March 15
8. SFPUC determines amount of water available to Suburban Purchasers collectively	March 15
In Drought Years	Target Dates
9. SFPUC formally declares the existence of water shortage emergency (or end of water shortage emergency, if applicable) under Water Code Sections 350 et. seq	March 15-31
10. SFPUC declares the need for a voluntary or mandatory response	March 15-31
11. BAWUA submits calculation to SFPUC of individual Suburban Purchasers' percentage shares of water allocated to Suburban Purchasers collectively	March 15- 31
12. SFPUC determines individual shortage allocations, based on BAWUA's submittal of individual agency percentage shares to SFPUC, and monthly water budgets (Default Schedule)	March 25—April 10
13. Suburban Purchasers submit alternative monthly water budgets (optional)	April 8-April 24
14. Final drought shortage allocations are issued for the Supply Year beginning July 1 through June 30	May 1
15. Monthly water budgets become effective	July 1
16. Excess use charges indicated on monthly Suburban bills	July 1 (of the beginning year) through June 30 (of the succeeding year)
17. Excess use charges paid by Suburban Purchasers for prior year	July of the succeeding year

INTERIM WATER SHORTAGE ALLOCATION PLAN AMONG SUBURBAN PURCHASERS

This Interim Water Shortage Allocation Plan (“Tier Two Plan”) describes the method for allocating the water made available by the San Francisco Public Utilities Commission (“SFPUC”), during shortages caused by drought, among the Suburban Purchasers. This Plan applies only when the SFPUC determines that a system-wide water shortage due to drought exists, and all references to “shortages” and “water shortages” are to be so understood. This Plan is adopted pursuant to Section 7.03(a) of the 1984 Settlement Agreement and Master Water Sales Contract between the City and County of San Francisco and the Suburban Purchasers (“Master Contract”).

SECTION 1. APPLICABILITY AND INTEGRATION

Section 1.1 Applicability. This Tier Two Plan applies when, and only when, the SFPUC determines that a system-wide water shortage of 20 percent or less exists, as set forth in a declaration of water shortage emergency adopted by the SFPUC pursuant to California Water Code Sections 350 *et seq.* This Tier Two Plan applies only to water acquired and distributed by the SFPUC to the Suburban Purchasers and has no effect on water obtained by a Suburban Purchaser from any source other than the SFPUC.

Section 1.2 Integration with SFPUC Interim Water Shortage Allocation Plan (Tier One Plan). The SFPUC has adopted an Interim Water Shortage Allocation Plan (Tier One Plan) which, among other things, (a) provides for the allocation by the SFPUC of water between Direct City Water Users (e.g., retail water customers within the City and County of San Francisco) and the Suburban Purchasers collectively during system-wide water shortages of 20 percent or less, (b) contemplates the adoption by the Suburban Purchasers of this Tier Two Plan for allocation of the water made available to Suburban Purchasers collectively among the 29 individual Suburban Purchasers, (c) commits the SFPUC to implement this Tier Two Plan, and (d) provides for the transfer of both “banked” water and shortage allocations between and among the Suburban Purchasers and commits the SFPUC to implement such transfers.

This Tier Two Plan is intended to be integrated with the Tier One Plan described in this Section 1.2. Both Plans becoming operative only if both have been approved by all 29 Suburban Purchasers. Terms used in this Tier Two Plan are intended to have the same meaning as such terms have in the Tier One Plan.

SECTION 2. ALLOCATION OF WATER AMONG SUBURBAN PURCHASERS

Section 2.1 Annual Allocations Among the Suburban Purchasers. The annual water supply allocated by the SFPUC to the Suburban Purchasers collectively during system-wide shortages of 20 percent or less shall be apportioned among them based on the methodology described in this Section 2

Section 2.2 Methodology for Allocating Water Among Suburban Purchasers The water made available to the Suburban Purchasers collectively will be allocated among them in

proportion to each Suburban Purchaser's allocation factor, adjusted as described in Section 2.2.4 below.

Section 2.2.1 Step One: Determination of Allocation Basis for Each Suburban Purchaser

Each Suburban Purchaser's Allocation Basis is an amount, expressed in millions of gallons per day (mgd), which in turn is the arithmetic average of three components. Two of these components are fixed as of the date this Tier Two Plan is adopted; the third component is variable and will be determined when a shortage has been declared by the SFPUC.

The first component is (i) the greater of a Suburban Purchaser's Supply Assurance provided for in the Master Contract or its average purchases from SFPUC during three fiscal years 1996-97, 1997-98, and 1998-99, or (ii) in the case of Hayward and Estero Municipal Improvement District, their projected purchases from SFPUC in FY 2010-11 as reported in the 1998-99 Annual Survey published by BAWUA, or (iii) in the case of San Jose and Santa Clara, the limits on purchases from SFPUC set forth on Exhibit M to the Master Contract. The amount of this first component for each Suburban Purchaser is shown on Attachment A-1.

The second component is the average of each Suburban Purchaser's purchases from SFPUC during the fiscal years 1996-97, 1997-98, and 1998-99. The amount of this second component for each Suburban Purchaser is shown on Attachment A-2.

The third component is the average of each Suburban Purchaser's purchases from SFPUC during the three fiscal years immediately preceding the declaration of water shortage emergency by the SFPUC.

Section 2.2.2 Step Two: Determination of Allocation Factor for Each Suburban

Purchaser. Each Suburban Purchaser's Allocation Factor is a percentage derived from a fraction, the numerator of which is the particular Suburban Purchaser's Allocation Basis (in mgd) as calculated in Step One and the denominator of which is the sum (in mgd) of all Suburban Purchasers' Allocation Bases

Section 2.2.3 Step Three: Determination of Initial Shortage Allocation for Each Suburban

Purchaser. The initial shortage allocation for each Suburban Purchaser is determined by multiplying the amount of water available to the Suburban Purchasers collectively (determined pursuant to Section 2.1 of the Tier One Plan) by the Suburban Purchaser's Allocation Factor (i.e., the percentage calculated pursuant to Section 2.2.2).

Section 2.2.4 Step Four: Determination of Final Shortage Allocation for Each Suburban

Purchaser. Once the initial shortage allocations are determined, the percentage reductions from each Suburban Purchaser's purchases from the SFPUC in the fiscal year immediately preceding the declaration of water shortage emergency will be calculated as a fraction, the numerator of which is the Suburban Purchaser's initial shortage allocation (determined pursuant to Section 2.2.3), and the denominator of which is the amount purchased from the SFPUC during such fiscal year. The result, as a percentage carried to two places to the right of the decimal, will be subtracted from 100%; the result is the Suburban Purchaser's percentage reduction

The percentage reductions for San Jose and Santa Clara will be compared to the highest percentage reduction of the other Suburban Purchasers. If both San Jose's and Santa Clara's percentage reduction is larger than the highest percentage reduction among other Suburban Purchasers, the initial shortage allocations established under Section 2.2.3 will become the final

shortage allocations. If either San Jose's percentage reduction or Santa Clara's percentage reduction, or both, is smaller than the highest percentage reduction of other Suburban Purchasers, the shortage allocation (in mgd) of San Jose or Santa Clara, or both, will be reduced so that the percentage reduction of each is no smaller than that of the otherwise highest percentage reduction

The amount of shortage allocation (in mgd) removed from San Jose and/or Santa Clara will be reallocated among the remaining Suburban Purchasers in proportion to the initial shortage allocation of each calculated as a fraction the numerator of which is the individual initial shortage allocation and the denominator of which is the sum of the initial shortage allocation for the remaining Suburban Purchasers (not including San Jose and Santa Clara).

After such reallocation, the resulting amounts will be the final shortage allocation for each Suburban Purchaser.

