DESERT WATER AGENCY
JANUARY 5, 2016

BOARD OF DIRECTORS
REGULAR MEETING AGENDA

REGULAR MEETING 8:00 A.M. OPERATIONS CENTER - 1200 SOUTH GENE AUTRY TRAIL – PALM SPRINGS – CALIFORNIA

About Desert Water Agency:

Desert Water Agency operates independently of any other local government. Its autonomous elected board members are directly accountable to the people they serve. The Agency is one of the desert's two State Water Contractors and provides water and resource management, including recycling, for a 325-square-mile area of Western Riverside County, encompassing parts of Cathedral City, Desert Hot Springs, outlying Riverside County and Palm Springs.

1. PLEDGE OF ALLEGIANCE

2. ELECTION OF BOARD OFFICERS

3. APPROVAL OF MINUTES – December 15, 2015 — EWING

4. GENERAL MANAGER'S REPORT — LUKER

5. COMMITTEE REPORTS – A. Executive – December 22, 2015 — EWING

6. PUBLIC INPUT:
   Members of the public may comment on any item not listed on the agenda, but within the jurisdiction of the Agency. In addition, members of the public may speak on any item listed on the agenda as that item comes up for consideration. Speakers are requested to keep their comments to no more than three (3) minutes. As provided in the Brown Act, the Board is prohibited from acting on items not listed on the agenda.

7. ITEMS FOR ACTION
   - A. Request Authorization for Board Attendance at the Irrigation Leader Workshop to be held on January 27 – 28, 2016 — LUKER
   - B. Request Authorization for Board Attendance at the Urban Water Institute Conference to be held on February 10 – 12, 2016 — LUKER
   - C. Request Acceptance of the 2014/2015 Replacement Pipeline (Ave. Caballeros) — JOHNSON
   - D. Request Authorization to Enter into a Joint Agreement with SCE and JTN Energy LLC for Snow Creek Hydro Power Purchase Agreement — KRAUSE
   - E. Request Authorization to Execute Compensation Agreements for Transfer to City of Desert Hot Springs — KRAUSE

8. ITEMS FOR DISCUSSION
   - A. State Water Contractors' Meeting – December 17, 2015 — RIDDELL
   - B. 2015/2016 Replacement Pipelines Update (Belding Drive) — JOHNSON

9. PUBLIC INFORMATION — HUDGENS
   - A. Media Information
   - B. PI Activities

10. DIRECTORS COMMENTS AND REQUESTS

11. CLOSED SESSION
    - A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
      Pursuant to Government Code Section 54956.9 (d) (1)
      Name of Case: Agua Caliente Band of Cahuilla Indians vs. Coachella Valley Water District, et al
    - B. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
      Pursuant to Government Code Section 54956.9 (d) (1)
      Name of Case: Agua Caliente Band of Cahuilla Indians vs. County of Riverside, et al

C. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Pursuant to Government Code Section 54956.9 (d) (1)
Name of Case: Desert Water Agency vs. U.S. Department of Interior

12. RECONVENE INTO OPEN SESSION – REPORT FROM CLOSED SESSION

13. ADJOURN

Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities, as required by Section 202 of the Americans with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting is asked to contact Desert Water Agency's Executive Secretary, at (760) 323-4971, at least 48 working hours prior to the meeting to enable the Agency to make reasonable arrangements. Copies of records provided to Board members which relate to any agenda item to be discussed in open session may be obtained from the Agency at the address indicated on the agenda.

MINUTES
OF THE REGULAR MEETING
OF THE
DESERT WATER AGENCY
BOARD OF DIRECTORS

December 15, 2015

Attendance

DWA Board:	Craig A. Ewing, President	)
	James Cioffi, Vice President	)
	Joseph K. Stuart, Secretary-Treasurer	)
	Patricia G. Oygar, Director	)
	Kristin Bloomer, Director	)
DWA Staff:	David K. Luker, General Manager	)
	Mark S. Krause, Asst. General Manager	)
	Martin S. Krieger, Finance Director	)
	Sylvia Baca, Asst. Secretary of the Board	)
	Steve Johnson, Operations Engineer	)
	Ashley Hudgens, Public Information Officer	)
Consultant:	Michael T. Riddell, Best Best & Krieger	)
Public:	David Freedman, PS Sustainability Comm.	)
	Chris Lucker, Palm Springs	)

Pledge of Allegiance

17339. President Ewing opened the meeting at 8:00 a.m. and asked everyone to join Director Bloomer in the Pledge of Allegiance.

Oath of Office – Directors Ewing and Bloomer

17340. Assistant Secretary of the Board Baca administered the Oath of Office to Directors Ewing and Bloomer who were elected at the November 3, 2015 Election.

Director Bloomer Comments

Director Bloomer thanked her family and friends for their support and said she is looking forward to working with the Board and staff.

President Ewing Comments

President Ewing thanked his supporters and said that he is looking forward to serving on the Board for his third term.

Approval of the 12/01/15 Regular Mtg. Minutes

17341. President Ewing called for approval of the December 1, 2015 Regular Board meeting minutes.

Director Oygar moved for approval. After a second by Vice President Cioffi, the minutes were approved as written.

17342. President Ewing called upon General Manager Luker to provide an update on Agency operations.

General Manager's Report

Mr. Luker reported on December 6 at approximately 6:00 a.m., stand-by responded to a hit fire hydrant at Gene Autry Trail and Calle San Raphael. The hydrant had to be replaced and is back in service. The water ran fully open from a six-inch hydrant riser for approximately one hour.

Hit Hydrant – Gene Autry Trail/Calle San Raphael

Mr. Luker announced that the Agency recently received two President's Special Recognition Awards from ACWA/JPIA for low ratio on paid claims.

ACWA/JPIA Awards

Mr. Luker noted his report included an update to the 2015-16 replacement pipeline projects. He stated that the City of Palm Springs is negotiating with Granite Construction for work on Belding Drive that is to be included in our change order, to replace 750 linear feet of a 4" diameter main. This was scheduled for replacement next year, but the Agency plans to proceed now, in order not to disturb the new paving. Estimated construction cost is $80,000 in additional to miscellaneous add-ons for a total of $93,500.

2015-16 Replacement Pipelines Update

City Paving Project

Concluding his report, Mr. Luker stated the Agency was recently informed that the Turf Buy Back rebate customers are subject to federal tax filings. The Agency will be sending out IRS Form 10-99 to its rebate customers receiving $600 or more from the program from the year 2015 and forward. Staff is working on updating the application.

Turf Buy Back Program

17343. President Ewing noted the minutes for the December 10, 2015 Executive Committee were provided in the Board's packet.

Committee Reports
Executive
12/10/15

17344. President Ewing opened the meeting for public input.

Public Input

Director Bloomer introduced her family members in attendance.

There being no one from the public wishing to address the Board, President Ewing closed the public comment period.

17345. President Ewing called upon Secretary-Treasurer Stuart to provide an overview of the financial activities for November 2015.

Secretary-Treasurer's Report (November)

Secretary-Treasurer Stuart reported $1,817,921 was received in Water Sales Revenues. $103,419 was received in Reclamation Sales Revenues. $129,085 was received in Advanced Work Order Deposits from Riverside County for participation in the Perez Road main relocation. $2,366,360 was paid out from Accounts Payable. Year-to-date Water Sales are 9% over budget, Year-to-date Reclamation Sales are 8% under budget,

Operating Fund

Year-to-date Total Revenues are 11% over budget, and Year-to-date Total Expenses are 15% under budget. There were 22,150 active services as of November 30, 2015 compared to 22,151 on October 31, 2015. **Secretary-Treasurer's Report (November)** (Cont.)

Reporting on the General Fund, Secretary-Treasurer Stuart stated that $95,282 was received in Property Tax Revenues. $868,330 was received in Groundwater Replenishment Assessments. $177,811 was received in State Water Project Refunds. $1,378,717 was paid out in State Water Project Charges. General Fund

Regarding the Wastewater Fund, Secretary-Treasurer Stuart reported that $4,614 was received in Sewer Contract payments. There are a total of 78 contracts with a 37% delinquency rate. $64,636 was paid out in Accounts Payable. Wastewater Fund

Discussion Items: November Water Use Reduction Figures

17346. President Ewing called upon General Manager Luker to report on the November Water Use Reduction Figures

Mr. Luker reported that the Agency and its customers achieved a 28 percent reduction during November 2015 compared to November 2013. He noted the first three fines for violating the Agency's conservation rules were issued.

Public Information Officer Hudgens stated that she attended the State Water Resources Control Board (SWRCB) meeting in Sacramento last week. She noted that the SWRCB was receptive to the changes requested.

Lake Perris Seismic Remediation Project

17347. President Ewing asked Assistant General Manager Krause to report on the Lake Perris Seismic Remediation Project.

Mr. Krause stated at the Board's request, cost information on this project is being provided. He indicated that Department of Water Resources (DWR) staff is trying to be responsive by providing updates through the State Water Contractors/DWR Operations Maintenance and Engineering (OME) Committee. An updated report dated November 5 is provided with today's Board packet. The report includes a contract summary, list of contract challenges and their impacts, and a table showing contract payments and change orders.

Concluding his report, Mr. Krause noted that work is resuming on the blasting of the left dam abutment.

SGMA Update

17348. President Ewing asked Assistant General Manager Krause to report on the Sustainable Groundwater Management Act Update.

Mr. Krause reported that the Department of Water Resources (DWR) posted the Agency's Groundwater Sustainability Agency (GSA)

Discussion Items: (Cont.) SGMA Update

Notice of Election on their website. The posting started the 90-day clock for approval and official formation of a GSA. He noted that if there are no other GSA applications submitted within our proposed boundaries, DWA will be a GSA on February 22, 2016.

Mr. Krause noted on December 1, Indio Water Authority went before their City Council for approval to submit their notice of intent to DWR to become a GSA. In addition to other documents, they submitted a resolution, which included wording, "It is the intent of the City through IWA to jointly manage the Indio Sub-Basin with CVWD, CWA, and DWA; and Mission Creek Sub-Basin with MSWD… If CWA or MSWD elects not to form a GSA, the City intends to assume, in the future, GSA responsibility over the portion of the Indio Sub-Basin within CWA service area boundary; and Mission Creek Sub-Basin within the MSWD service area boundary as applicable". He stated that IWA boundaries do not overlie any portion of Mission Creek Sub-Basin nor are they involved in any groundwater management of the Sub-Basin. Additionally, CWA's boundaries are overlaid by CVWD, not IWA. However, their aforementioned intentions are not reflected in the GSA boundary that they submitted to DWR.

Continuing his report, Mr. Krause stated on December 8, local agencies and interested parties within the San Gorgonio Pass Sub-basin met to discuss the SGMA as it relates to this sub-basin. There was lengthy discussion regarding basin boundary adjustment. It is anticipated within this group that the adjudicated portion of the sub-basin will be removed from the San Gorgonio Sub-Basin and added to the San Timoteo Sub-Basin. DWR has the final say in all basin boundary adjustments.

Concluding his report, Mr. Krause said that the next meeting is scheduled for the end of January 2016 to discuss the local agencies boundaries and review multiple GSA formation within the Sub-Basin and what the governance structure might look like.

Directors' Report on ACWA Fall Conference

17349. President Ewing, Vice President Cioffi and Secretary-Treasurer Stuart noted their attendance at the ACWA Fall Conference in Indian Wells. They attended programs/presentations on finance, rate studies, tiered rate costs, allocation based rates, and DWR panel session.

President Ewing – ACWA Board Term Concluded

President Ewing noted he concluded his ACWA Region 9 Vice Chair term.

Directors' Comments/Requests

17350. Secretary-Treasurer Stuart noted a recent discussion with MSWD Board President Wright who informed him of their contention of GSA boundary issues and that they intend to file to become a GSA with DWR.

17351. At 8:52 a.m., President Ewing convened into Closed Session for the purpose of (A) Existing Litigation, pursuant to Government Code Section 54956.9 (d) (1), Agua Caliente Band of Cahuilla Indians vs. Coachella Valley Water District, et al, (B) Existing Litigation, pursuant to Government Code Section 54956.9 (d) (1), Agua Caliente Band of Cahuilla Indians vs. County of Riverside, et al, (C) Existing Litigation, pursuant to Government Code Section 54956.9 (d) (1), Desert Water Agency vs. U.S. Department of Interior; and (D) Public Employment Appointment, pursuant to Government Code Section 54957 (b) (1), General Manager.

Closed Session:

A. Existing Litigation – ACBCI vs. CVWD, et al
B. Existing Litigation – ACBCI vs. Riverside County
C. Existing Litigation – DWA vs. U.S. Department of Interior
D. Public Employment Appointment – General Manager

17352. At 9:16 a.m., President Ewing reconvened the meeting into open session and announced there was no reportable action for Items A-C.

Reconvene

No Reportable Action – Items A-C

Regarding Item D, Vice President Cioffi moved to approve Mr. Krause's General Manager Employment Agreement. After a second by Secretary-Treasurer Stuart, the motion carried unanimously.

Item D. Public Employment Appointment – Mark Krause General Manager

17353. In the absence of any further business, President Ewing adjourned the meeting at 9:17 a.m.

Adjournment

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Craig A. Ewing, President

ATTEST:

____
Joseph K. Stuart, Secretary-Treasurer

GENERAL MANAGER'S REPORT
JANUARY 5, 2016

On December 16 at approximately 11:50 p.m., stand-by responded to a hit backflow at 1450 South Palm Canyon Drive. This was a hit and run. Staff spoke to the manager who authorized DWA to make the necessary repairs. The repairs have been made, the backflow is back in service, and the water loss was metered.

On December 17 at approximately 11:30 a.m. on the north side of Via Escuela, west of Girasol, a fire hydrant was approximately three quarters of the way severed six inches below the fire hydrant flange and bent over. Granite Construction was out there grinding the street for paving. A DWA crew was in the area and able to respond quickly but were delayed having to locate the valve and dig it up due to the work Granite was doing. The water ran through a fully open six-inch riser for thrifty to forty-five minutes. The water was shooting up in the air and on the property at 447 Via Escuela. The water ran from the front of that property down to the east side toward the back south east corner of the property where a section of a brick wall came down against the trees at the property located at 423 Via Escuela. The water also flooded the backyard pool area at 423 Via Escuela. Water ran down Via Escuela, some of the side streets, down to North Palm Canyon Dr., and then ran south past Vista Chino.

On December 24 at 2:00 a.m., stand-by responded to two hit backflows at 36605 Sunair Plaza and 36480 Bankside Dr. (located next to each other). The backflow at 36480 Bankside Dr. was repaired by the customer's plumber. The property management company for 36605 Sunair Plaza gave DWA authorization to make the necessary repairs, which have been made and is now back in service. A police report was made and the water loss was metered.

Minutes
Executive Committee Meeting
December 22, 2015

Directors Present: Craig Ewing, Jim Cioffi
Staff Present: Mark Krause, Martin Krieger, Ashley Hudgens

1. Discussion Items

   A. Review Agenda for January 5, 2016 Regular Board Meeting
      The proposed agenda for the January 5, 2016 Regular Board meeting was reviewed.

   B. Review Turf Buy Back Appeals to Date
      The Committee reviewed the two appeals; both were denied.

2. Other - None

3. Adjourn

STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS

JANUARY 5, 2016

RE: REQUEST AUTHORIZATION FOR BOARD ATTENDANCE AT IRRIGATION LEADER MAGAZINE'S OPERATIONS & MANAGEMENT WORKSHOP

Attached is a copy of an announcement of the Operations and Management Workshop sponsored by Irrigation Leader magazine, which will be held on January 27 – 28, 2016 at the Crowne Plaza Phoenix Airport Hotel.

Vice President Cioffi and Secretary-Treasurer Stuart have been invited to speak at this year's event. The theme for this year is "Security: Protecting Personnel, Water, and the Bottom Line".

Staff recommends that the Board approve and authorize Vice President Cioffi and Secretary-Treasurer Stuart to attend the workshop in service to the Board.

DRAFT (Note: This draft agenda and invited guest speakers are subject to change.)

OPERATIONS and MANANGEMENT WORKSHOP

Sponsored by *Irrigation Leader* magazine
Crown Plaza Phoenix Airport Hotel
4300 East Washington Street
Phoenix, Arizona 85035
January 27-28, 2016

"Security: Protecting Personnel, Water, and the Bottom Line"

WEDNESDAY, January 27
Morning Training Sessions

8:30 am — **Situational Awareness and Basic Defense**
Canyon I — Speaker: Phillip Ball
Situational Awareness Institute
Firearms Instructor GA, FL, FBI

10:00 am — **Refreshments Break Sponsored by TruePoint Solutions**

10:30 am — **Managing Crisis with a Media Plan**
Canyon Ballroom — Speaker: Keith Yaskin
Flip Side Communications

Afternoon Program
Canyon Ballroom

1:00 pm — Welcome: Kris Polly
Irrigation Leader magazine

Invocation and Pledge of Allegiance

Basic Security for Irrigation Districts and Water Agencies

Moderator: Troy Allen
General Manager
Delta Lake Irrigation District

Speakers: Phillip Ball
Situational Awareness Institute
Firearms Instructor GA, FL, FBI

Joe Stuart
Director, Desert Water Agency
FBI, Retired

2:00 pm	**Active Shooter Plans**		
	Moderator:	Steve Cain Assistant General Manager Provo Water Users Association	
	Speakers:	Phillip Ball Situational Awareness Institute Firearms Instructor GA, FL, FBI	
		Joe Stuart Director, Desert Water Agency FBI, Retired	
3:00 pm	**Ice Cream Sundae Break** **Sponsored by Van Ness Feldman**		
3:30 pm	**Managing Stress and Conflict Resolution**		
	Moderator:	Tom Knutson Senior Consultant HDR Engineering	
	Speakers:	Glenn Johnson General Manager South Platte Natural Resources District	
		Dave Solem General Manager South Columbia Basin Irrigation District	
4:30 am	**Conjunctive Use: Managing Ground and Surface Water Supplies Together**		
	Case Studies:	Central Platte Natural Resources District A&B Irrigation District	
	Moderator:	Lyndon Vogt General Manager Central Platte Natural Resources District	
	Speakers:	Dan Temple General Manager A & B Irrigation District	
		Harold Mohlman Director A & B Irrigation District	
		David Chorley	

Sales Representative
Diamond Plastic

5:30 pm **Reception Sponsored By Diamond Plastics**

<u>THURSDAY, January 28</u>
Canyon Ballroom
8:00 am Welcome: Kris Polly
Irrigation Leader magazine

Invocation and Pledge of Allegiance

Project Title Transfer: Advantages and Process

Moderator: Mike Miller
General Manager
Greater Wenatchee Irrigation District

Speakers: Tom Knutson
Senior Consultant
HDR Engineering

Gary Esslinger
Treasurer/Manager
Elephant Butte Irrigation District

James Hess
Bureau of Reclamation

9:00 am **Prospering With Limited Water: Israel and Australia**

Speakers: Dr. Sharon Megdal
Director of Water Resources Research Center
University of Arizona

Damien Pearson
Rubicon

10:00 am **Refreshments Break**
Sponsored by Watertronics

10:30 am **Public Outreach: Delivering Your Message With Radio and TV**
Case Studies: Kennewick Irrigation District
Desert Water Agency

Moderator: Keith Yaskin
Flip Side Communications

	Speakers:	Chuck Freeman General Manager Kennewick Irrigation District
		Ashley Hudgens Public Affairs Officer Desert Water Agency
11:30 pm	**Public Outreach: Value of Hiring Teachers During Summer Break**	
	Case Study:	Roosevelt Water Conservation District
	Speaker:	Shane Leonard District Engineer Roosevelt Water Conservation District
12:00 pm	**Lunch Sponsored by Roosevelt Water Conservation District**	
	Guest Speaker: Jim Cioffi	
1:30 pm	**Financing Hydro Development**	
	Case Studies:	North Side Canal Co., Ltd., Idaho North Unit Irrigation District, Oregon
	Moderator:	John Maxwell HDR Engineering
	Speakers:	Alan W. Hansten, P.E. Manager North Side Canal Co., Ltd.
		Dan Murrer CH2M Hill
		Mike Britton General Manager North Unit Irrigation District
		Gia Schneider NATEL
		Stan Schweissing HDR Engineering
		Chuck Sensiba Van Ness Feldman
3:00 pm	**Refreshments Break Sponsored by Intertape Polymer Group (IPG)**	

3:30 pm **Preventing Debris While Pumping Out of Rivers and Canals**
Case Study: Wietharn Farms, Clay Center, Kansas

Speaker: Bob Wietharn
Owner/Farmer
Riverscreens

4:00 pm **Saving Water By Combining Pivot Mobility with Drip Efficiency**
Case Study: Teeter Farms, Eureka, Kansas

Speaker: Monty Teeter
Owner/Farmer
Teeter Irrigation/DragonLine

4:30 pm **Open Forum**

(*Note:* Topics may be added by attendees at the meeting.)

Moderator: Kris Polly
Irrigation Leader magazine

1. Working with/training a bilingual workforce
2. Acquiring easements
3. Retaining workers
4. Union negotiations

5:30 pm **Reception Sponsored by Wells Fargo Insurance Services & Clear Risk Solutions**

Australia Irrigation Education Tour Door Prizes Sponsored by *Irrigation Leader* Magazine and Rubicon

HOTEL INFORMATION: The workshop will take place at the Crowne Plaza Phoenix Airport Hotel located at 4300 East Washington Street, Phoenix, Arizona 85034. Your reservation includes a complimentary **full "Express" breakfast**, complimentary 24 hour airport shuttle service, complimentary wireless Internet service, and complimentary Valet parking for registered guests with in and out privileges. To make or confirm your reservations at the special Irrigation Leader rate, please call 1-855-586-8475 and identify yourself with the Irrigation Leader group.

FYI: For the Express Breakfast – guests are given a choice of 3 options:

- Scrambled eggs, bacon or sausage patties, breakfast potatoes and toast
- Quiche of the day with fresh fruit
- Breakfast burrito or breakfast sandwich with fresh fruit

** All options include choice of juice and coffee

QUESTIONS: Please contact Kris Polly at (703) 517-3962 or Kris.Polly@WaterStrategies.com.

7-B

STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS

JANUARY 5, 2016

RE: REQUEST AUTHORIZATION FOR BOARD ATTENDANCE AT URBAN WATER INSTITUTE'S SPRING WATER CONFERENCE

Attached for the Board's consideration is a copy of a conference agenda for the Urban Water Institute's Spring Water Conference, which will be held on February 10 – 12, 2016 at the Hilton Palm Springs Hotel.

As in past practice, Staff recommends that the Board approve and authorize those Board Members who are interested in attending the conference as in service to the Board.

Urban Water Institute Spring Water Conference
February 10-12, 2016

Conference Agenda

Wednesday, February 10, 2015

12:00 p.m. - Registration, Networking & Exhibits

1:00 p.m. - Opening Remarks & Introduction
Matt Stone, Chair, Urban Water Institute

1:15 p.m. - Welcome to Palm Springs

1:30 p.m. – Colorado River Supply Demand Study
Carly Jerla, Colorado River Basin Study Manager, U.S. Bureau of Reclamation (Confirmed)

2:00 p.m. – Colorado River Upper Basin Issues
Eric Kuhn, General Manager, Colorado River Water Conservation District (Confirmed)

2:30 p.m. – Networking Break

2:45 p.m. – Speaker Secured *(Wishes not to be listed at this time)*

3:15 p.m. – Brad Udall, Colorado Water Institute, Colorado State University (Invited)

4:00 p.m. - Adjourn

4:30 p.m. - Welcome Reception

5:30 p.m. – Dinner on Your Own

Thursday, February 11, 2015

8:00 a.m. - Registration, Exhibits, Networking & Continental Breakfast

9:00 a.m. - Opening Remarks

James Noyes, Executive Director, Urban Water Institute

9:15 a.m. – Road to Sustainability

Marty Adams, Assistant General Manager, Los Angeles Department of Water and Power (Confirmed)

9:45 a.m. – MWD & LA County Sanitation Recycle Project

Debra Man, Assistant General Manager, Metropolitan Water District of Southern California (Confirmed)
Grace Hyde, General Manager & Chief Engineer, LA County Sanitation Districts (Confirmed)
Mike Markus, General Manager, Orange County Water District (Confirmed)

10:45 a.m. – Networking Break

11:00 a.m. – Salton Sea… Have We Finally Turned The Corner?

Valerie Simon, Salton Sea Program Manager, Bureau of Reclamation
Imperial Representative (Confirmed)
Tina Shields, Manager, Colorado River Resources Imperial Irrigation District (Confirmed)

12:00 p.m. – Luncheon

1:00 p.m. – Secretary John Laird, California Secretary for Natural Resources (Invited)

1:45 p.m. – Desal: What Happens After Carlsbad?

Rich Nagel, General Manager, West Basin Municipal Water District (Confirmed)
Poseidon Water Representative (Confirmed)

2:30 p.m. – Networking Break

2:45 p.m. – Panel: Coachella Valley Water District/Mission Springs Water District

3:30 p.m. – Industries Reaction to the Drought
Craig Kessler, Director of Government Affairs, Southern California Golf Association (Confirmed)
Stone Brewery Representative (Invited)

4:15 p.m. – John Enstminger, General Manager, Southern Nevada Water Authority (Confirmed)

4:45 p.m. - Adjourn – Chairman's Reception

6:00 p.m. - Dinner on your own

Friday, February 12, 2015

8:00 a.m. – Registration, Exhibits, Networking & Buffet Breakfast with Chairman's Drawing: Don't miss out on your opportunity to participate in the Chairman's Drawing! Please pick up your raffle ticket at the registration desk.

8:30 a.m. - Opening Remarks
James Noyes, Executive Director, Urban Water Institute

8:45 a.m. – Applying the Lessons of History to California's Water Future
Moderator: Ed Means, President, Means Consulting, LLC (Confirmed)
Ron Gastelum, Principal, Water Conservation Partners (Confirmed)
Woody Wodraska, President, Wodraska Partners, Inc. (Confirmed)

9:45 a.m. – Networking Break

10:00 a.m. – The Future of Water Conservation Regulations – With or Without Drought
California is on the precipice of either a fifth year of drought, or potentially catastrophic floods. What does either scenario portend for the future of water conservation regulations?
Moderator: Greg Newmark, Principal, Meyers Nave (Confirmed)
Rusty Bailey, Mayor of Riverside (Confirmed)
State Water Board Representative (Invited)

10:45 a.m. – Speaker Pending

11:15 a.m. - Conference Adjourn

7-C

**STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS**

JANUARY 5, 2016

RE: REQUEST ACCEPTANCE OF 2014-2015 REPLACEMENT PIPELINE – AVENIDA CABALLEROS 36" PIPELINE (BETWEEN AMADO ROAD AND ALEJO ROAD)

All work performed by Borden Excavating, Inc. has been essentially completed. The original contract amount, contract change orders, and the adjusted contract amount are summarized as follows:

Original Contract Amount	$1,339,730.00
Contract Change Order No. 1	$815.02
Final Contract Amount	$1,340,545.02

Contract Change Order No. 1 yielded a net increase in the contract amount as a result of extra work related to unmarked utilities within the proposed pipeline trench. A majority of the extra work was offset by the deletion of a paving bid item that was not performed by the contractor.