Section 2.2.5 Example Calculation. Attachment A-3 presents a sample of the calculations involved in Steps One through Four, using the values from Attachments A-1 and A-2 and recent water use data for the other values. It is presented for illustrative purposes only and does not supersede the foregoing provisions of this Section 2.2. In the event of any inconsistency between this Section 2.2 and Attachment A-3, the text of this section will govern.

Section 2.3 Calculation of Individual Suburban Purchaser's Allocations: Directions to SFPUC. The Tier One Plan contemplates that in any year in which the methodology described above must be applied, the Bay Area Water Users Association ("BAWUA") will calculate each Suburban Purchaser's individual percentage share of the amount of water made available to the Suburban Purchasers collectively, following the methodology described above. The Tier One Plan requires SFPUC to allocate water to each Suburban Purchaser in accordance with calculations delivered to it by BAWUA.

The Tier One Plan requires that each year, the SFPUC will provide to BAWUA by November 1 a list showing the amount of water purchased by each Suburban Purchaser during the immediately preceding Supply Year. The list will be prepared using Customer Service Bureau report MGT 440 (or comparable official record in use at the time), adjusted as required for any reporting errors or omissions, and will be signed by the SFPUC General Manager

Each Suburban Purchaser authorizes BAWUA to perform the calculations required, using water sales data furnished to it by the General Manager of the SFPUC, and to deliver a list of individual Suburban Purchasers' percentage shares so calculated to SFPUC as contemplated by the SFPUC Plan. Neither BAWUA nor any officer or employee of BAWUA shall be liable to any Suburban Purchaser for any such calculations made in good faith, even if incorrect.

SECTION 3. GENERAL PROVISIONS

Section 3.1 Construction of Terms. This Tier Two Plan is for the sole benefit of the parties and shall not be construed as granting rights to any person other than the parties or imposing obligations on a party to any person other than another party.

Section 3.2 Governing Law. This Tier Two Plan is made under and shall be governed by the laws of the State of California.

Section 3.3 **Effect on Master Contract.** This Tier Two Plan describes the method for allocating water from the SFPUC among the Suburban Purchasers during system-wide water shortages of 20 percent or less declared by the SFPUC. The provisions of this Tier Two Plan, and the Tier One Plan with which it is intended to be integrated, are intended to implement Section 7.03(a) of the Master Contract. Both the Tier One and Tier Two Plans constitute the water conservation plan contemplated by Section 7.03(a) and supersede the provisions of Section 7.03(b). The Plans do not affect, change or modify any other section, term or condition of the Master Contract.

Section 3.4 **Amendment.** This Tier Two Plan may be amended only by written agreement of all Suburban Purchasers.

Section 3.5 **Termination.** This Tier Two Plan shall expire on June 30, 2009. It may be terminated prior to that date only by the written agreement of all Suburban Purchasers.

ATTACHMENT A-1

The amount of the first component for each Suburban Purchaser is shown below.

<u>Suburban Purchasers</u>	<u>First Fixed Component (mgd)</u>
ACWD	13.76
Belmont	3.89
Brisbane	0.46
Burlingame	5.23
Coastside	2.18
Cordilleras	0.01
CWS Total	35.39
Daly City	4.49
East Palo Alto	2.18
Estero	7.23
Guadalupe	0.52
Hayward	24.00
Hillsborough	4.09
Los Trancos	0.11
Menlo Park	4.24
Millbrae	3.15
Milpitas	9.23
Mountain View	13.46
North Coast	3.84
Palo Alto	17.07
Purissima Hills	1.85
Redwood City	10.93
San Bruno	3.25
Skyline	0.18
Stanford	3.03
Sunnyvale	12.58
Westborough	1.32
San José	2.68
Santa Clara	6.57

ATTACHMENT A-2

The amount of the second component for each Suburban Purchaser is shown below.

<u>Suburban Purchasers</u>	<u>Second Fixed Component (mgd)</u>
ACWD	11.95
Belmont	3.26
Brisbane	0.30
Burlingame	4.68
Coastside	1.35
Cordilleras	0.01
CWS Total	33.42
Daly City	4.49
East Palo Alto	2.10
Estero	5.45
Guadalupe	0.27
Hayward	17.56
Hillsborough	3.60
Los Trancos	0.10
Menlo Park	3.43
Millbrae	2.64
Milpitas	6.80
Mountain View	10.36
North Coast	3.29
Palo Alto	12.96
Purissima Hills	1.85
Redwood City	10.92
San Bruno	2.01
Skyline	0.16
Stanford	2.58
Sunnyvale	10.73
Westborough	0.98
San José	4.10
Santa Clara	4.72

ATTACHMENT A-3

Sample Calculation

. Attachment A-3 Sample Calculation

23.6% Average Suburban Reduction from FY 98 99 Purchases

(Units in million gallons per day unless otherwise noted)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
Suburban Purchasers	Allocation Basis				Unadjusted Allocations					Allocations Adj for Santa Clara & San José				Final Individual Share
	First Fixed Component	Second Fixed Component	Variable Component	Average	Allocation Factors	Initial Shortage Allocation	FY 98 99 Purchases	Initial Purchase Cutback		Subtotal Allocation Factors	Adjusted Shortage Allocation	Adjusted Purchase Cutback		
ACWD	13.76	11.95	11.95	12.55	7.12%	9.16	11.96	2.80	23.41%	7.50%	9.18	2.78	23.23%	7.13%
Belmont	3.89	3.26	3.26	3.47	1.97%	2.53	3.35	-0.81	24.25%	2.07%	2.54	0.81	24.08%	1.97%
Brisbane	0.46	0.30	0.30	0.35	0.20%	0.26	0.34	0.08	23.61%	0.21%	0.26	0.08	23.43%	0.20%
Burlingame	5.23	4.68	4.68	4.86	2.76%	3.55	4.65	1.10	23.57%	2.91%	3.56	1.09	23.40%	2.76%
Coastside	2.18	1.35	1.35	1.62	0.92%	1.19	1.48	0.29	19.74%	0.97%	1.19	0.29	19.56%	0.92%
Cordilleras	0.01	0.01	0.01	0.01	0.00%	0.00	0.01	0.00	25.89%	0.00%	0.00	0.00	25.72%	0.00%
CWS Total	35.39	33.42	33.42	34.07	19.32%	24.87	33.45	8.58	25.64%	20.36%	24.93	8.52	25.48%	19.37%
Daly City	4.49	4.49	4.49	4.49	2.55%	3.28	4.55	1.27	27.85%	2.69%	3.29	1.26	27.68%	2.55%
East Palo Alto	2.18	2.10	2.10	2.13	1.21%	1.55	2.07	0.52	25.13%	1.27%	1.55	0.52	24.96%	1.21%
Estero	7.23	5.45	5.45	6.05	3.43%	4.41	5.57	1.15	20.73%	3.61%	4.42	1.14	20.55%	3.44%
Guadalupe	0.52	0.27	0.27	0.35	0.20%	0.26	0.28	0.02	7.39%	0.21%	0.26	0.02	7.18%	0.20%
Hayward	24.00	17.56	17.56	19.71	11.18%	14.39	17.77	3.38	19.04%	11.77%	14.42	3.35	18.86%	11.20%
Hillsborough	4.09	3.60	3.60	3.76	2.13%	2.75	3.39	0.64	18.83%	2.25%	2.75	0.63	18.65%	2.14%
Los Trancos	0.11	0.10	0.10	0.10	0.06%	0.07	0.10	0.03	26.93%	0.06%	0.07	0.03	26.77%	0.06%
Menlo Park	4.24	3.43	3.43	3.70	2.10%	2.70	3.39	0.69	20.45%	2.21%	2.71	0.69	20.27%	2.10%
Millbrae	3.15	2.64	2.64	2.81	1.59%	2.05	2.63	0.58	21.91%	1.68%	2.06	0.57	21.74%	1.60%
Milpitas	9.23	6.80	6.80	7.61	4.31%	5.55	6.80	1.24	18.29%	4.55%	5.57	1.23	18.11%	4.32%
Mountain View	13.46	10.36	10.36	11.40	6.46%	8.32	10.25	1.93	18.81%	6.81%	8.34	1.91	18.62%	6.48%
North Coast	3.84	3.29	3.29	3.47	1.97%	2.54	3.34	0.80	24.02%	2.07%	2.54	0.80	23.85%	1.97%
Palo Alto	17.07	12.96	12.96	14.33	8.13%	10.46	13.04	2.58	19.78%	8.56%	10.49	2.56	19.60%	8.15%
Purissima Hills	1.85	1.85	1.85	1.85	1.05%	1.35	1.93	0.59	30.37%	1.10%	1.35	0.58	30.21%	1.05%
Redwood City	10.93	10.92	10.92	10.92	6.19%	7.97	11.42	3.45	30.19%	6.52%	7.99	3.43	30.03%	6.21%
San Bruno	3.25	2.01	2.01	2.42	1.37%	1.77	2.47	0.71	28.54%	1.45%	1.77	0.70	28.38%	1.37%
Skyline	0.18	0.16	0.16	0.17	0.09%	0.12	0.16	0.04	24.69%	0.10%	0.12	0.04	24.52%	0.10%
Stanford	3.03	2.58	2.58	2.73	1.55%	1.99	2.56	0.57	22.23%	1.63%	2.00	0.57	22.06%	1.55%
Sunnyvale	12.58	10.73	10.73	11.34	6.43%	8.28	11.22	2.94	26.19%	6.78%	8.30	2.92	26.02%	6.45%
Westborough	1.32	0.98	0.98	1.09	0.62%	0.80	1.00	0.20	20.27%	0.65%	0.80	0.20	20.09%	0.62%
Subtotal	187.67	157.23	157.23	167.38		122.19	159.17	36.98	23.24%	100.00%	122.47	36.71	23.06%	
San José	2.68	4.10	4.10	3.63	2.06%	2.65	4.13	1.48	35.85%		2.65	1.48	35.85%	2.06%
Santa Clara	6.57	4.72	4.72	5.34	3.03%	3.90	5.20	1.30	25.04%		3.62	1.58	30.37%	2.81%
Total	196.92	166.06	166.06	176.35	100.00%	128.73	168.50	39.77	23.60%		128.73	39.77	23.60%	100.00%

Derivation of the Santa Clara/San José adjustment:

1	Largest permanent customer cutback	30.37%
2a	Adjusted Santa Clara shortage allocation	3.62 (Applying largest permanent customer cutback)
2b	Santa Clara adjustment	0.28 (Difference between initial and adjusted alloc)
3a	Adjusted San Jose shortage allocation	2.87 (Applying largest permanent customer cutback)
3b	San José adjustment	0.00 (Difference between initial and adjusted alloc)
4	Total Adjustment	0.28 (2b + 3b)

Attachment A-3. Suburban Shortage Allocations

Assumptions and Column Notes

23 6% shortage for the Suburban Purchasers compared to FY 1998 99 purchases

Column notes:

Allocation Basis The Allocation Basis is used for calculating Allocation Factors and is the average of the following three components

- 1 First Fixed Component The greater of either the Supply Assurance values or the three year average of SFPUC purchases for FYs 1996 97, 1997 98, and 1998 99, with certain exceptions
 - a Daly City's and Purissima Hill's values are based on their three year averages, which is greater than their Supply Assurance values
 - b Hayward's and Estero's values are based on their 2010 11 projected purchases, as reported in the BAWUA 1997 98 Annual Survey
 - c San Jose's and Santa Clara's values are based on the water supply caps in their individual water supply contracts with the SFPUC
- 2 Second Fixed Component The average of SFPUC purchases for FYs 1996 97, 1997 98, and 1998 99
- 3 Variable Component The rolling three year average, updated annually, beginning with FYs 1996 97, 1997 98, and 1998 99
- 4 Average The average of columns 1, 2, and 3

Unadjusted Allocations The initial shortage allocations in column 6 are adjusted for Santa Clara and San José in columns 10 through 13

- 5 Allocation Factors The ratio of each Suburban Purchaser's column 4 average to the column 4 total
- 6 Initial Shortage Allocation The product of each Suburban Purchaser's column 5 Allocation Factor times the column 6 total, which represents the assumed available water supply
- 7 FY 1998 99 Purchases The most recent year's purchases to which the Shortage Allocation can be compared to determine the effective cutback
- 8 Purchase Cutback Column 6 minus column 7, in mgd
- 9 Purchase Cutback The ratio of column 8 to column 7, in percent

Allocations Adjusted for Santa Clara and San José This adjustment is made so that Santa Clara's and San José's cutbacks are at least as great as the highest cutback by the permanent customers

In this example, there is no adjustment required for San Jose because the formula results in an unadjusted cutback that is already greater than the highest cutback by a permanent customer

- 10 Subtotal Allocation Factors The ratio of each permanent Suburban Purchaser's column 4 average to the column 4 subtotal
- 11 Adjusted Shortage Allocation The product of each Suburban Purchaser's column 10 Subtotal Allocation Factor times the Column 11 subtotal
 - a The column 11 subtotal is the sum of the column 6 subtotal plus the Santa Clara adjustment, 0 26*
 - b The Santa Clara adjustment is the difference between its column 6 Initial Shortage Allocation, 3 72, and its Adjusted Shortage Allocation, 3 48
 - c Santa Clara's Adjusted Shortage Allocation is the product of its column 4 average and the largest Purchase Cutback, 33 53%, received by the permanent Suburban Purchasers
- 12 Adjusted Purchase Cutback Column 11 minus column 7, in mgd
- 13 Adjusted Purchase Cutback The ratio of column 12 to column 7, in percent

Resolution No. _____

Board of Supervisors, County of San Mateo, State of California

* * * * *

**Resolution Approving Interim Water Shortage Allocation Plan
Pursuant to Section 7.03(a) of the Master Contract with the San Francisco
Public Utilities Commission
for the East Palo Alto County Waterworks District**

RESOLVED, by the Board of Supervisors, County of San Mateo, State of California,
that

WHEREAS, this Board of Supervisors, is the governing body of the East Palo Alto
County Waterworks District, a County Waterworks District of the County of San Mateo, State of
California, hereinafter called District ; and

WHEREAS, District is one of the 29 suburban customers that purchases water from the
San Francisco Public Utilities Commission (San Francisco) pursuant to a Settlement Agreement
and Master Water Sales Contract (Contract) entered into in 1984; and

WHEREAS, Section 7 03(b) of said Contract provides that during times when
insufficient water is available in the San Francisco water system to meet the demands of all
users, water will be allocated among the suburban customers based on each agency's purchase
during the prior year, and

WHEREAS, the 1984 Contract allows for San Francisco and the suburban customers to develop a “water conservation plan” which allocates water between them during times of shortages due to drought, and

WHEREAS, in September 2000, the Board of Directors of the Bay Area Water Users Association (BAWUA), an association of the suburban water customers that purchases San Francisco water, unanimously adopted an Interim Water Shortage Allocation Plan (IWSAP) and recommends that the governing board of each suburban customer of San Francisco endorse and adopt the IWSAP, and

WHEREAS, the Director of Public Works recommends that this Board adopt said Plan on behalf of the District, and

WHEREAS, this Board has considered the recommendation of the Director of Public Works and the IWSAP,

NOW, THEREFORE, BE IT RESOLVED, that said Interim Water Shortage Allocation Plan is hereby approved.