The 2014-2015 Capital Improvement Budget includes Work Order 14-195 for the installation of said replacement pipeline. The budget amount for the work order is $1,700,000, to include engineering, overheads, construction, and inspection. To date, $1,469,900 has been spent from said work order, with an additional estimated inspection cost in the amount of $20,000 to be paid before closing the work order. The project is estimated to be completed $210,100 under budget.

Staff recommends the Agency accept said work in the amount of $1,340,545.02. Subsequent to Board acceptance, a Notice of Completion will be filed and thereafter, following the lien period, the Agency will release retained funds in the amount of $67,027.25 to Borden Excavating, Inc.

7-D

STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS

JANUARY 5, 2016

RE: REQUEST APPROVAL TO ENTER INTO A JOINT AGREEMENT WITH SCE AND JTN ENERGY LLC FOR SNOW CREEK HYDRO POWER PURCHASE AGREEMENT

On November 20, 1984, DWA executed a Power Purchase Contract with Southern California Edison Company (SCE) for the Snow Creek Power Plant. The term of the Power Purchase Contract was 30 years. The 30-year term of the contract began on the Commercial Operation Date on February 2, 1988 as recorded by Edison. The Snow Creek Power Plant went online 28 years ago and its Power agreement will expire in 25 months on February 2, 2018.

Entering into a new Power Purchase Agreement with SCE today is a lengthy process. DWA began investigating the requirements and the options several months ago when considering JTN Energy, LLC (JTN) as the consultant to procure a 20-year term Renewable Market Adjusted Tariff (ReMAT) contract with SCE for the Whitewater Power Plant. Subsequently JTN was hired by DWA and CVWD to do this work and it is currently ongoing. It was initially determined that pursuing a ReMAT contract for the Snow Creek Power Plant would be too costly when weighed against the monetary benefits of a ReMAT Contract. Recently it was determined that because the Snow Creek Power Plant's peak output of 361 Kilowatts (KW) is below 500 KW, it is not subject to the California Independent System Operator (CAISO) regulation. This reduces a substantial amount of work and cost required in the procurement of a ReMAT contract.

In light of this new information JTN revisited the cost effectiveness of procuring a ReMAT contract with SCE. JTN has proposed a contract agreement almost identical to the agreement we entered into for the Whitewater Power Plant. Payment for JTN's services is contingent upon the revenue generated by the power plant, it is a deferred fee for the consulting services proposed here for a 20 year ReMAT contract. The fee will be 2.0 cents/kilowatt-hour (c/kWh) for the 20 year term of the ReMAT contract. Given the anticipated ReMAT pricing adjusted for time-of-use is calculated to be 8.92 c/kWh, DWA is expected to receive an average price of approximately 6.92 c/kWh net of JTN fees. These fees are unit contingent and only payable if the Project is operating and selling power to SCE under the ReMAT contract. This fee level is based on the historical average annual production of the facility at 576,882 kWh per year (full years 1988 - 2014). Given the possibility that the operating regime for the Project may be changed in the future resulting in higher production levels, the fee is capped for the term of this agreement at the maximum historical annual production, which was 1,261,474 kWh in 1998. JTN's power marketing related fee will accordingly be capped and never exceed (2 c/kWh x 1,261,474 kWh =) $25,229 per year, even if the plant generates at significantly higher levels of production.

The term of the contract begins with an administration period defined as the time period between the present and February 2, 2018, and then continuing on an additional 13 months up to the "Rollover Date". During the 13 month time period following the termination of our current PPA and the beginning of the new ReMAT PPA, JTN will be administering the PPA while training DWA to staff to take over administration. JTN's only compensation for all work up to this Rollover Date will be 2.0 cents per kilowatt hour of Snow Creek Power Plant power production if and when it generates. The term of the contract will continue to the end of the PPA term (20 years) with JTN providing contract management for an annual fee of $12,750 adjusted annually for inflation based on CPI. The annual contract management after the Rollover Date is optional and can be cancelled by DWA at any point per the contract notice provisions.

JTN will prepare a ReMAT application for DWA and submit it to SCE. DWA will pay the $702 application fee ($2/kW x 351 kW). SCE will confirm receipt of the application and deem it complete for the applicable program period. If given approval today to enter into an agreement with JTN for the procurement of a ReMAT contract with SCE, DWA could apply to ReMAT Program Period 14 closing on 03/01/16, secure a contract in June 2016, and lock in a ReMAT contract at 8.923 c/kWh which would only begin deliveries in early 2018 when the existing SO4 power sales expires.

If DWA doesn't pursue the ReMAT, the other options are the standard SCE QF PURPA PPA which is currently paying only 3 - 3.5 c/kWh or sale via an Electric Service Provider (ESP) that might put a little more value on the Renewable Energy Credits (RECs) bumping up price to around 4 c/kWh.

After receipt of the application SCE will began drafting a PPA agreement between SCE and DWA. SCE has 60 days to prepare said agreement and we will have 10 days to respond.

The SCE ReMAT tariff requires a Guaranteed Energy Production (GEP) annually and a penalty for underproduction. JTN has been successful in securing ReMAT PPA's with a zero GEP, and they were successful with regard to our Whitewater Power Plant. Our contract with JTN is dependent upon the procurement of an SCE ReMAT contract that has a zero GEP. If a zero GEP is not procured, we may reject SCE's PPA, forfeit our $702 application fee, and pay JTN a fixed $7,560 payment (a discount from JTN's application preparation expenses of $15,120). As stated above we must accept or reject the contract within 10 days. If we fail to respond or reject the contract we will be required to start all over from the beginning.

Staff requests authorization for the General Manager to enter into a consulting contract with JTN Energy, LLC for the procurement of a 20-year term SCE ReMAT contract (attached), and to execute the forthcoming 20-year term ReMAT PPA when prepared by SCE.

CONSULTANT SERVICES AGREEMENT

This Consultant Services Agreement (the "Agreement") is entered into this _____ day of January , 2016 by and between JTN Energy, LLC (JTN), a limited liability company (the "Consultant") and Desert Water Agency, a Public Agency of the State of California ("DWA"). The Consultant and DWA are collectively referred to herein as the "Parties," or individually as a "Party."

RECITALS

A. DWA owns and operates the Snow Creek hydroelectric project, FERC ID# 4026, a 361 kW nameplate run-of-river hydro project located on Snow Creek Road in Riverside County, California. The project was commissioned February 2, 1988 and DWA has operated the facility since commissioning with power and renewable attributes sold to SCE under a Standard Offer No. 4 contract.

B. The current Standard Offer No. 4 power sale contract expires in February 1, 2018. To assist DWA to secure a new attractive power sales contract and to undertake a range of required business and regulatory work and training activities, DWA wishes to engage JTN, as an independent contractor, to provide the services hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I
SCOPE OF SERVICES

1.01. Scope of Services. The scope of services to be provided by Consultant is set forth in **Exhibit "A"** and by this reference incorporated herein (the "Scope of Services").

1.02. Change Orders. In order to complete the Scope of Services detailed in **Exhibit "A"**, Consultant may be required to adjust, change, or expand the Scope of Services in order to achieve the identified milestones. Given the success contingent nature of the Consultant fees, any such adjustments will not result in any new fees or payment obligations by DWA to Consultant. However, to the degree that DWA and Consultant identify additional work activities which will result in the addition of milestones not included in the original Scope of Services, DWA and Consultant may mutually agree to add to the Scope of Services. Any such addition to the Scope of Services ("Change Orders") must be by written instructions issued by either the General Manager of the DWA (the "General Manager"), or his or her designee, and the provisions of this Agreement, other than Fees, shall apply to all such Change Orders. Such written authorization shall either be in the form of a written Change Order or written addendum to this Agreement. The cost of such Change Orders, which may increase the work specified hereunder and require an extension of completion time, shall be based on the hourly fees listed in **Exhibit "B"** and must be mutually agreed upon in writing by the General Manager, or his or her designee, and Consultant before commencement of the work called for by such Change Order.

1.03. Permits, Licenses, and Notices. Consultant shall, in accordance with applicable laws and ordinances, secure and ensure that any subconsultants secure all permits and licenses necessary to accomplish the Scope of Services, and shall give all notices necessary and obtain all required inspections. Failure to maintain the required license or permit may result in immediate termination of this Agreement. Professional Engineers and Professional Land Surveyors shall be duly registered in the State of California. Consultant shall keep itself informed of and comply with, all applicable federal, state and local laws, statutes, codes, ordinances, regulations and rules in effect during the term of this Agreement.

1.04. Time To Perform Services. Consultant shall perform the services in accordance with the schedule set forth in the Scope of Services. Consultant shall commence work promptly upon full execution of this Agreement. Consultant shall confer with DWA representatives as provided in the Scope of Services to review progress of work activities, adhere to work schedule, coordinate with, and schedule review and resolution of problems that may develop.

1.05. Qualifications. Consultant represents and warrants to DWA that it has the qualifications, experience and facilities necessary to properly perform the Scope of Services in a competent and professional manner. In each instance, the individual(s) performing the specific tasks contemplated under the Scope of Services shall be appropriately certified and/or qualified under California law. In meeting its obligations under this Agreement, Consultant shall employ, at a minimum, general standards and practices utilized by persons/entities engaged in providing services similar to those required of Consultant under this Agreement. Failure to maintain the proper certification, licenses, or other qualifications for the individual(s) performing the specific tasks contemplated under the Scope of Services will be considered a default under this Agreement.

ARTICLE II
PAYMENT FOR SERVICES RENDERED

2.01. Payment for Services Rendered. DWA shall compensate Consultant for the actual services performed pursuant to this Agreement in accordance with the Payment and Milestone Schedule attached hereto as **Exhibit "B"** and by this reference incorporated herein (the “Payment and Milestone Schedule”).

2.02. Billing Procedure. See **Exhibit “B”** for detailed billing procedures.

2.03. Payment. See **Exhibit “B”** for payment process and obligations.

2.04. No Acceptance or Waiver Implied By Payment. No payment shall constitute acceptance of any work completed by Consultant, and the making of final payment shall not constitute a waiver of any claims by the DWA for any reason whatsoever. Payment by DWA under this Agreement shall not be interpreted to imply the DWA has inspected, approved, or accepted the work that is been performed by Consultant.

ARTICLE III
<u>WORK PRODUCT AND MAINTENANCE OF RECORDS</u>

3.01. Work Product. All original papers, documents, drawings and other work product of Consultant or produced by Consultant pursuant to this Agreement, except documents which must be filed with public agencies, shall be deemed solely the property of DWA and may be used, reused or otherwise disposed of by DWA without the permission of Consultant. Consultant will take all steps necessary to perfect or protect the ownership interest of DWA in such work product. Upon completion, expiration or termination of this agreement, Consultant shall release to DWA all original work products in its possession; provided, however, that Consultant may retain copies of the work product.

3.02. Ownership of Work Product. Any interest (including copyright interests) of Consultant or its subconsultants, and studies, reports, memoranda, computational sheets, drawings, plans or any other documents (including electronic media) prepared by Consultant or its subconsultants at any time in connection with the services under this Agreement, shall be, immediately upon its creation, the property of DWA. To the extent permitted by Title 17 of United States Code, work product produced under this Agreement shall be deemed works for hire and all copyrights in such works shall be the property of DWA. In the event that it is ever determined that any works and any former works created by Consultant or its subconsultants under this Agreement are not works for hire under the law of the United States, Consultant hereby assigns to DWA all copyrights to such works when created. Consultant may retain and use copies of such works for reference and as documentation of experience and capabilities.

3.03. Confidentiality of Work Product. Except as necessary for the performance of services under this Agreement, no work product prepared under this Agreement will be released by Consultant to any other person or entity without the DWA's prior written consent. All press releases, including graphic display information to be published, must be approved and distributed solely by the DWA, unless otherwise agreed to in writing by DWA.

3.04. Maintenance of Records. Consultant shall maintain all documents and records demonstrating or relating to Consultant's performance of services under this Agreement. Consultant shall maintain all ledgers, books of account, invoices, vouchers, canceled checks, or other documents or records evidencing or relating to work, services, expenditures and disbursements charged to DWA under this Agreement. All such documents and records must be maintained in accordance with generally accepted accounting principles and must be sufficiently complete and detailed so as to permit an accurate evaluation of the services provided by Consultant under this Agreement. All such documents or records must be maintained for three (3) years following the final payment under this Agreement.

3.05. Audit of Records. The Consultant shall maintain full adequate records in accordance with DWA requirements to show the actual costs incurred by the Consultant in the performance of this Agreement. Consultant shall, upon request of DWA, make such books and records available to DWA for inspection. DWA further reserves the right to examine and re-examine said books, records and data during the three-year period following termination of this Agreement or completion of all work hereunder, as evidenced in writing by DWA, and the Consultant shall in no event dispose of, destroy, alter, or mutilate such books, records, accounts, and data in any manner whatsoever for three (3) years after DWA makes the final or last payment or within three years after any pending issues between DWA and Consultant with respect to this Agreement are closed, whichever is later.