* * * * *

INTERIM WATER SHORTAGE ALLOCATION PLAN

This Interim Water Shortage Allocation Plan (“Plan”) describes the method for allocating water between the San Francisco Public Utilities Commission (“SFPUC”) and the Suburban Purchasers collectively during shortages caused by drought. The Plan implements a method for allocating water among the individual Suburban Purchasers which has been adopted by the Suburban Purchasers. The Plan includes provisions for transfers, banking, and excess use charges. The Plan applies only when the SFPUC determines that a system-wide water shortage due to drought exists, and all references to “shortages” and “water shortages” are to be so understood. This Plan is adopted pursuant to Section 7.03(a) of the 1984 Settlement Agreement and Master Water Sales Contract (“Master Contract”).

SECTION 1. SHORTAGE CONDITIONS

1.1. Projected Available SFPUC Water Supply. The SFPUC shall make an annual determination as to whether or not a shortage condition exists. The determination of projected available water supply shall consider, among other things, stored water, projected runoff, water acquired by the SFPUC from non-SFPUC sources, inactive storage, reservoir losses, allowance for carryover storage, and water bank balances, if any, described in Section 3.

1.2 Projected SFPUC Purchases. The SFPUC will utilize purchase data, including volumes of water purchased by the Suburban Purchasers and by Direct City Water Users (as those terms are used in the Master Contract) in the year immediately prior to the drought, along with other available relevant information, as a basis for determining projected system-wide water purchases from the SFPUC for the upcoming year.

1.3. Shortage Conditions. The SFPUC will compare the available water supply (Section 1.1) with projected system-wide water purchases (Section 1.2). A shortage condition exists if the SFPUC determines that the projected available water supply is less than projected system-wide water purchases in the upcoming Supply Year (defined as the period from July 1 through June 30). When a shortage condition exists, SFPUC will determine whether voluntary or mandatory actions will be required to reduce purchases of SFPUC water to required levels.

1.3.1 Voluntary Response. If the SFPUC determines that voluntary actions will be sufficient to accomplish the necessary reduction in water use throughout its service area, the SFPUC and the Suburban Purchasers will make good faith efforts to reduce their water purchases to stay within their annual shortage allocations and associated monthly water use budgets. The SFPUC will not impose excess use charges during periods of voluntary rationing, but may suspend the prospective accumulation of water bank credits, or impose a ceiling on further accumulation of bank credits, consistent with Section 3.2.1 of this Plan.

1.3.2 Mandatory Response. If the SFPUC determines that mandatory actions will be required to accomplish the necessary reduction in water use in the SFPUC service area, the SFPUC may implement excess use charges as set forth in Section 4 of this Plan.

1.4. Period of Shortage. A shortage period commences when the SFPUC determines that a water shortage exists, as set forth in a declaration of water shortage emergency issued by the SFPUC pursuant to California Water Code Sections 350 et seq. Termination of the water shortage emergency will be declared by resolution of the SFPUC.

SECTION 2. SHORTAGE ALLOCATIONS

2.1. Annual Allocations between the SFPUC and the Suburban Purchasers. The annual water supply available during shortages will be allocated between the SFPUC and the collective Suburban Purchasers as follows:

Level of System Wide Reduction in Water Use Required	Share of Available Water	
	SFPUC Share	Suburban Purchasers Share
5% or less	35.5%	64.5%
6% through 10%	36.0%	64.0%
11% through 15%	37.0%	63.0%
16% through 20%	37.5%	62.5%

The water allocated to the SFPUC shall correspond to the total allocation for all Direct City Water Users as defined in Section 4.01 of the Master Contract.

2.2 Annual Allocations among the Suburban Purchasers. The annual water supply allocated to the Suburban Purchasers collectively during system wide shortages of 20 percent or less will be apportioned among them based on a methodology adopted by all of the Suburban Purchasers, which shall supersede the provisions of Section 7.03(b) of the Master Contract, as contemplated in Section 7.03(a) of the Master Contract. In any year for which the methodology must be applied, the Bay Area Water Users Association (“BAWUA”) will calculate each Suburban Purchaser’s individual percentage share of the amount of water allocated to the Suburban Purchasers collectively pursuant to Section 2.1. Following the declaration or reconfirmation of a water shortage emergency by the SFPUC, BAWUA will deliver to the SFPUC General Manager a list, signed by the President of BAWUA’s Board of Directors and its General Manager, showing each Suburban Purchaser together with its percentage share and stating that the list has been prepared in accordance with the methodology adopted by the Suburban Purchasers. The SFPUC shall allocate water to each Suburban Purchaser, as specified in the list. The shortage allocations so established may be transferred as provided in Section 2.5 of this Plan.

The methodology adopted by the Suburban Purchasers utilizes the rolling average of each individual Suburban Purchaser’s purchases from the SFPUC during the three immediately preceding Supply Years. The SFPUC agrees to provide BAWUA by November 1 of each year a list showing the amount of water purchased by each Suburban Purchaser during the immediately preceding Supply Year. The list will be prepared using Customer Service Bureau report

MGT440 (or comparable official record in use at the time), adjusted as required for any reporting errors or omissions, and will be transmitted by the SFPUC General Manager or his designee.

2.3. Limited Applicability of Plan to System Wide Shortages Greater Than Twenty Percent.

The allocations of water between the SFPUC and the Suburban Purchasers collectively, provided for in Section 2.1, apply only to shortages of 20 percent or less. The SFPUC and Suburban Purchasers recognize the possibility of a drought occurring which could create system-wide shortages greater than 20 percent despite actions taken by the SFPUC aimed at reducing the probability and severity of water shortages in the SFPUC service area. If the SFPUC determines that a system wide water shortage greater than 20 percent exists, the SFPUC and the Suburban Purchasers agree to meet within 10 days and discuss whether a change is required to the allocation set forth in Section 2.1 in order to mitigate undue hardships that might otherwise be experienced by individual Suburban Purchasers or Direct City Water Users. Following these discussions, the water allocation set forth in Section 2.1 of this Plan, or a modified version thereof, may be adopted by mutual written consent of the SFPUC and the Suburban Purchasers. If the SFPUC and Suburban Purchasers meet and cannot agree on an appropriate allocation within 30 days of the SFPUC's determination of water shortage greater than 20 percent, then (1) the provisions of Section 7.03(b) of the Master Contract will apply, unless (2) all of the Suburban Purchasers direct in writing that an allocation methodology agreed to by them be used to apportion the water to be made available to the Suburban Purchasers collectively, in lieu of the provisions of Section 7 03(b).

The provisions of this Plan relating to transfers (in Section 2 5), banking (in Section 3), and excess use charges (in Section 4) shall continue to apply during system-wide shortages greater than 20 percent.

2.4. Monthly Water Budgets. Within 10 days after adopting a declaration of water shortage emergency, the SFPUC will determine the amount of water allocated to the Suburban Purchasers collectively pursuant to Section 2.1. The SFPUC General Manager, using the percentages shown on the list delivered by BAWUA pursuant to Section 2.2, will calculate each Suburban Purchaser's individual annual allocation. The SFPUC General Manager, or his designee, will then provide each Suburban Purchaser with a proposed schedule of monthly water budgets based on the pattern of monthly water purchases during the Supply Year immediately preceding the declaration of shortage (the "Default Schedule"). Each Suburban Purchaser may, within two weeks of receiving its Default Schedule, provide the SFPUC with an alternative monthly water budget that reschedules its annual shortage allocation over the course of the succeeding Supply Year. If a Suburban Purchaser does not deliver an alternative monthly water budget to the SFPUC within two weeks of its receipt of the Default Schedule, then its monthly budget for the ensuing Supply Year shall be the Default Schedule proposed by the SFPUC.

Monthly water budgets will be derived from annual allocations for purposes of accounting for excess use. Monthly water budgets shall be adjusted during the year to account for transfers of shortage allocation under Section 2.5 and transfers of banked water under Section 3.4.

2.5. Transfers of Shortage Allocations. Voluntary transfers of shortage allocations between the SFPUC and any Suburban Purchasers, and between any Suburban Purchasers, will be permitted

using the same procedure as that for transfers of banked water set forth in Section 3.4. The SFPUC and the Bay Area Water Users Association (BAWUA) shall be notified of each transfer. Transfers of shortage allocations shall be deemed to be emergency transfers described in Sections 7.05 and 7.07(a) of the Master Contract and shall become effective on the third business day after notice of the transfer has been delivered to the SFPUC. Transfers of shortage allocations shall be in compliance with Section 7.05 of the Master Contract. The transferring parties will meet with the SFPUC, if requested, to discuss any effect the transfer may have on its operations

SECTION 3. SHORTAGE WATER BANKING

3.1. Water Bank Accounts. The SFPUC shall create a water bank account for itself and each Suburban Purchaser during shortages in conjunction with its resale customer billing process. Bank accounts will account for amounts of water that are either saved or used in excess of the shortage allocation for each agency; the accounts are not used for tracking billings and payments. When a shortage period is in effect (as defined in Section 1.4), the following provisions for bank credits, debits, and transfers shall be in force. A statement of bank balance for each Suburban Purchaser will be included with the SFPUC's monthly water bills.

3.2. Bank Account Credits. Each month, monthly purchases will be compared to the monthly budget for that month. Any unused shortage allocation by an agency will be credited to that agency's water bank account. Credits will accumulate during the entire shortage period, subject to potential restrictions imposed pursuant to Section 3.2.1. Credits remaining at the end of the shortage period will be zeroed out; no financial or other credit shall be granted for banked water.

3.2.1. Maximum Balances. The SFPUC may suspend the prospective accumulation of credits in all accounts. Alternatively, the SFPUC may impose a ceiling on further accumulation of credits in water bank balances based on a uniform ratio of the bank balance to the annual water allocation. In making a decision to suspend the prospective accumulation of water bank credits, the SFPUC shall consider the available water supply as set forth in Section 1.1 of this Plan and other reasonable, relevant factors.

3.3. Account Debits. Each month, monthly purchases will be compared to the budget for that month. Purchases in excess of monthly budgets will be debited against an agency's water bank account. Bank debits remaining at the end of the fiscal year will be subject to excess use charges (see Section 4).

3.4. Transfers of Banked Water. In addition to the transfers of shortage allocations provided for in Section 2.5, voluntary transfers of banked water will also be permitted between the SFPUC and any Suburban Purchaser, and among the Suburban Purchasers. The volume of transferred water will be credited to the transferee's water bank account and debited against the transferor's water bank account. The transferring parties must notify the SFPUC and BAWUA of each transfer in writing (so that adjustments can be made to bank accounts), and will meet with the SFPUC, if requested, to discuss any effect the transfer may have on SFPUC operations. Transfers of banked water shall be deemed to be emergency transfers described in Sections 7.05 and 7.07(a) of the Master Contract and shall become effective on the third business day after notice of the transfer has been delivered to the SFPUC. If the SFPUC incurs extraordinary costs

in implementing transfers, it will give written notice to the transferring parties within ten (10) business days after receipt of notice of the transfer. Extraordinary costs means additional costs directly attributable to accommodating transfers and which are not incurred in non-drought years nor simply as a result of the shortage condition itself. Extraordinary costs shall be calculated in accordance with the procedures in the Master Contract and shall be subject to the disclosure and auditing requirements in the Master Contract. In the case of transfers between Suburban Purchasers, such extraordinary costs shall be considered to be expenses chargeable solely to individual Suburban Purchasers and shall be borne equally by the parties to the transfer. In the case of transfers between the SFPUC and a Suburban Purchaser, the SFPUC's share of any extraordinary transfer costs shall not be added to the Suburban Revenue Requirement.

3.4.1. Transfer Limitations. The agency transferring banked water will be allowed to transfer no more than the accumulated balance in its bank. Transfers of estimated prospective banked credits and the "overdrafting" of accounts shall not be permitted. The price of transfer water originally derived from the SFPUC system is to be determined by the transferring parties and is not specified herein. Transfers of banked water shall be in compliance with Section 7.05 of the Master Contract.

SECTION 4. WHOLESALE EXCESS USE CHARGES

4.1. Amount of Excess Use Charges. Monthly excess use charges shall be determined by the SFPUC at the time of the declared water shortage consistent with the calendar in Section 6 and in accordance with Section 5.03 of the Master Contract. The excess use charges will be in the form of multipliers applied to the rate in effect at the time the excess use occurs. The same excess use charge multipliers shall apply to the Suburban Purchasers and all Direct City Water Users. The excess use charge multipliers apply only to the charges for water delivered at the rate in effect at the time the excess use occurred.

4.2 Monitoring Suburban Water Use. During periods of voluntary rationing, water usage greater than a customer's allocation (as determined in Section 2) will be indicated on each SFPUC monthly water bill. During periods of mandatory rationing, monthly and cumulative water usage greater than a Suburban Purchaser's shortage allocation and the associated excess use charges will be indicated on each SFPUC monthly water bill.

4.3. Suburban Excess Use Charge Payments. An annual reconciliation will be made of monthly excess use charges according to the calendar in Section 6. Annual excess use charges will be calculated by comparing total annual purchases for each Suburban Purchaser with its annual shortage allocation (as adjusted for transfers of shortage allocations and banked water, if any). Excess use charge payments by those Suburban Purchasers with net excess use will be paid according to the calendar in Section 6. The SFPUC and the Suburban Purchasers have discussed the possibility of dedicating excess use charges paid by Suburban Purchasers toward the purchase of water from the State Drought Water Bank or other willing sellers in order to provide additional water to the Suburban Purchasers. The parties may continue discussions of this concept in order to develop the accounting and operational details of such a program. However, unless and until the SFPUC and the Suburban Purchasers agree in writing to an amendment of the Plan to implement such a program, excess use charges paid by the Suburban Purchasers constitute "revenues received from the Suburban Purchasers for the sale of water" for purposes

of Section 5.07 of the Master Contract.

SECTION 5. GENERAL PROVISIONS GOVERNING WATER SHORTAGE ALLOCATION PLAN

5.1. Construction of Terms. This Plan is for the sole benefit of the parties and shall not be construed as granting rights to any person other than the parties or imposing obligations on a party to any person other than another party.

5.2. Governing Law. This Plan is made under and shall be governed by the laws of the State of California

5.3. Effect on Master Contract. This Plan describes the method for allocating water between the SFPUC and the collective Suburban Purchasers during system-wide water shortages of 20 percent or less. This Plan also provides for the SFPUC to allocate water among the Suburban Purchasers in accordance with directions provided by the Suburban Purchasers through BAWUA under Section 2.2, and to implement a program by which such allocations may be voluntarily transferred among the Suburban Purchasers. The provisions of this Plan are intended to implement Section 7.03(a) of the Master Contract and do not affect, change or modify any other section, term or condition of the Master Contract.

5.4. Role of Suburban Advisory Group. Section 8.04 of the Master Contract identifies the Suburban Advisory Group as a forum for ensuring that the Suburban Purchasers are informed of matters affecting the SFPUC water system. Regularly scheduled meetings of the Suburban Advisory Group will be used to ensure that the important information concerning potential water shortages is provided to the Suburban Purchasers for consideration and examination. The parties agree to meet upon request up to two times per month in order to keep the SFPUC and the Suburban Advisory Group (or a subset of that group) informed of the status of the available water supply and measures under consideration to alleviate shortage conditions affecting the SFPUC water system.