3.06. Availability of Records. All records or documents required to be maintained by this Article III must be made available for inspection, audit and copying upon three (3) days written request by DWA or its designated representative. Copies of such documents or records must be provided directly to DWA for inspection, audit and copying, when it is practical to do so; otherwise, unless an alternative is mutually agreed-upon, such documents and records must be made available at Consultant's address indicated for receipt of notices in this Agreement.

3.07. Custody of Records. Where DWA has reason to believe that any of the documents or records required by this Article III may be lost or discarded due to dissolution or termination of Consultant's business, DWA may, by written request, require that copies of all such documents or records be provided directly to DWA or its successors-in-interest and authorized representatives.

3.08. Public Records Act. Both Parties understand and agree the DWA must comply with the California Public Records Act (the "PRA"). If Consultant believes that any document or information furnished to DWA in connection with Consultant's performance of services is exempt from public disclosure under the PRA, it will advise DWA in writing at the time the document or information is furnished.

ARTICLE IV
TERM, SUSPENSION AND TERMINATION OF SERVICES

4.01. Term. This Agreement shall become effective upon execution by all Parties and shall expire concurrently with the expiration or termination of the ReMAT Contract, referenced in **Exhibit "A"**, unless earlier terminated as hereinafter set forth.

4.02. Suspension of Services. DWA may direct Consultant to suspend, delay or interrupt services under this Agreement, in whole or in part, for such periods of time as DWA may determine in its sole discretion. DWA may issue such directives without cause. DWA will issue such directives in writing. Suspension of services shall be treated as an excusable delay. In the event of a Suspension of Service extends for more than 30 days, the Suspension of Service will be considered a Termination for Convenience under Article 4.04.

4.03. Termination for Breach. Either Party may terminate performance of the services under this Agreement in whole, or from time-to-time in part, for default (as defined in Section 5.01), should the other Party commit a material breach of this Agreement, or part thereof, and cannot cure such breach within ten (10) calendar days of the date of non-breaching Party's written notice to the breaching Party demanding such cure.

4.04. Termination for Convenience. Either Party may terminate performance of the services under this Agreement in whole for convenience, whenever a Party determines that such termination is in its best interests up to the Rollover Date (the “Rollover Date” is the date thirteen (13) months after the Snow Creek project begins commercial operations under the ReMAT contract). In the event DWA terminates this Agreement for convenience, Consultant shall be entitled to be paid for services satisfactorily performed prior to the termination as described in **Exhibit “B”**, but will not recover other costs, damages or expenses. After the Rollover Date, either Party may terminate service category (C) Ongoing Contract Management services, as long as the terminating Party provides at least 60 days written notice before the anniversary of the Rollover Date.

4.05. Duties of Consultant Upon Termination by DWA. Following any termination under this Article IV, Consultant shall:

(a) Reimburse DWA for any compensation paid in excess of services rendered;

(b) Stop services under the Agreement on the date and to the extent specified in the notice of termination;

(c) Assign to DWA in the manner, at times, and to the extent directed by DWA, all title and interest of work product under orders and subcontracts so terminated;

(d) Complete performance of any part of the services which were not terminated; and

(e) Take such action as may be necessary, or as DWA may direct, for the protection and preservation of property related to this Agreement which is in Consultant's possession and in which DWA has or may acquire an interest.

ARTICLE V
DEFAULT AND REMEDIES

5.01. Default. It shall be considered a default under this Agreement if either Party fails to perform or observe any term, covenant or undertaking in this Agreement that is to be performed or observed and such default continues for 10 days from a written notice sent in a manner provided in Paragraph 4.02 of this Agreement. In the event the defaulting Party does not remedy the default within the 10 day period, the nondefaulting Party may send a written notice of termination to the defaulting Party specifying the date upon which the termination shall become effective.

5.02. Remedies. Upon a default hereunder, the nondefaulting Party shall have such rights and remedies as are provided herein and such additional remedies as now or hereafter exist at law or in equity.

ARTICLE VI
PROJECT MANAGER

6.01. Project Manager. Consultant hereby names Todd Thorner as Consultant's project manager (the "Project Manager") under the terms of this Agreement. The Project Manager is authorized to act on behalf of Consultant with respect to the Scope of Services, and to make all decisions on behalf of Consultant in connection therewith. Consultant shall not substitute the designated Project Manager without first notifying DWA in writing. DWA shall have the right to review the qualifications of said substitute. If DWA reasonably determines said substitute Project Manager is unacceptable, Consultant shall submit alternate candidates until DWA reasonably determines that substitute Project Manager is acceptable.

ARTICLE VII
INSURANCE

7.01. Limits of Insurance. Consultant shall carry and maintain at Consultant's expense, at all times during the term of this Agreement, not less than the following coverage and limits of insurance which shall be maintained with insurers and under forms of policies reasonably satisfactory to DWA.

(a) Commercial General Liability for Bodily Injury and Property Damage including coverage for contractual liability, personal injury, independent contractors, broad form property damage, products and completed operations: $1,000,000 per person, $1,000,000 per occurrence.

(b) Automobile Liability for Bodily Injury and Property Damage including coverage for owned, nonowned, leased and hired vehicles: $1,000,000 per person, $1,000,000 per occurrence.

(c) Workers' Compensation and Employer's Liability as required by law:

i. State Workers' Compensation coverage; and

ii. Employer's Liability of at least $1,000,000 per occurrence.

The commercial general liability and automobile liability insurance must be on an "occurrence" basis, not a claims-made basis. The foregoing policies may contain an aggregate limit not less than the occurrence limit. The required limits may be satisfied by a combination of a primary policy and an excess or umbrella policy.

The existence of the required insurance coverage under this Agreement shall not be deemed to satisfy or limit Consultant's indemnity obligations under this Agreement. Consultant acknowledges that the insurance coverage and policy limits set forth in this Agreement constitute the minimum coverage and policy limit required.

7.02. Provisions of Insurance. All insurance required pursuant to the express provision of this Agreement shall:

(a) Provide that coverage shall not be revised, cancelled, or reduced without thirty (30) days prior written notice to DWA. In the event any policies of insurance are revised, cancelled or reduced, Consultant shall, prior to the revision, reduction or cancellation date, submit evidence of new insurance to the DWA complying with this Article.

(b) Be issued by insurance companies licensed and qualified to do business in the State of California.

(c) Be reasonably satisfactory to DWA in all other reasonable respects.

(d) The policies required pursuant to this Agreement or a certificate of the policies shall be provided to DWA upon the execution of this Agreement.

(e) The commercial general and automobile liability insurance to be maintained by Consultant pursuant to this section shall name DWA, its officers, and employees as additional insureds by endorsement with respect to liabilities arising out of the performance of services hereunder.

iii. All policies above-required are to be primary and non-contributory with any insurance or self-insurance programs carried by or administered by the DWA.

iv. In the event Consultant subcontracts any portion of the work in compliance with Paragraph 10.16, the agreement between the Consultant and the subcontractor shall require the subcontractor to carry the same types and amounts of insurance that the Consultant is required to maintain pursuant to this Article.

ARTICLE VIII
INDEMNIFICATION AND LIABILITY

8.01. Consultant's Duty to Indemnify. Consultant shall indemnify and hold harmless, and when requested by DWA to do so, defend DWA, its directors, employees and independent contractors from any and all claims, demands or charges and from any loss or liability including attorney’s fees and expenses of litigation arising out of negligent acts including negligent errors or omissions, violations of laws, willful misconduct or fraudulent representations or concealment of Consultant, its employees or anyone else employed by Consultant in the performance of the contract, excepting and excluding liability or damages caused by reason of the sole negligence of DWA or the willful misconduct or fraudulent representation or concealment of DWA, its directors, volunteers, employees or independent contractors.

ARTICLE IX
CONFLICTS OF INTEREST AND CONFIDENTIALITY

9.01. Conflict of Interest.

(a) Consultant represents that it is familiar with Sections 1090, et seq., and Section, 87100, et seq., of the California Government Code, and that it does not know of any facts that constitute a violation of said sections. If, following execution of this Agreement, Consultant becomes aware of any such facts, whether presently existing or after-arising, Consultant shall promptly inform DWA of same, along with a proposal for remedying the violation. DWA may determine whether the proposal, or any other proposed resolution, is satisfactory, in its sole discretion.

(b) Consultant represents that it has completely disclosed to DWA, and if applicable will disclose in the future, all facts bearing upon any possible interests, direct or indirect, which Consultant believes any member of DWA, or other officer, agent or employee of DWA or any department presently has, or will have, in this Agreement, or in the performance thereof, or in any portion of the profits thereunder. The failure to make such disclosure, if any, shall constitute grounds for termination of this Agreement by DWA for cause.

(c) Consultant covenants that it presently has no interest, and shall not have any interest, direct or indirect, which would conflict in any manner with the performance of services required under this Agreement. Without limitation, Consultant represents to and agrees with DWA that Consultant has no present, and will have no future, conflict of interest between providing DWA the services hereunder and any interest Consultant may presently have, or will have in the future, with respect to any other person or entity (including, but not limited to, any federal or state regulatory agency) which has any interest adverse or potentially adverse to DWA, as determined in the reasonable judgment of DWA. The provisions of this section shall remain fully effective indefinitely after termination of services to DWA hereunder.

ARTICLE X
GENERAL PROVISIONS

10.01. Notices. Any notice to be given by any Party hereunder must be given in writing and delivered in person, or by reputable nationwide overnight courier or forwarded by certified or registered United States mail, postage prepaid, return receipt requested, or through electronic mail with read receipt at the address indicated below, unless the party giving such notice is been notified in writing, change of address:

Desert Water Agency
Attn: Mark Krause
1200 Gene Autry Trail
Palm Springs, CA 92263-1710
mkrause@dwa.org

JTN Energy, LLC
Attn: Todd Thorner
59 Yorkshire Drive
Oakland, CA 94618
tthorner@jtn-energy.com

Any such notices shall be effective on the date such notice is delivered, if notice is given by personal delivery, overnight courier or electronic mail; or if such notice is sent through the United States mail, on the date of actual delivery as shown by the addressee's receipt; or expiration of three (3) days following the date of mailing, whichever first occurs.

10.02. Severability. If any provision of this Agreement shall be ruled invalid, illegal or unenforceable, the Parties shall: (a) promptly negotiate a substitute for the provision which shall, to the greatest extent legally permissible, reflect the intent of the parties in the invalid, illegal or unenforceable provision, and (b) negotiate such changes in, substitutions for or additions to the remaining provisions of this Agreement as maybe necessary in addition to and in conjunction with clause (a) to give effect to the intent of the Parties without the invalid, illegal or unenforceable provision. To the extent the Parties are unable to negotiate such changes, substitutions or additions as set forth in the preceding sentence, and the intent of the Parties with respect to the essential terms of the Agreement may be carried out without the invalid, illegal or unenforceable provision, the balance of this Agreement shall not be affected, and this Agreement shall be construed and enforced as if the invalid, illegal or unenforceable provision does not exist.

10.03. Counterparts. This Agreement may be signed and delivered in any number of counterparts, each of which when signed and delivered shall be an original, but all of which shall together constitute one and the same Agreement.

10.04. Entire Agreement. This Agreement contains the entire agreement between the Parties with respect to the subject matter of this Agreement and any agreement or representation with respect to the same.

10.05. Notification. If Consultant becomes aware of a matter that could impact the quality or quantity of work, services, or the level of performance under this Agreement, the Consultant must notify the DWA in accordance with Section 10.01.

10.06. Amendment. This Agreement may not be amended except by a subsequent writing signed by the Parties.

10.07. Governing Law. This Agreement shall be governed by the laws of the State of California. The Parties agree that the contract is to be performed in Riverside County, and that any action or proceeding to enforce or relating to this Agreement shall be brought exclusively in either Riverside County Superior Court.

10.08. Attorneys' Fees and Costs. In any judicial or other proceeding arising out of or related to this Agreement or the Services provided hereunder, the prevailing party shall recover all reasonable costs incurred pertaining to such proceeding, including reasonable costs and fees of attorneys or other professionals.

10.09. Compliance. All work, labor and materials shall be done and provided in strict conformity with each of the following: (a) all laws, ordinances, codes, rules, regulations and standard specifications of governmental authorities having jurisdiction over Consultant's work; (b) this Agreement; and (c) the schedule attached hereto. Consultant shall also comply, at Consultant's expense, with all requirements of inspectors of any governmental authority having jurisdiction over Consultant's work.

10.10. Disputes. If any disputes should arise between the Parties concerning the work to be performed under this Agreement, or the manner of accomplishment of the work, Consultant shall nevertheless proceed to perform the work as directed by DWA pending settlement of the dispute. If a dispute arises over payment, Consultant reserves the right to stop working until such dispute is settled. Consultant will not suspend working unless such dispute is substantial and will make all reasonable efforts to avoid such a situation.

10.11. No Third-Party Beneficiaries. Except as expressly provided in this Agreement, nothing in this Agreement shall operate to confer rights or benefits on persons or entities not party to this Agreement.

10.12. Statutes of Limitation. As between the Parties to this Agreement, any applicable statute of limitations for any act or failure to act shall commence to run on the date of DWA's issuance of the final certificate for payment, or termination of this Agreement, whichever is earlier.

10.13. Cooperation. Consultant and DWA shall cooperate in the performance of work with each other and all other agents.

10.14. DWA's Approval. Consultant shall not assign or subcontract any portion of the work to be performed under this Agreement or any of the rights or obligations under this Agreement, without the prior written consent of DWA, which consent may be withheld in DWA's reasonable discretion. Any attempted assignment in violation of the provisions of this paragraph shall be void ab initio. Subject to the foregoing, this Agreement shall be binding upon the heirs, administrators, successors and assigns of DWA and Consultant.

10.15. Independent Contractor. Consultant shall at all times be deemed an independent contractor wholly responsible for the manner in which it performs the Services, and fully liable for the acts and omissions of its employees, subconsultants and agents. Under no circumstances shall this Agreement be construed as creating an employment, agency, joint venture or partnership relationship between DWA and Consultant, and no such relationship shall be implied from performance of this Agreement. Terms in this Agreement referring to direction from DWA shall be construed as providing for direction as to policy and the result of services only, and not as to means and methods by which such a result is obtained. Consultant shall pay all taxes (including California sales and use taxes) levied upon this Agreement, the transaction, or the Services and/or goods delivered pursuant hereto without additional compensation, for which Consultant is responsible under applicable law and any deficiency, interest or penalty assessed with respect thereto.

10.16. Subconsultants. Consultant shall perform the services using the personnel and subconsultants listed in Consultant’s Proposal to Provide Consulting Service Related to the Snow Creek hydroelectric project commissioned In February 2, 1988. Consultant shall hire only qualified persons or firms who are experienced in performing work of like nature and complexity to the services, and who agree to be bound to the terms of the Agreement to the extent of this Scope of Services. Consultant may substitute personnel or subconsultants prior to any such subconsultants commencing work only upon DWA's written consent, which may be withheld or delayed in DWA's reasonable discretion.

10.17. Non-Discrimination. Consultant shall not discriminate against any employee or applicant for employment, nor against any subconsultant or applicant for a subcontract, because of race, color, religious creed, age, sex, actual or perceived sexual orientation, national origin, disability as defined by the Americans with Disabilities Act or veteran's status. To the extent applicable, Consultant shall comply with all federal, state and local laws (including, without limitation, County ordinances, rules and regulations) regarding nondiscrimination, equal employment opportunity, affirmative action and occupational-safety-health concerns, shall comply with all applicable rules and regulations thereunder, and shall comply with same as each may be amended from time to time. Consultant shall provide all information reasonably requested by DWA to verify compliance with such matters. Consultant stipulates, acknowledges, and agrees that DWA has the right to monitor Consultant's compliance with all applicable non-discrimination requirements, and may impose sanctions upon a finding of a willful, knowing or bad faith noncompliance or submission of information known or suspected to be false or misleading.

10.18. Not liable for damages. Notwithstanding any other provision of this Agreement, in no event shall either Party be liable, regardless of whether any claim is based on contract or tort, for any special, consequential, indirect or incidental damages, including, but not limited to, lost profits or revenue, arising out of or in connection with this Agreement or the Scope of Services performed in connection with this Agreement.

10.19. Level of Efforts. Consultant recognizes the relations of trust and confidence that are established by this Agreement, and covenants with the DWA to furnish its reasonable skill and judgment, and to actively cooperate and assist in furthering the best interests of the DWA in all matters pertaining to completing the Scope of Services. Consultant agrees to furnish efficient business administration and capable supervision, and to use reasonable efforts to keep upon the work an adequate supply of workmen and materials in order to secure its execution in an expeditious and economical manner consistent with the DWA's best interests. Consultant represents and warrants that it has qualifications, experience and facilities necessary to properly perform the services required under this Agreement in a thorough, complete and professional manner. Consultant's employees assigned to the work shall at all times be reasonably satisfactory to the DWA.

10.20. Time is of the Essence. Time shall be of the essence as to all dates and times of performance contained in this Agreement.

10.21. Authority to Execute.

(a) Each Party represents and warrants that all necessary action has been taken by such Party to authorize the undersigned to execute this Agreement and to bind each Party to the performance of its obligations hereunder.

(b) Each individual executing this Agreement hereby represents and warrants that he or she has the full power and authority to execute this Agreement on behalf of the named Parties.

IN WITNESS WHEREOF, the Parties have executed this Agreement, effective as of the latest date below.

Desert Water Agency

By________________________________

Its________________________________

Date______________________________

JTN Energy

By________________________________

Its________________________________

Date______________________________

Exhibit "A"
Scope of Services

The following is a detailed Scope of Services describing the specific Work Tasks JTN will complete in each of three service categories. This Scope of Services also identifies the result, product, or milestone for each Work Task and identifies how JTN will interface with DWA on each Task. This Scope of Services is taken directly from JTN's contract with DWA related to the Whitewater project of December 22, 2014. but amended to cap the proposed fee structure and to reflect that fact that the Snow Creek project nameplate is below 500 kW and thus not subject to CAISO regulation.

Under this Scope of Services, JTN will provide consulting services to DWA related to the Snow Creek hydroelectric project (the "Project") in the three following service categories:

A. Secure ReMAT Contract - JTN will secure for the Project a new, attractive long-term power sales agreement, a Renewable Market Adjusting Tariff (ReMAT) contract with SCE. JTN will target submission of a Program Participation Request (PPR) to SCE to participate in Program Period 14 closing on March 1, 2016. JTN expects SCE will offer DWA a ReMAT contract in the near term which likely will be executable by mid 2014. This activity is further described under **Task A1** below.

B. Transition Activities - JTN will manage and assist DWA to complete all the transition activities required to deliver power in the post Standard Offer contract environment and to begin deliveries under the new ReMAT contract. These activities will be initiated promptly after execution of this Agreement and are targeted for completion by March 2018 (28 month duration) so the Project can begin deliveries under the ReMAT contract. These activities are further described under **Tasks B1 - B7** below.

C. Contract Management / Short-Term - In coordination with DWA, JTN will directly manage the new ReMAT contract obligations for the first 13 months of the ReMAT contract. JTN will work with DWA to develop operational and management protocols and provide training as needed to ensure the ReMAT is diligently managed and commercial risks mitigated. These activities are further described under **Task C1** below.

D. Contract Management / Long-Term - continuation of services described under C. above but starting from 13 months after delivery begins under the ReMAT contract and continuing on until the ReMAT contract expires, unless earlier terminated by either party. DWA's election to procure Contract Management Services for the long-term must be made at least three (3) months prior to the Rollover Date.

JTN's Project Manager for all the work will be Todd Thorner. The work for all Work Tasks will be conducted by both of JTN's principals, Todd Thorner and Mark Henwood. Below JTN identifies the specific sub-tasks on which JTN will utilize our subconsultants, either Michael Boas of CA Grid Consultants or Don Moss of HAI.

Task A1 - Secure ReMAT Contract

Depending on how quickly this agreement can put into place, JTN will target submission of a Program Participation Request (PPR) to SCE to participate in Program Period 14 closing on March 1, 2016. DWA will pay the anticipated $702.00 PPR application fee. JTN anticipates SCE will offer a ReMAT contract for execution no earlier than May 2016 and as late as July 2016.

Scope of Work

1. Collect all contracts, drawings, data, leases, and other information from DWA required to compile the PPR, develop workarounds where necessary,
2. Compile and complete a conforming PPR,
3. Submit and advance the PPR through SCE's competitive ReMAT process serving as DWA's agent,
4. Analyze the Project's historical production and negotiate with SCE to secure zero or near zero Guaranteed Energy Production value,
5. Review and explain the commercial and contract management aspects of the ReMAT contract with DWA, support DWA to achieve executed contract.

To perfect the ReMAT contract, DWA must post contract collateral with SCE in the amount of $20/kW, or $7,220, within 30 days of ReMAT contract execution. This collateral will be held in escrow and earn interest until it is returned at the end of the contract term. The product or objective of **Task A1** is a fully executed ReMAT contract for the Project.

The commercial operation date (COD) to begin deliveries under the ReMAT contract ("ReMAT COD") can be set by DWA at any time after all the transition requirements have been completed and up to a maximum of 24 months from the ReMAT contract execution date. JTN will propose in the PPR a ReMAT COD of February 2, 2018 to immediately follow the 30 year expiration of the current Standard Offer contract and avoid any operational or revenue gap. The contract transition activities are extensive and time consuming, but given the 28 month lead time, JTN is confident it can complete these activities, detailed in **Tasks B1 - B7** below, in time for February 2018 ReMAT COD.

Regarding Guaranteed Energy Production (GEP), as discussed JTN is confident it can secure a zero, or very low, GEP value in the SCE ReMAT contract, especially given the precedent of having secured a zero GEP for DWA's Whitewater ReMAT contract. JTN understands that DWA must understand, analyze, and assess the potential liability of any non-zero GEP before it can commit to moving forward with a ReMAT contract. This GEP level cannot be known with certainty without submitting a full PPR and perfecting it with payment of the bid fee. Accordingly, JTN and DWA agree that DWA has the option to discontinue the recontracting effort if the final GEP is deemed in DWA's sole discretion to represent too high a risk.

Task B1 - Transition Work Checklist

JTN will develop a Transition Checklist that lists all the activities, agencies/recipients, and due dates to successfully transition the existing Project to begin production under the ReMAT contract.

Scope of Work

1. Develop checklist, milestone table, timeline, and project tracking system to ensure details are captured and that appropriate agencies and specific tasks are identified and scheduled,
2. Utilize and update the Checklist as a work tracking tool on an ongoing basis, see methodology section below for more details.

The checklist will be driven by the requirements and timelines of the various processes, counterparts, and governing agencies listed in the Tasks below. The checklist will reflect the latest regulatory changes and updates as of the date the work is kicked off. For example, the California Independent System Operator (CAISO) has issued an updated version of their New Resource Implementation Guide which makes some important changes to the order of key CAISO transition activities.

The product of **Task B1** will be a Microsoft Project or Excel file that sets out all required transition activities by start date, expected duration, precedent and dependent activities, interim objectives and the project team member lead on specific sub-tasks. A draft will be provided to DWA for review and finalization in coordination with JTN. This work will be completed by JTN’s principals.

Task B2 - Secure SGIA

Manage and engage with DWA and SCE to develop and secure a Small Generator Interconnection Agreement (SGIA) for the Project.

Scope of Work

1. Work with DWA to understand the scope and attributes of the Project,
2. Contact SCE and negotiate the required SGIA to complete the Qualified Facility (QF) conversion process,
3. Within 10 calendar days of award of consulting contract, initiate negotiations with SCE to secure a new SGIA under their affidavit process,
4. Work to speed the process while limiting any new or additional costs charged by SCE to DWA if possible.

JTN will initiate work with SCE to negotiate and secure a Small Generator Interconnection Agreement (SGIA) for the Project. The Project’s current interconnection agreement is the Special Facilities exhibit to existing Standard Offer Agreement. When the Standard Offer Agreement expires or is terminated, the interconnection rights also terminate, thus the need to work through the process of securing a new, separate SGIA with SCE for the Project.

JTN's experience with other recent Standard Offer transition projects is that the project should qualify for the “affidavit process” which is part of the CAISO tariff under section 25.1.2. Once accepted into this process, DWA will not have to pay for or wait in the interconnection queue or participate in the usual interconnection cluster process. Typically an SGIA can be secured without incurring significant hard costs charges by the Interconnect Utility, i.e. SCE. As the project nameplate is less than 1 MW, the Project should not face any telemetering requirements by SCE. If any engineering or technical work is required, JTN will manage selection of a contractor and their performance of the work, but DWA will be responsible for the cost of the contractor(s) and associated equipment/communications, if any.

JTN will work closely with SCE to suggest ways for DWA to limit the milestone list within the SGIA and requirement to only utilize those that are necessary to expedite processing and issuance of the SGIA. JTN will also work diligently to prevent or mitigate any costs that SCE might seek to charge to DWA. JTN will require assistance from DWA to identify all DWA owned and SCE owned equipment in the generator and adjoining switchyard. JTN anticipates working with DWA to develop and/or locate needed drawings and documentation. Documents will need to be signed by DWA as the owner/operator of the Project. JTN's principals will conduct the work to secure the SGIAs and will depend on DWA support to provide technical specifications or drawings as needed.

Task B3 - CAISO Compliance

As the project nameplate is less than 500 kW, the Project is exempt from CAISO jurisdiction. As such, the Project does not need to join the CAISO, need not install CAISO metering, and is not subject to the CAISO tariff. These facts should significantly mitigate the level of effort and cost involved the transition the project from its Standard Offer power sales contract to a new ReMAT contract. JTN will work with SCE to ensure the Project meets all regulatory requirements and address any CAISO interface issues that may arise during the transition period.

Task B4 - FERC Compliance

JTN will manage DWA's compliance with the Federal Energy Regulatory Commission (FERC) requirement for the sale of renewable energy per ReMAT PPA Section 4.8. FERC allows projects to self-certify, without a filing fee, for QF status and obtaining a resulting QF docket number. If DWA has not already secured a FERC QF ID that can be used for these purposes, JTN will prepare the necessary FERC Form 556, e-file the form, and obtain the required docket number.

Task B5 - CEC Compliance

JTN will manage DWA's registration and compliance with the California Energy Commission (CEC) Renewable Portfolio Standard (RPS) registration per ReMAT PPA Section 4.5.

Scope of Work

1. Gather all documentation that has been submitted, if any, for certification to CEC for the Project and review to complete further documentation as needed for compliance with the CEC RPS program,
2. Contact the CEC to determine what outstanding information, if any, is needed for the Project and submit documentation as required for certification,
3. Complete the CEC process, complete forms, and perform a compliance analysis prior to start dates in existing ReMAT feed in tariff requirements,

4. Deliver to DWA all required forms and reports filed with CEC and a completed compliance assessment which will ultimately include the RPS Certificate.