5.5. Inapplicability of Plan to Allocation of SFPUC System Water During Non-Shortage Periods and to Water Wheeling. The SFPUC's agreement in this Plan to a respective share of SFPUC system water during years of shortage shall not be construed to provide a basis for the allocation of water between the SFPUC and the Suburban Purchasers when no water shortage emergency exists. Nor shall this Plan provide any precedent for the transfer, banking, determination of available capacity, or rate to be charged for water proposed to be wheeled through the SFPUC system from non-SFPUC sources by any person or entity under Water Code Section 1810 et seq.

5.6. Termination. This Plan shall expire on June 30, 2009. The SFPUC and the Suburban Purchasers can mutually agree to revise or terminate this Plan prior to that date due to changes in the water delivery capability of the SFPUC system, the acquisition of new water supplies, and other factors affecting the availability of water from the SFPUC system during times of shortage.

SECTION 6. ALLOCATION CALENDAR

6.1. Annual Schedule. The annual schedule for the shortage allocation process is shown below. This schedule may be changed by the SFPUC to facilitate implementation.

6.1.1

In All Years

- | | Target Dates |
|--|---------------------|
| 1. SFPUC delivers list of annual purchases by each Suburban Purchaser during the immediately preceding Supply Year | November 1 |
| 2. SFPUC meets with the Suburban Advisory Group and presents water supply forecast for the following Supply Year | January 1-30 |
| 3. SFPUC issues initial estimate of available water supply | February 1 |
| 4. SFPUC announces potential first year of drought (if applicable) | February 1 |
| 5. SFPUC and Suburban Advisory Group meet upon request to exchange information concerning water availability and projected system-wide purchases | February 1-May 31 |
| 6. SFPUC issues revised estimate of available water supply, and confirms continued potential shortage conditions, if applicable | March 1 |
| 7. SFPUC issues final estimate of available water supply | March 15 |
| 8. SFPUC determines amount of water available to Suburban Purchasers collectively | March 15 |

In Drought Years

- | | Target Dates |
|--|---|
| 9. SFPUC formally declares the existence of water shortage emergency (or end of water shortage emergency, if applicable) under Water Code Sections 350 et. seq | March 15-31 |
| 10. SFPUC declares the need for a voluntary or mandatory response | March 15-31 |
| 11. BAWUA submits calculation to SFPUC of individual Suburban Purchasers' percentage shares of water allocated to Suburban Purchasers collectively | March 15- 31 |
| 12. SFPUC determines individual shortage allocations, based on BAWUA's submittal of individual agency percentage shares to SFPUC, and monthly water budgets (Default Schedule) | March 25—April 10 |
| 13. Suburban Purchasers submit alternative monthly water budgets (optional) | April 8-April 24 |
| 14. Final drought shortage allocations are issued for the Supply Year beginning July 1 through June 30 | May 1 |
| 15. Monthly water budgets become effective | July 1 |
| 16. Excess use charges indicated on monthly Suburban bills | July 1 (of the beginning year) through June 30 (of the succeeding year) |
| 17. Excess use charges paid by Suburban Purchasers for prior year | July of the succeeding year |

INTERIM WATER SHORTAGE ALLOCATION PLAN AMONG SUBURBAN PURCHASERS

This Interim Water Shortage Allocation Plan (“Tier Two Plan”) describes the method for allocating the water made available by the San Francisco Public Utilities Commission (“SFPUC”), during shortages caused by drought, among the Suburban Purchasers. This Plan applies only when the SFPUC determines that a system-wide water shortage due to drought exists, and all references to “shortages” and “water shortages” are to be so understood. This Plan is adopted pursuant to Section 7.03(a) of the 1984 Settlement Agreement and Master Water Sales Contract between the City and County of San Francisco and the Suburban Purchasers (“Master Contract”).

SECTION 1. APPLICABILITY AND INTEGRATION

Section 1.1 **Applicability.** This Tier Two Plan applies when, and only when, the SFPUC determines that a system-wide water shortage of 20 percent or less exists, as set forth in a declaration of water shortage emergency adopted by the SFPUC pursuant to California Water Code Sections 350 *et seq.* This Tier Two Plan applies only to water acquired and distributed by the SFPUC to the Suburban Purchasers and has no effect on water obtained by a Suburban Purchaser from any source other than the SFPUC.

Section 1.2 **Integration with SFPUC Interim Water Shortage Allocation Plan (Tier One Plan).** The SFPUC has adopted an Interim Water Shortage Allocation Plan (Tier One Plan) which, among other things, (a) provides for the allocation by the SFPUC of water between Direct City Water Users (e.g., retail water customers within the City and County of San Francisco) and the Suburban Purchasers collectively during system-wide water shortages of 20 percent or less, (b) contemplates the adoption by the Suburban Purchasers of this Tier Two Plan for allocation of the water made available to Suburban Purchasers collectively among the 29 individual Suburban Purchasers, (c) commits the SFPUC to implement this Tier Two Plan, and (d) provides for the transfer of both “banked” water and shortage allocations between and among the Suburban Purchasers and commits the SFPUC to implement such transfers.

This Tier Two Plan is intended to be integrated with the Tier One Plan described in this Section 1.2. Both Plans becoming operative only if both have been approved by all 29 Suburban Purchasers. Terms used in this Tier Two Plan are intended to have the same meaning as such terms have in the Tier One Plan.

SECTION 2. ALLOCATION OF WATER AMONG SUBURBAN PURCHASERS

Section 2.1 **Annual Allocations Among the Suburban Purchasers.** The annual water supply allocated by the SFPUC to the Suburban Purchasers collectively during system-wide shortages of 20 percent or less shall be apportioned among them based on the methodology described in this Section 2.

Section 2.2 **Methodology for Allocating Water Among Suburban Purchasers.** The water made available to the Suburban Purchasers collectively will be allocated among them in

proportion to each Suburban Purchaser's allocation factor, adjusted as described in Section 2.2.4 below.

Section 2.2.1 Step One: Determination of Allocation Basis for Each Suburban Purchaser

Each Suburban Purchaser's Allocation Basis is an amount, expressed in millions of gallons per day (mgd), which in turn is the arithmetic average of three components. Two of these components are fixed as of the date this Tier Two Plan is adopted; the third component is variable and will be determined when a shortage has been declared by the SFPUC.

The first component is (i) the greater of a Suburban Purchaser's Supply Assurance provided for in the Master Contract or its average purchases from SFPUC during three fiscal years 1996-97, 1997-98, and 1998-99, or (ii) in the case of Hayward and Estero Municipal Improvement District, their projected purchases from SFPUC in FY 2010-11 as reported in the 1998-99 Annual Survey published by BAWUA, or (iii) in the case of San Jose and Santa Clara, the limits on purchases from SFPUC set forth on Exhibit M to the Master Contract. The amount of this first component for each Suburban Purchaser is shown on Attachment A-1.

The second component is the average of each Suburban Purchaser's purchases from SFPUC during the fiscal years 1996-97, 1997-98, and 1998-99. The amount of this second component for each Suburban Purchaser is shown on Attachment A-2.

The third component is the average of each Suburban Purchaser's purchases from SFPUC during the three fiscal years immediately preceding the declaration of water shortage emergency by the SFPUC.

Section 2.2.2 Step Two: Determination of Allocation Factor for Each Suburban

Purchaser. Each Suburban Purchaser's Allocation Factor is a percentage derived from a fraction, the numerator of which is the particular Suburban Purchaser's Allocation Basis (in mgd) as calculated in Step One and the denominator of which is the sum (in mgd) of all Suburban Purchasers' Allocation Bases.

Section 2.2.3 Step Three: Determination of Initial Shortage Allocation for Each Suburban

Purchaser. The initial shortage allocation for each Suburban Purchaser is determined by multiplying the amount of water available to the Suburban Purchasers collectively (determined pursuant to Section 2.1 of the Tier One Plan) by the Suburban Purchaser's Allocation Factor (i.e., the percentage calculated pursuant to Section 2.2.2).