The CEC process requires compilation of information required to satisfy the latest edition of the RPS Eligibility Guidebook, preparation of an application, and submittal of the application to the CEC. Resubmittal or provision of additional information is occasionally required. JTN will perform this process for the Project on behalf of DWA. The result of this work task will be a CEC RPS Certification Certificate which must be provided to SCE to begin delivering under the ReMAT. Pre-certification is not required for operational QF projects like Snow Creek.

Task B6 - WREGIS Compliance

JTN will manage DWA's registration and compliance with the Western Renewable Energy Generator Information System (WREGIS) per ReMAT PPA Section 4.3 & 4.4.

Scope of Work

1. Collect and review necessary documentation to register DWA and the Project with WREGIS.
2. Review the Qualified Reporting Entity (QRE) requirements with DWA for generation reporting to WREGIS. Since the CAISO will be performing the project metering, the CAISO will act as the QRE for the project.
3. Develop tracking and reporting system to ensure that ongoing WREGIS requirements are met by DWA.

Participation in the WREGIS system is mandatory under the ReMAT contract and is a two step process. The first step is registration of DWA and establishment of an account with WREGIS. The second step is registration of individual generation projects and receipt of WREGIS Generating Unit ID numbers.

JTN will prepare and file the necessary forms on behalf of DWA and work with WREGIS until the registration is deemed complete and the online system is properly configured and operational. JTN does not anticipate any additional material input required from DWA, other than DWA paying the required registration fees. The result of this task will be that the Project will be registered with WREGIS. Additional tasks required post ReMAT COD (**Task C1**) include finalizing generating unit registration and setting up Forward Certificate Transfers for the Project so that RECs generated under the ReMAT contracts are delivered timely to SCE to avoid penalties (per ReMAT Section 4.3.5).

Task B7 - SCE ReMAT Coordination & Filings

JTN will work with DWA to gather, compile, and submit timely all documentation SCE requires before DWA' Snow Creek project can begin to deliver power under the ReMAT contract. This work will involve significant coordination efforts between JTN and DWA and cover the full range of transition activities.

Scope of Work

1. Progress Reporting - file reports with SCE (required monthly),

2. File with appropriate SCE party the various certifications and documentation related to Tasks above (CAISO, FERC, CEC, and WREGIS),
3. Demonstrated Contract Capacity - coordinate with DWA the schedule for Contract Capacity Tests for the Project, provide notice to SCE per ReMAT, and coordinate process to ensure the Project meets ReMAT requirements (per ReMAT Section 3 and Appendix M),
4. ReMAT COD - file notice and updates to notice if and when ReMAT COD changes,
5. Scheduling - work with SCE prior to ReMAT COD to provide CAISO Resource IDs and set up scheduling functions through SCE's Power Procurement Information Center (PPIC),
6. Work with SCE for SCE to provide temporary QRE services during the transition period after REMAT COD and when the CAISO will provide this function.
7. Billing - file or coordinate filing of tax and bank wiring instructions,
8. Insurance - coordinate with DWA and its insurer to provide SCE or their insurance contractor required insurance certificates,
9. Financing & Consents - as needed assist with any Consent to Assignments required for project financing or structuring,

JTN will coordinate these activities efficiently and will seek to reduce the work load on DWA to maximum extent reasonable. The result of this **Task B7** will be that all of these requirements will be completed timely so that these noticing and filing requirements do not prevent DWA's Snow Creek project from delivery of power under the ReMAT contract immediately upon expiration of its Standard Offer Agreement.

Task C1 - Manage ReMAT Contract / Short-Term

In coordination with DWA, JTN will directly manage the new ReMAT contract obligations beginning two months before ReMAT COD and running thirteen (13) months after the ReMAT COD, total fifteen (15) month duration. The Project's existing Standard Offer agreement will complete its 30 year term on February 1, 2018, it is anticipated that the ReMAT COD will commence the next day on February 2, 2018. Accordingly it is anticipated the short-term ReMAT services will commence on December 2, 2017 and run for fifteen (15) months to finish on April 1, 2019 (the Rollover Date).

JTN will serve as primary interface with SCE, CAISO, and WREGIS and work diligently to protect DWA's interests in all matters related to the ReMAT contract. JTN will manage issues related to scheduling, forecasting, invoicing, CAISO and WREGIS compliance as detailed below. This work is anticipated to begin in December 2017, approximately two months before the anticipated ReMAT COD and run for 15 months to April 2019, 13 months after the anticipated ReMAT COD.

JTN anticipates working closely with the Project's on-site operational staff, especially in the early months of the ReMAT contract since some changes in operational procedures and reporting may be needed to comply with the requirements of the ReMAT contract. Before the Rollover Date, JTN will provide DWA a copy of a Procedures Manual which details the best practices for integrating management of the project and the contract. This Procedures Manual may be useful for DWA training or staff turnover or in the case one or the other Party terminates the ongoing Contract Management Services.

The JTN fee for these services up through 13 months after the ReMAT COD is rolled into the JTN deferred fee structure. The services are described in more detail below.

Scheduling

JTN will manage the scheduling of project output through SCE's web interface and backup scheduling methods when SCE's web system is down. JTN will need to work with and train DWA on-site operations personnel to ensure that project operational daily logging methodology is reviewed and updated as needed to be compliant with logging and scheduling requirements in the ReMAT contract. In addition, JTN will work with DWA to set appropriate staffing and communication protocols to ensure scheduling is completed timely in conformance with operational staff input. JTN will seek to minimize DWA's work load to the degree feasible while still complying with the ReMAT scheduling requirements.

Settlements

JTN will establish a methodology and basic software tools for downloading and screening meter data from the project for quality assurance/quality control (QA/QC). JTN will help establish templates for invoices that can utilize CAISO meter data as downloaded and meet the requirements of the ReMAT contract.

Inspections & Reporting

For annual project inspection, JTN will propose a third party contractor to be approved by DWA and will assist with coordination and reporting to SCE as required under the ReMAT.

CAISO Management

JTN will develop a schedule and checklist for all ongoing CAISO management activities and ensure all the activities are completed. The checklist and activities will be compiled in the Procedures Manual to be provided to DWA.

WREGIS Management

JTN will complete the annual certification process for the Project at the end of the first year of operations under the ReMAT contract. JTN will also work with DWA to reconcile any discrepancies in Renewable Energy Credit (REC) formation and transfers to SCE. These events are not uncommon and under the ReMAT can result in significant penalties if not diligently managed.

CEC/EIA/FERC Reporting

Based on discussions with DWA, JTN understands that DWA is already meeting these requirements and no JTN involvement is required.

Task D1 - Manage ReMAT Contract / Long-Term

Task D is to continue Task C activities to coordinate with DWA and directly manage the ReMAT contract obligations, but starting on the Rollover Date, 13 months after ReMAT COD, and continuing for the term of the ReMAT contract, or until terminated by either DWA or JTN. This scope of services is offered by JTN and can be elected at DWA's discretion no later than 90 days before the Rollover Date.

As detailed above in Task C, JTN will serve as primary interface with SCE, CAISO, and WREGIS and work diligently to protect DWA's interests in all matters related to the ReMAT contract over time, even as power markets and regulatory frameworks and requirements change.

The Contract Management services will be terminable by either party on an annual basis, for example in case DWA decides at some point to take over these activities or to hire some other firm to conduct this work. Notice of termination must be provided 90 days prior the Rollover Date or subsequent anniversaries of the Rollover Date.

The fee for JTN's services is not included in JTN's success contingent deferred fee. Instead JTN will charge an annual fee for these contract management services to be paid quarterly in advance, per **Exhibit "B"** below.

Exhibit "B"
Payment and Milestone Schedule

Fee Structure

JTN will provide the consulting services described in **Exhibit "A"** Scope of Services on a success contingent, deferred payment basis. Under this structure, DWA will not pay any upfront or progress payments while JTN is working on service category (A) to Secure the ReMAT Contract (**Task A1**) or to complete service category (B) Transition Activities (**Tasks B1 - B7**). Instead, JTN will defer payment for more than two years and will be paid a small share of revenues DWA receives under the ReMAT contract once the Project begins delivering output, anticipated to be in February 2018. The first fifteen (15) months of service category (C) Contract Management (**Task C1**) is included in JTN's success contingent, deferred fee. Ongoing Contract Management services after the initial 15 month period, after the Rollover Date, (**Task D**) will be charged on an annual basis and are separate from the success contingent, deferred fee for work (**Tasks A**, **B**, and **C**) up to the Rollover Date.

JTN will cover all its own costs including the time of JTN's principals and staff, their related travel, per-diem, office, telephone communication, reproduction, shipping, and similar expenses. JTN will also cover out of pocket expenses for fees to pay subconsultants as identified in **Exhibit "A"** to assist in **Task B3**. For reference and potentially payment of fees in case of Termination, JTN estimates its total loaded soft and hard cost to provide these consulting services is $85,890 (see **Table 1**). DWA will be responsible for all other third party hard costs including ReMAT bid fees, ReMAT contract collateral, interconnection facilities, communication circuits and equipment, switchgear modifications and related construction, meters, metering installation and testing, and third party consultants, WREGIS fees, and CAISO and CEC fees (if any). JTN estimates the total cost for these expenses is approximately $11,192 (see **Table 2**).

Fee Level

JTN's success contingent, deferred fee of the consulting services proposed here for a 20 year ReMAT contract will be 2.0 cents/kilowatt-hour (c/kWh) for the 20 year term of the ReMAT contract. Given the anticipated ReMAT pricing is 8.92 c/kWh, DWA is expected to be receive an average price of approximately 6.92 c/kWh net of JTN fees. These fees are unit contingent and only payable if the Project is operating and selling power to SCE under the ReMAT contract. This fee level is based on the historical average annual production of the facility at 576,882 kWh per year (full years 1988 - 2014). Given the possibility that the operating regime for the Project may be changed in the future resulting in higher production levels, the fee is capped for the term of this agreement at the maximum historical annual production which was 1,261,474 kWh in 1998. JTN's power marketing related fee will accordingly be capped and never exceed (2 c/kWh x 1,261,474 kWh =) $25,229 per year, even if the plant generates at significantly higher levels of production.

The fee for Contract Management services for the first thirteen (13) months of operations under the ReMAT contract (up to the Rollover Date) is included in the above success contingent, deferred fee. The fee for Contract Management services after the Rollover Date will be $12,750 per year subject to an annual adjustment proportional to the increase or decrease in the US Department of Labor's Bureau of Labor Statistics Consumer Price Index for Urban Water Earners and Clerical Workers in Los Angeles-Riverside-Orange County, CA. The annual fee will be paid in four equal quarterly installments, in advance, starting on the Rollover Date for as long as the contract continues and JTN provides the contract management services. This contract management fee is separate from the success contingent power marketing fee and accordingly not subject to the annual cap on the power marketing fee.

Invoicing & Payment

Unless this Agreement is terminated, JTN will submit no invoices and DWA will owe no amounts until after the Snow Creek project begins delivery to SCE under the ReMAT contract. Commencing with the ReMAT COD and for as long as the Project delivers under the ReMAT contract with SCE, DWA will make monthly Deferred Fee Payments to JTN. For as long as JTN is providing service category (C) Contract Management services, JTN will submit a single invoice to DWA on a monthly basis, for both success contingent, deferred fee and ongoing contract management fees when they become applicable after the Rollover Date.

JTN's Deferred Fee Payment will be calculated based on power generated by the Project in a given month, if any. For as long as JTN is providing service category (C) Contract Management services, JTN will submit a detailed and accurate invoice to DWA after completing the monthly settlement functions for managing the ReMAT contract with SCE. JTN's invoice will include data necessary to check the calculation of JTN's monthly fee, if any. Request for payment for Contract Management services after the Rollover Date will be invoiced quarterly (every three months) and rolled into the monthly invoicing cycle for deferred fees to consolidate invoicing into a single monthly invoice. The Invoices shall be supported by such data substantiating JTN's right to payment as the DWA may reasonably require.

To provide time for monthly settlements and invoicing and to integrate with DWA's invoicing and settlement practices, JTN will endeavor to submit invoices to DWA no later than the 20th day of the month following the month for which the deferred fee applies. DWA will upon approval make payment by the 20th day of the month following the month in which the request for payment was made. DWA may withhold a portion of an invoiced payment because of defective work not remedied or because of unsatisfactory work performed by Consultant. When the foregoing grounds are removed by Consultant, payment shall be made for amounts withheld because of them.

If the Agreement is terminated, JTN will issue an invoice within 15 days to DWA for work completed per the provisions below. DWA will pay such amounts due within 30 days. If the Contract Management services are terminated by either Party on or after the Rollover Date, DWA or its designee will monthly calculate and send an accounting with payment to JTN of the Deferred Fee Payment, if any, without JTN needing to present an invoice. The Deferred Fee payment will include a copy of the associated SCE invoices issued to and paid on by SCE along with DWA's computation of the amount of the Deferred Fee Payment.

Change Orders

Upon mutual agreement of DWA and the JTN, the Parties may put in place Change Orders per Section 1.02 of this Agreement for additional scope of services which seek to achieve milestones not included in the original Scope of Services. Consultant will charge its loaded rate of $210/hour for JTN's principals, Mark Henwood and Todd Thorner. Subcontractors Don Moss of HAI and Michael Boas of CA Grid Consultants will be available at an hourly rate of $150/hour. Any other subcontractors will be billed at mutually agreed rates.

Termination

If DWA terminates the Agreement for convenience, JTN will be paid for services satisfactorily performed up to the termination date and will be due no additional costs, damages or expenses. Invoices for payment of the services will be capped by the cost estimates provided in **Table 1** below. For Tasks that have been completed under service categories (B) Transition Services and (C) Contract Management, the charge will be the cost of the specific Task listed in the 'Total' column. For Tasks that have been started but not yet completed, JTN will invoice a percent completion of the cost in the 'Total' column of the partially completed Task.