Section 2.2.4 Step Four: Determination of Final Shortage Allocation for Each Suburban

Purchaser Once the initial shortage allocations are determined, the percentage reductions from each Suburban Purchaser's purchases from the SFPUC in the fiscal year immediately preceding the declaration of water shortage emergency will be calculated as a fraction, the numerator of which is the Suburban Purchaser's initial shortage allocation (determined pursuant to Section 2.2.3), and the denominator of which is the amount purchased from the SFPUC during such fiscal year. The result, as a percentage carried to two places to the right of the decimal, will be subtracted from 100%; the result is the Suburban Purchaser's percentage reduction.

The percentage reductions for San Jose and Santa Clara will be compared to the highest percentage reduction of the other Suburban Purchasers. If both San Jose's and Santa Clara's percentage reduction is larger than the highest percentage reduction among other Suburban Purchasers, the initial shortage allocations established under Section 2.2.3 will become the final

shortage allocations. If either San Jose's percentage reduction or Santa Clara's percentage reduction, or both, is smaller than the highest percentage reduction of other Suburban Purchasers, the shortage allocation (in mgd) of San Jose or Santa Clara, or both, will be reduced so that the percentage reduction of each is no smaller than that of the otherwise highest percentage reduction.

The amount of shortage allocation (in mgd) removed from San Jose and/or Santa Clara will be reallocated among the remaining Suburban Purchasers in proportion to the initial shortage allocation of each calculated as a fraction the numerator of which is the individual initial shortage allocation and the denominator of which is the sum of the initial shortage allocation for the remaining Suburban Purchasers (not including San Jose and Santa Clara).

After such reallocation, the resulting amounts will be the final shortage allocation for each Suburban Purchaser.

Section 2.2.5 Example Calculation. Attachment A-3 presents a sample of the calculations involved in Steps One through Four, using the values from Attachments A-1 and A-2 and recent water use data for the other values. It is presented for illustrative purposes only and does not supersede the foregoing provisions of this Section 2.2. In the event of any inconsistency between this Section 2.2 and Attachment A-3, the text of this section will govern.

Section 2.3 Calculation of Individual Suburban Purchaser's Allocations: Directions to SFPUC. The Tier One Plan contemplates that in any year in which the methodology described above must be applied, the Bay Area Water Users Association ("BAWUA") will calculate each Suburban Purchaser's individual percentage share of the amount of water made available to the Suburban Purchasers collectively, following the methodology described above. The Tier One Plan requires SFPUC to allocate water to each Suburban Purchaser in accordance with calculations delivered to it by BAWUA.

The Tier One Plan requires that each year, the SFPUC will provide to BAWUA by November 1 a list showing the amount of water purchased by each Suburban Purchaser during the immediately preceding Supply Year. The list will be prepared using Customer Service Bureau report MGT 440 (or comparable official record in use at the time), adjusted as required for any reporting errors or omissions, and will be signed by the SFPUC General Manager.

Each Suburban Purchaser authorizes BAWUA to perform the calculations required, using water sales data furnished to it by the General Manager of the SFPUC, and to deliver a list of individual Suburban Purchasers' percentage shares so calculated to SFPUC as contemplated by the SFPUC Plan. Neither BAWUA nor any officer or employee of BAWUA shall be liable to any Suburban Purchaser for any such calculations made in good faith, even if incorrect.

SECTION 3. GENERAL PROVISIONS

Section 3.1 Construction of Terms. This Tier Two Plan is for the sole benefit of the parties and shall not be construed as granting rights to any person other than the parties or imposing obligations on a party to any person other than another party.

Section 3.2 Governing Law. This Tier Two Plan is made under and shall be governed by the laws of the State of California.

Section 3.3 **Effect on Master Contract.** This Tier Two Plan describes the method for allocating water from the SFPUC among the Suburban Purchasers during system-wide water shortages of 20 percent or less declared by the SFPUC. The provisions of this Tier Two Plan, and the Tier One Plan with which it is intended to be integrated, are intended to implement Section 7.03(a) of the Master Contract. Both the Tier One and Tier Two Plans constitute the water conservation plan contemplated by Section 7.03(a) and supersede the provisions of Section 7.03(b). The Plans do not affect, change or modify any other section, term or condition of the Master Contract.

Section 3.4 **Amendment.** This Tier Two Plan may be amended only by written agreement of all Suburban Purchasers.

Section 3.5 **Termination.** This Tier Two Plan shall expire on June 30, 2009. It may be terminated prior to that date only by the written agreement of all Suburban Purchasers.

ATTACHMENT A-1

The amount of the first component for each Suburban Purchaser is shown below.

<u>Suburban Purchasers</u>	<u>First Fixed Component (mgd)</u>
ACWD	13.76
Belmont	3.89
Brisbane	0.46
Burlingame	5.23
Coastside	2.18
Cordilleras	0.01
CWS Total	35.39
Daly City	4.49
East Palo Alto	2.18
Estero	7.23
Guadalupe	0.52
Hayward	24.00
Hillsborough	4.09
Los Trancos	0.11
Menlo Park	4.24
Millbrae	3.15
Milpitas	9.23
Mountain View	13.46
North Coast	3.84
Palo Alto	17.07
Purissima Hills	1.85
Redwood City	10.93
San Bruno	3.25
Skyline	0.18
Stanford	3.03
Sunnyvale	12.58
Westborough	1.32
San José	2.68
Santa Clara	6.57

ATTACHMENT A-2

The amount of the second component for each Suburban Purchaser is shown below.

<u>Suburban Purchasers</u>	<u>Second Fixed Component (mgd)</u>
ACWD	11.95
Belmont	3.26
Brisbane	0.30
Burlingame	4.68
Coastside	1.35
Cordilleras	0.01
CWS Total	33.42
Daly City	4.49
East Palo Alto	2.10
Estero	5.45
Guadalupe	0.27
Hayward	17.56
Hillsborough	3.60
Los Trancos	0.10
Menlo Park	3.43
Millbrae	2.64
Milpitas	6.80
Mountain View	10.36
North Coast	3.29
Palo Alto	12.96
Purissima Hills	1.85
Redwood City	10.92
San Bruno	2.01
Skyline	0.16
Stanford	2.58
Sunnyvale	10.73
Westborough	0.98
San José	4.10
Santa Clara	4.72