If DWA terminates the Agreement for breach, JTN will be paid only for Tasks satisfactorily completed by the termination date. JTN will not invoice and DWA will not owe any amounts for Tasks that have been started but not yet completed. For Tasks that have been completed under service categories (B) Transition Services and (C) Contract Management, the charge will be the cost of the specific Task listed in the 'Total' column. If JTN succeeds in having a SCE ReMAT contract offered for the Project but DWA elects in its sole discretion not to sign the contract and move forward, the payment will be $15,120 if the Guaranteed Energy Production (GEP) value is zero and $7,560 if the GEP is a non-zero value.

If JTN terminates the Agreement for convenience before the Rollover Date, JTN will not be paid for any work started or completed. If JTN terminates for convenience on the Rollover Date or later, JTN will invoice and DWA will pay the full annual fee for Contract Management services through the date the services are provided. If JTN terminates for breach, JTN will invoice and DWA will pay for all services satisfactorily performed up to the termination date.

Table 1: Estimate of JTN Loaded Costs to Rollover Date

JTN Resource	Task #	Task Name	Invoicing Milestone	Total Fee (2)
(A) Secure ReMAT Contract				
Todd Thorner/Mark Henwood	A1	Secure ReMAT	Execution of ReMAT contract	$15,120
(B) Transition Services				
Todd Thorner/Mark Henwood	B1	Transition Checklist	When final checklist accepted by DWA	$1,890
Todd Thorner/Mark Henwood	B2	Secure SGIA	When SGIA fully executed w/ SCE	$19,320
Todd Thorner/Mark Henwood	B3	CAISO compliance	When CAISO coordination issues are complete	$1,680
Todd Thorner/Mark Henwood	B4	FERC compliance	When FERC docket number issues	$1,470
Todd Thorner/Mark Henwood	B5	CEC Complinace	When CEC RPS certification submitted to SCE	$4,200
Todd Thorner/Mark Henwood	B6	WREGIS compliance	When project enrolled in WREGIS	$5,250
Todd Thorner/Mark Henwood	B7	SCE Coordination & Filings	When project achieve ReMAT COD w/ SCE	$21,000
(C) Contract Management services				
Todd Thorner/Mark Henwood	C1	Contract Management	Invoiced quarterly based on annual fee (1)	$15,960
			Scope A & B	$69,930
NOTES:			Scope A, B, & C 1st year	$85,890
1) Scope C - subsequent years fee $12,750 plus CPI			Scope C subsequent years	$12,750
2) Total Fee amounts includes any and all sub-consultant fees, travel costs, contingencies, etc.				

Estimate of DWA Hard Costs

For DWA's reference in considering the overall scope of work, costs, and JTN fee structure, in **Table 2** below JTN provides below our best estimate of hard costs DWA is likely to incur while working with JTN to secure and begin delivery under the ReMAT contract. Note the total cost estimate is only about 20% of the total estimate for Whitewater. ReMAT related fees (Items 1 & 2) have been updated to reflect the actual nameplate capacity of 361 kW, but are only about 1/3 of ReMAT costs for Whitewater. More importantly, given project is not subject to CAISO jurisdiction, CAISO costs, both soft and hard costs (Items 3, 4, & %) have been nearly eliminated. Also note that Item 2, the contract collateral payment of $7,220, will be refunded to DWA with interest after the ReMAT contract expires. The costs to be incurred over the 28+ months to ReMAT COD are estimated to be approximately $11,192.

Table 2: JTN Estimate of DWA Hard Costs

Item #	Cost Category	Est. Cost	Note
1	ReMAT Appl Fee	$ 722	$2/kW application fee
2	ReMAT Contract Collateral	$ 7,220	$20/kW contract security, refunded after contract expiration
3	New meter and associated hardware	$ -	Project needs CAISO compliant meter, install in old cabinets
4	New telecomm hardware, ground rise study	$ -	Existing comm unclear, likely reasonable options available
5	Third party meter interconnect/ meter inspection	$ 1,000	CAISO requires licensed 3rd party, e.g. Trimark
6	WREGIS registration fee	$ 250	DWA/CVWD must establish its own registration
7	Project inspection	$ 2,000	ReMAT requires project inspection before COD
	Estimated Total	$ 11,192	

7-E

STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS

JANUARY 5, 2016

RE: REQUEST AUTHORIZATION TO EXECUTE COMPENSATION AGREEMENTS FOR THE TRANSFER OF THE CITY HALL ANNEX PROPERTY LOCATED AT 11875 & 11999 PALM DRIVE AND FOR THE TRANSFER OF THE CITY CORPORATE YARD EXPANSION PROPERTY LOCATED ON CHOLLA DRIVE TO THE CITY OF DESERT HOT SPRINGS

The City of Desert Hot Springs has requested that Desert Water Agency execute two compensation agreements required for the transfer of property ("City Hall Annex Property" and "City Corporate Yard Expansion Property") from the dissolved Desert Hot Springs Redevelopment Agency to the City of Desert Hot Springs. The City of Desert Hot Springs is the Successor Agency to the dissolved Redevelopment Agency. The transfer is in accordance with the Redevelopment Agency's Long-Range Property Management Plan (LRPMP) which was formally approved by the California Department of Finance. In accordance with the LRPMP the City Hall Annex Property and the City Corporate Yard Expansion Property will be transferred to the City at no cost.

DWA received taxes through the Desert Hot Springs Redevelopment Agency between the years 2009-2012. The taxes were passed through under statutory pass through regulations. DWA's financial impact resulting from the execution of the compensation agreements is negligible.

Staff recommends that the Board execute said compensation agreements for approximately 1.13 acres of improved land located at 11875 and 11999 Palm Drive, (APN's 639-252-018, -019, 041 and 042) and approximately 0.90 acres of unimproved land located on Cholla Drive (APN's 663-320-009 and -011), both in the City of Desert Hot Springs, more particularly described in Chapter IV, <u>Property to be Transferred for Future Development</u>, Site Nos. 2 and 3, pages 11-17 of the LRPMP.

City of Desert Hot Springs

65-950 Pierson Blvd.• Desert Hot Springs • CA • 92240
(760) 329-6411
www.cityofdhs.org

December 2, 2015

Site 2

President, Board of Directors
Desert Water Agency
1200 S. Gene Autry Trail
Palm Springs, CA 92264

RE: Compensation Agreement for the Transfer of the City Hall Annex Property Located at 11875 and 11999 Palm Drive to the City of Desert Hot Springs

Dear President, Board of Directors:

The purpose of this letter is to forward the attached compensation agreement required for the transfer of the property located at 11875 and 11999 Palm Drive (APNs 639-252-018, -019, 041 and 042) (the "City Hall Annex Property") to the City of Desert Hot Springs (the "City") for governmental use purposes without compensation. It is proposed that the Successor Agency to the Desert Hot Springs Redevelopment Agency (the "Successor Agency") transfer the City Hall Annex Property to the City consistent with the provisions of the Successor Agency's Long-Range Property Management Plan (the "LRPMP"), which was formally approved by the California Department of Finance on May 15, 2015 and made effective on that date. A copy of the LRPMP is attached.

The City Hall Annex Property consists of approximately 1.13 acres of improved land located on Palm Drive in the City of Desert Hot Springs, California, and more particularly described in Chapter IV. Property to be Transferred for Future Development, Site No. 2, pages 11-14 of the LRPMP. In the foregoing chapter, the LRPMP specifies that the City Hall Annex Property is to be transferred by the Successor Agency to the City at no cost. Notwithstanding this, real property included within the "Future Development Sites" category of the LRPMP are to be transferred to the City after the City has entered into a California Health and Safety Code ("HSC") § 34180 (f)(1) compensation agreement (the "Compensation Agreement") with the taxing entities, as defined in HSC § 34171 (k), that receive pass-through payments and distributions of property taxes attributable to redevelopment project areas of the former redevelopment agency. Our records confirm that your agency is an affected taxing agency in this matter.

Therefore, it is respectfully requested that your agency consider and approve the attached Compensation Agreement that will authorize the transfer of the City Hall Annex Property from the Successor Agency to the City at no cost. The Successor Agency and its consultants are available to meet with you, your staff, and/or appear before your Board to present the Agreement, as your agency may require.

For your information, the Compensation Agreement, for the City Hall Annex Property, was approved by the City Council on November 17, 2015. In addition, each affected taxing entity has been requested to approve the Compensation Agreement. Once the Compensation Agreement has been approved by each affected taxing entity, a fully executed copy of the Compensation Agreement will be returned to each taxing entity.

Once your agency has approved and executed the Compensation Agreement, please return an original executed copy of it to my office.

On behalf of the Mayor and City Council, your cooperation with respect to processing the Compensation Agreement for approval will be appreciated. If you have any questions, please feel free to contact me.

Sincerely,

Martin Magaña

Martin Magaña
City Manager

COMPENSATION AGREEMENT

Site 2

THIS COMPENSATION AGREEMENT (this "Agreement") is made and entered into effective as of the date defined herein (the "Effective Date"), by and among the City of Desert Hot Springs, a California municipal corporation (the "City"), and the affected taxing entities as defined in California Health and Safety Code ("HSC") § 34171 (k) (the "Taxing Entities") and as more particularly described herein. The City and the Taxing Entities are collectively referred to herein as "Parties" or individually referred to as a "Party."

RECITALS

WHEREAS, pursuant to Health and Safety Code (the "HSC") § 34172 (a) (1), the Redevelopment Agency of the City of Desert Hot Springs was dissolved February 1, 2012; and

WHEREAS, consistent with the provisions of the HSC, the City Council of the City of Desert Hot Springs (the "City") previously elected to serve in the capacity of the Successor Agency to the Desert Hot Springs Redevelopment Agency (the "Successor Agency"); and

WHEREAS, the Oversight Board for the Successor Agency (the "Oversight Board") has been established pursuant to HSC § 34179 to assist in the wind-down of the dissolved redevelopment agency; and

WHEREAS, pursuant to HSC § 34191.5 (b), the Successor Agency prepared a long-range property management plan (the "LRPMP") to dispose of the real property of the former Redevelopment Agency of the City of Desert Hot Springs (the "Former RDA") and submitted its LRPMP to the Oversight Board and subsequently to the California Department of Finance (the "DOF"); and

WHEREAS, the Oversight Board's Resolution No OB-2015-003, approving the final version of the LRPMP was submitted to DOF on March 25, 2015; and

WHEREAS, per HSC § 34191.5 (b), on May 15, 2015 the DOF approved the final version of the LRPMP and pursuant to HSC § 34191.4 (a) the properties delineated therein were thereafter transferred to the "Community Redevelopment Property Trust Fund" for administration by the Successor Agency consistent with the LRPMP; and

WHEREAS, among other things, the LRPMP describes seven (7) real property sites that are designated to be retained by the City for future development (the "Future Development Sites"); and

WHEREAS, consistent with the LRPMP, Future Development Sites are to be transferred to the City after the City has entered into an HSC § 34180 (f)(1) compensation agreement with the Taxing Entities, as defined in HSC § 34171 (k), that receive pass-through payments and distributions of property taxes with respect to the Former RDA's redevelopment project areas; and

WHEREAS, other than the City, the Taxing Entities entitled to a share of the pass-through payments and distributions of property taxes with respect to the Former RDA's redevelopment project areas are as follows:

o. County of Riverside;
p. Riverside County Library;
q. Riverside County Fire Department;
r. Riverside County Parks and Open Space District;
s. Riverside County Flood Control and Water Conservation District;
t. County of Riverside Office of Education;
u. Palm Springs Unified School District;
v. Desert Community College District;
w. Palm Springs Public Cemetery District;
x. Desert Healthcare District;
y. Coachella Valley Mosquito and Vector Control District;
z. Mission Springs Water District;
aa. Desert Water Agency; and
bb. Coachella Valley Resource Conservation District; and

WHEREAS, this Agreement concerns the real property located at 11875 and 11999 Palm Drive in the City of Desert Hot Spring (APNs 639-252-018, -019, -041, and -042), consisting of approximately 1.13 acres of improved land and more particularly described in Chapter IV. Property to be Transferred for Future Development, Site No. 2, pages 11-14 ("Site No. 2") of the LRPMP and is incorporated herein by this reference and attached hereto as Exhibit "A"; and

WHEREAS, pursuant to the approved LRPMP, the Successor Agency shall convey Site No. 2 to the City for governmental use, as described within Exhibit "A," at no cost to the City; and

WHEREAS, the City now wishes to enter into this Agreement with the Taxing Entities for the purpose of implementing the LRPMP with respect to Site No. 2.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties hereby agree as follows:

1. **Incorporation of Recitals:** The foregoing recitals are true and correct and are a substantive part of this Agreement.

2. **Purpose:** This Agreement is an HSC § 34180 (f)(1) compensation agreement entered into with the Taxing Entities, defined in HSC § 34171 (k), that receive pass-through payments and distributions of property taxes with respect to the Former RDA's redevelopment project areas.

3. **Approval of Conveyance and Compensation:** Pursuant to the approved LRPMP, the Successor Agency's conveyance of Site No. 2 to the City for governmental use at no cost to the City without compensation to the Taxing Entities is approved by the Parties.

4. **Effective Date:** This Agreement shall be effective on the date that the last Taxing Entity executes this Agreement (the "Effective Date"). Subsequent to the Effective Date, the Successor Agency is authorized to convey Site No. 2 to the City.