ATTACHMENT A-3

Sample Calculation

Attachment A-3 Sample Calculation

23.6% Average Suburban Reduction from FY 98 99 Purchases
(Units in million gallons per day unless otherwise noted)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
Suburban Purchasers	Allocation Basis				Unadjusted Allocations					Allocations Adj for Santa Clara & San José				Final Individual Share
	Fixed Component	Second Fixed Component	Variable Component	Average	Allocation Factors	Initial Shortage Allocation	FY 98 99 Purchases	Initial Purchase Cutback	Subtotal Allocation Factors	Adjusted Shortage Allocation	Adjusted Purchase Cutback			
ACWD	13.76	11.95	11.95	12.55	7.12%	9.16	11.96	2.80	23.41%	7.50%	9.18	2.78	23.23%	7.13%
Belmont	3.89	3.26	3.26	3.47	1.97%	2.53	3.35	0.81	24.25%	2.07%	2.54	0.81	24.08%	1.97%
Brisbane	0.46	0.30	0.30	0.35	0.20%	0.26	0.34	0.08	23.61%	0.21%	0.26	0.08	23.43%	0.20%
Burlingame	5.23	4.68	4.68	4.86	2.76%	3.55	4.65	1.10	23.57%	2.91%	3.56	1.09	23.40%	2.76%
Coastside	2.18	1.35	1.35	1.62	0.92%	1.19	1.48	-0.29	19.74%	0.97%	1.19	-0.29	19.56%	0.92%
Cordilleras	0.01	0.01	0.01	0.01	0.00%	0.00	0.01	0.00	25.89%	0.00%	0.00	0.00	25.72%	0.00%
CWS Total	35.39	33.42	33.42	34.07	19.32%	24.87	33.45	8.58	25.64%	20.36%	24.93	8.52	25.48%	19.37%
Daly City	4.49	4.49	4.49	4.49	2.55%	3.28	4.55	1.27	27.85%	2.69%	3.29	1.26	27.68%	2.55%
East Palo Alto	2.18	2.10	2.10	2.13	1.21%	1.55	2.07	0.52	25.13%	1.27%	1.55	-0.52	24.96%	1.21%
Estero	7.23	5.45	5.45	6.05	3.43%	4.41	5.57	1.15	20.73%	3.61%	4.42	1.14	20.55%	3.44%
Guadalupe	0.52	0.27	0.27	0.35	0.20%	0.26	0.28	0.02	7.39%	0.21%	0.26	0.02	7.18%	0.20%
Hayward	24.00	17.56	17.56	19.71	11.18%	14.39	17.77	3.38	19.04%	11.77%	14.42	3.35	18.86%	11.20%
Hillsborough	4.09	3.60	3.60	3.76	2.13%	2.75	3.39	0.64	18.83%	2.25%	2.75	0.63	18.65%	2.14%
Los Trancos	0.11	0.10	0.10	0.10	0.06%	0.07	0.10	0.03	26.93%	0.06%	0.07	0.03	26.77%	0.06%
Menlo Park	4.24	3.43	3.43	3.70	2.10%	2.70	3.39	0.69	20.45%	2.21%	2.71	0.69	20.27%	2.10%
Millbrae	3.15	2.64	2.64	2.81	1.59%	2.05	2.63	0.58	21.91%	1.68%	2.06	0.57	21.74%	1.60%
Milpitas	9.23	6.80	6.80	7.61	4.31%	5.55	6.80	1.24	18.29%	4.55%	5.57	1.23	18.11%	4.32%
Mountain View	13.46	10.36	10.36	11.40	6.46%	8.32	10.25	1.93	18.81%	6.81%	8.34	1.91	18.62%	6.48%
North Coast	3.84	3.29	3.29	3.47	1.97%	2.54	3.34	0.80	24.02%	2.07%	2.54	0.80	23.85%	1.97%
Palo Alto	17.07	12.96	12.96	14.33	8.13%	10.46	13.04	2.58	19.78%	8.56%	10.49	2.56	19.60%	8.15%
Purissima Hills	1.85	1.85	1.85	1.85	1.05%	1.35	1.93	0.59	30.37%	1.10%	1.35	0.58	30.21%	1.05%
Redwood City	10.93	10.92	10.92	10.92	6.19%	7.97	11.42	3.45	30.19%	6.52%	7.99	3.43	30.03%	6.21%
San Bruno	3.25	2.01	2.01	2.42	1.37%	1.77	2.47	0.71	28.54%	1.45%	1.77	0.70	28.38%	1.37%
Skyline	0.18	0.16	0.16	0.17	0.09%	0.12	0.16	0.04	24.69%	0.10%	0.12	0.04	24.52%	0.10%
Stanford	3.03	2.58	2.58	2.73	1.55%	1.99	2.56	0.57	22.23%	1.63%	2.00	0.57	22.06%	1.55%
Sunnyvale	12.58	10.73	10.73	11.34	6.43%	8.28	11.22	2.94	26.19%	6.78%	8.30	2.92	26.02%	6.45%
Westborough	1.32	0.98	0.98	1.09	0.62%	0.80	1.00	0.20	20.27%	0.65%	0.80	0.20	20.09%	0.62%
Subtotal	187.67	157.23	157.23	167.38		122.19	159.17	36.98	23.24%	100.00%	122.47	36.71	23.06%	
San José	2.68	4.10	4.10	3.63	2.06%	2.65	4.13	1.48	35.85%		2.65	1.48	35.85%	2.06%
Santa Clara	6.57	4.72	4.72	5.34	3.03%	3.90	5.20	1.30	25.04%		3.62	1.58	30.37%	2.81%
Total	196.92	166.06	166.06	176.35	100.00%	128.73	168.50	39.77	23.60%		128.73	39.77	23.60%	100.00%

Derivation of the Santa Clara/San José adjustment:

1	Largest permanent customer cutback	30.37%
2a	Adjusted Santa Clara shortage allocation	3.62 (Applying largest permanent customer cutback)
2b	Santa Clara adjustment	0.28 (Difference between initial and adjusted alloc)
3a	Adjusted San José shortage allocation	2.87 (Applying largest permanent customer cutback)
3b	San José adjustment	0.00 (Difference between initial and adjusted alloc)
4	Total Adjustment	0.28 (2b + 3b)

Attachment A-3. Suburban Shortage Allocations

Assumptions and Column Notes

23.6% shortage for the Suburban Purchasers compared to FY 1998-99 purchases

Column notes.

Allocation Basis The Allocation Basis is used for calculating Allocation Factors and is the average of the following three components

- 1 **First Fixed Component** The greater of either the Supply Assurance values or the three year average of SFPUC purchases for FYs 1996-97, 1997-98, and 1998-99, with certain exceptions
 - a Daly City's and Purissima Hill's values are based on their three year averages, which is greater than their Supply Assurance values
 - b Hayward's and Estero's values are based on their 2010-11 projected purchases, as reported in the BAWUA 1997-98 Annual Survey
 - c San José's and Santa Clara's values are based on the water supply caps in their individual water supply contracts with the SFPUC
- 2 **Second Fixed Component** The average of SFPUC purchases for FYs 1996-97, 1997-98, and 1998-99
- 3 **Variable Component** The rolling three year average, updated annually, beginning with FYs 1996-97, 1997-98, and 1998-99
- 4 **Average** The average of columns 1, 2, and 3

Unadjusted Allocations The initial shortage allocations in column 6 are adjusted for Santa Clara and San José in columns 10 through 13

- 5 **Allocation Factors** The ratio of each Suburban Purchaser's column 4 average to the column 4 total
- 6 **Initial Shortage Allocation** The product of each Suburban Purchaser's column 5 Allocation Factor times the column 6 total, which represents the assumed available water supply
- 7 **FY 1998-99 Purchases** The most recent year's purchases to which the Shortage Allocation can be compared to determine the effective cutback
- 8 **Purchase Cutback** Column 6 minus column 7, in mgd
- 9 **Purchase Cutback** The ratio of column 8 to column 7, in percent

Allocations Adjusted for Santa Clara and San José This adjustment is made so that Santa Clara's and San José's cutbacks are at least as great as the highest cutback by the permanent customers. In this example, there is no adjustment required for San José because the formula results in an unadjusted cutback that is already greater than the highest cutback by a permanent customer

- 10 **Subtotal Allocation Factors** The ratio of each permanent Suburban Purchaser's column 4 average to the column 4 subtotal
- 11 **Adjusted Shortage Allocation** The product of each Suburban Purchaser's column 10 Subtotal Allocation Factor times the Column 11 subtotal
 - a The column 11 subtotal is the sum of the column 6 subtotal plus the Santa Clara adjustment, 0.26
 - b The Santa Clara adjustment is the difference between its column 6 Initial Shortage Allocation, 3.72, and its Adjusted Shortage Allocation, 3.48
 - c Santa Clara's Adjusted Shortage Allocation is the product of its column 4 average and the largest Purchase Cutback, 33.53%, received by the permanent Suburban Purchasers
- 12 **Adjusted Purchase Cutback** Column 11 minus column 7, in mgd
- 13 **Adjusted Purchase Cutback** The ratio of column 12 to column 7, in percent