5. **Ambiguities:** Any rule of construction to the effect that ambiguities are to be resolved against the drafting Party does not apply in interpreting this Agreement.

6. **Integration:** This instrument constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior offers and negotiations, oral or written.

7. **Amendments:** This Agreement may be modified only in writing and only if approved and executed by the Parties.

8. **Governing Law:** This Agreement shall be construed and interpreted according to the laws of the State of California.

9. **Counterparts**: This Agreement may be executed in one or more counterparts, each of which will be considered an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the dates indicated below.

CITY COUNCIL OF THE CITY OF DESERT HOT SPRINGS

AYES: 4- MATAS; MCKEE; PYE; AND MAYOR SANCHEZ.

NAYES: NONE.

ABSENT: NONE.

RECUSED: 1- BETTS.

ATTEST:

Jerryl Soriano, City Clerk

APPROVED:

Adam Sanchez, Mayor

APPROVED AS TO FORM:

Steven Quintanilla, City Attorney

TAXING ENTITIES

COUNTY OF RIVERSIDE,
A political subdivision of the State of California

Dated: ______________________

By: ______________________
Chairman of the Board of Supervisors

ATTEST:

KECIA HARPER-IHEM,
Clerk of the Board of Supervisors:

By: ______________________
Deputy

RIVERSIDE COUNTY LIBRARY

By: ______________________
LIBRARY SYSTEMS AND SERVICES LLC

RIVERSIDE COUNTY FIRE DEPARTMENT

By: ______________________
Fire Chief

RIVERSIDE COUNTY REGIONAL PARKS AND OPEN SPACE DISTRICT

By: ______________________
Riverside County Regional Park & Open Space District

RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Dated: ____________________

By: ____________________
Riverside County Flood Control and Water Conservation District

APPROVED AS TO FORM:
GREGORY P. PRIAMOS
County Counsel

By: ____________________
Deputy County Counsel

TAXING ENTITIES (Continued)

COUNTY OF RIVERSIDE OFFICE OF EDUCATION
Riverside County Superintendent of Schools

By: ______________________________

Date: ____________________________

TAXING ENTITIES (Continued)

PALM SPRINGS UNIFIED SCHOOL DISTRICT

By: ______________________________
President, Board of Education

Date: ____________________

TAXING ENTITIES (Continued)

DESERT COMMUNITY COLLEGE DISTRICT

By: ______________________________

Date: ____________________

TAXING ENTITIES (Continued)

PALM SPRINGS PUBLIC CEMETERY DISTRICT

By: ______________________________
Kathleen Jurasky, District Manager

Date: ____________________

TAXING ENTITIES (Continued)

DESERT HEALTHCARE DISTRICT

Desert Healthcare Foundation

By: ______________________________

Name: ________________________

Title: ________________________

Date: ________________________

TAXING ENTITIES (Continued)

COACHELLA VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

By: ______________________________
General Manager

Dated: ____________________________

ATTEST:

By: ____________________________
Clerk of the Board

APPROVED AS TO FORM:

By: ______________________________
General Counsel

TAXING ENTITIES (Continued)

MISSION SPRINGS WATER DISTRICT
A county water district

By: ______________________________
Board President

Dated: ______________________

ATTEST:

By: ______________________________
Deputy Secretary of the Board

Dated: ______________________

APPROVED AS TO FORM:

By: ______________________________
District Counsel

TAXING ENTITIES (Continued)

DESERT WATER AGENCY

By: ______________________________

_____________________, President
Board of Directors

Dated: ________________________

ATTEST:

By: ______________________________

________________, Secretary-Treasurer
Board of Directors

TAXING ENTITIES (Continued)

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

By: ______________________
President

Date: ______________________

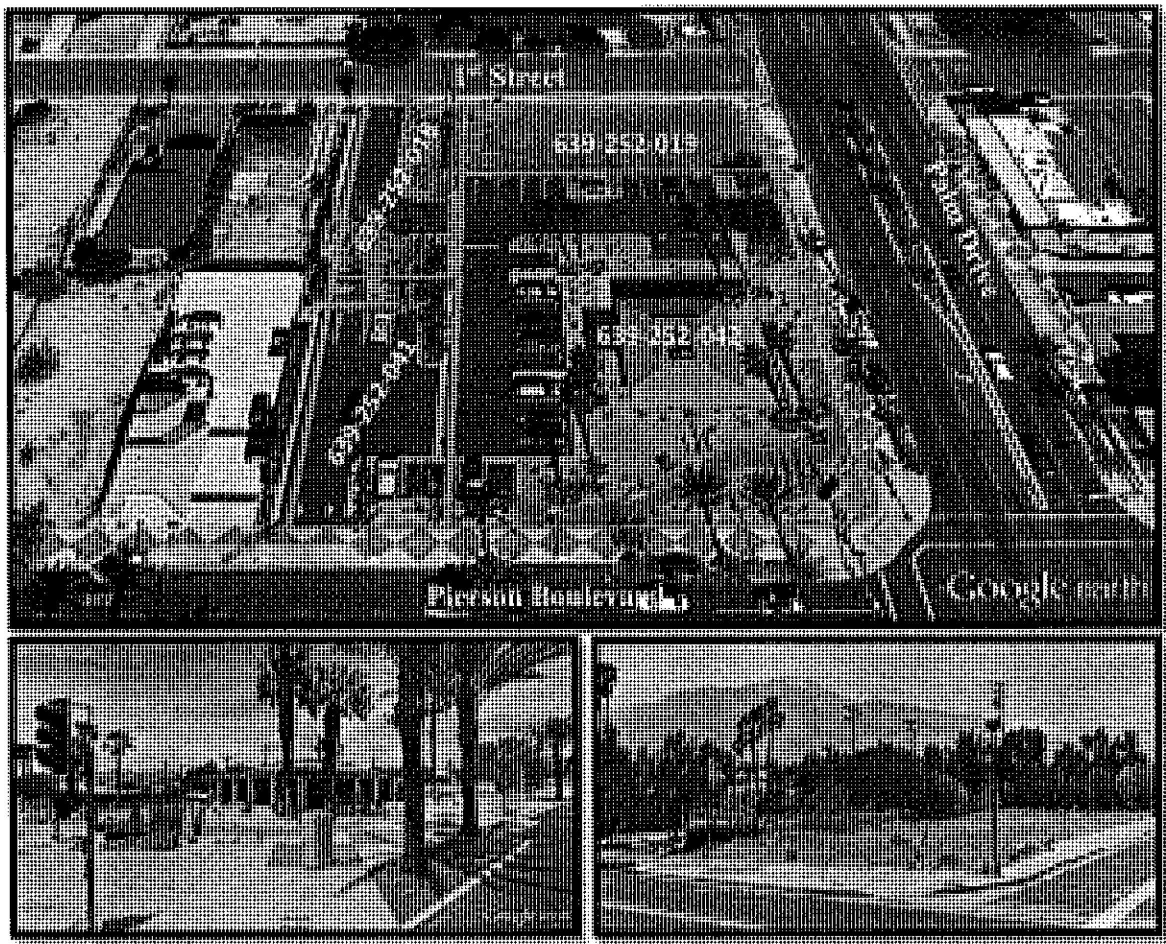
EXHIBIT A

Chapter IV.
Property to be Transferred for Future Development,
Site No. 2, pages 11-14 of the LRPMP

(See Attachment)

Site No. 2
City Hall Annex Property

11875 Palm Drive
11999 Palm Drive
APNs: 639-252-018, -019, -041, -042



A. ***<u>Permissible Use (HSC §34191.5(c)(2)):</u>***

Site No. 2 is the City Hall Annex Property and is proposed to be retained by the City of Desert Hot Springs for future development (i.e., use as a government facility) pursuant to HSC 34191.5(c)(2). The Successor Agency believes this use is fully consistent with the intent of HSC § 34181(a).

B. ***<u>Acquisition of Property (HSC §34191.5(c)(1)(A) and 34191.5(c)(1)(B)):</u>***

The City Hall Annex Property was acquired by the Agency on August 26, 2008 (APN: 639-252-019), and on May 8, 2009 (APNs: 639-252-018, -041, -042) for a total of $1,387,000, in order to meet the revitalization goals of the City and the Agency to alleviate the existence and spread of physical and economic blight.[1] Given the dissolution of the Agency, it is the intention of the City to occupy the property as a City Hall Annex since the City cannot now accommodate the proposed expansion of City Hall as identified within the 2009 Vortex Specific Plan (the "VSP"). The estimated current value ("ECV") of the City Hall Annex Property is $1.00.

C. Site Information (HSC §34191.5(c)(1)(C)):

The City Hall Annex Property consists of four (4) parcels totaling 1.13 acres (APNs 639-252-018, -019, -041, -042) located at 11875 and 11999 Palm Drive. The Property consists of a 16,000 sf parking lot, a 2,400 sf building, and an 8,000 sf area for building expansion. The Desert Hot Springs Visitor's Center currently occupies the 2,400 sf building. The Property is located within the 2009 VSP and is zoned Mixed-Use 0.02 (MXD 0.02). The MXD 0.02 designation provides for uses such as retail, restaurant, and office.

Desert Hot Springs City Hall was originally designed to house the City Police Department and City offices. As the City grew, it was determined that City staff should be removed from the City Police Department building for safety concerns. As a result, a series of trailers were installed to house other City offices. These trailers are currently well over 15 years old and in a state of disrepair. The City now requires more office space and is looking to utilize the City Hall Annex Property.

D. Estimated Current Value (HSC §34191.5(c)(1)(D)):

To determine an ECV for the City Hall Annex Property, in March 2014, comparable sales analysis was conducted through the National Data Collective.[2] An approximate value of $205,000 was determined based on its use as a commercial parcel. However, the ECV is calculated to be $1.00 due to the penalty clause in the Lease if the Lease is not renewed, resulting in an $180,000 pay-out by the Successor Agency. In addition, since past operations on the site have not been investigated since 1990, further environmental site investigation will be required costing between $5,000 and $35,000. The cost of site remediation, if necessary, cannot be determined at this time. Local factors that may affect land value were not taken into consideration. Therefore, the actual value of the property may vary greatly from the ECV. The ECV is only a planning number and may not be relied upon as a basis for actual value. The ECV is only a rough estimate that was obtained from an on-line source where only comparable sales data are available. It is not possible to include environmental issues or any other special or unique factors into simple ECV calculations, as such data are not available from the source. As noted in the LRPMP, the actual value of the property cannot be determined without an appraisal.

E. Site Revenues (HSC §34191.5(c)(1)(E):

On April 21, 2011, the Agency entered into a lease (the "Lease") with the Desert Hot Springs Chamber of Commerce and the non-profit Cabot's Museum Foundation ("Tenant") for the purpose of housing and operating a Visitor's Center (11999 Palm Drive (the "Premises" or the "Visitor's Center")). The Visitor's Center, at one point, contained an area for the Cabot Museum, Chamber, and a sub-leased area for the Desert Hot Springs Historical Society. Since then, the Cabot Museum and the Desert Hot Springs Historical Society have moved out of the building. The Lease expired on October 31, 2013, and could not be renewed by the Agency or the Successor Agency due to the dissolution of the Agency. Given that the Successor Agency would be responsible to reimburse

[1] *Amended Redevelopment Plan, October 1997*; pages 1, 2, and 4; Attachment "F - Merger Amendment No. One to the Desert Hot Springs Redevelopment Projects No. 1 and No. 2 Proposed Projects/Program List."
[2] www.Ndcdata.com

Tenant for the cost to remove tenant improvements (estimated at approximately $180,000) if the Lease was not renewed, the Successor Agency has allowed the Tenant to occupy the Premises on a month-to-month basis to avoid the Lease's penalty clause. A month-to-month rental basis until October 31, 2015 will allow the Successor Agency to avoid the non-renewal penalty clause of the Lease since the lease allowed for a renewal period of two (2) years. Once the property is transferred to the City, the City will re-negotiate the Lease with the Tenant to incorporate the City's plans to relocate its offices onto the Property in the future. In the meantime, the City continues to pay for the utilities as well as for the maintenance of the landscaping.

Annual rent payment received by the Successor Agency from Tenant is $1.00. There are no contractual obligations for the use of this revenue.

F. ***History of Environmental Contamination ((HSC §34191.5(c)(1)(F)):***

There is no history of environmental contamination for APNs: 639-252-018, -041, and -042. However, APN 639-252-019 is the site of a former automotive repair shop. Prior to the Agency taking title to the parcel, the owner removed all existing equipment and/or hazardous chemicals, solvents, etc. used to operate the business. As part of the Agency's due diligence, Agency staff conducted a records review through the Riverside County Department of Environmental Health, Hazardous Materials Management Division. Records indicate that fuel storage tanks were removed and soil contamination remediated in 1990. There is still potential for the discovery of soil contamination from operations conducted post 1990 since a complete Phase-I Environmental Assessment has not been conducted.

G. ***Potential for Transit Oriented Development (TOD) and the Advancement of Planning Objectives of the Successor Agency (HSC §34191.5(c)(1)(G)):***

There is no potential for a TOD development in conjunction with the City Hall Annex Property. The transfer of the City Hall Annex Property to the City advances the planning objectives of the City and the Successor Agency to (i) prevent the spread of blight by rendering the Visitor's Center unoccupied; (ii) provide community public facilities that are structurally sound/secure and more accessible to the public; (iii) relocate certain City offices closer to the center of the City as they are now located at the far westerly end of the City; and (iv) make every effort to assure the long-term availability of sites for the development and expansion of City buildings, utility infrastructure, and other public facilities.

H. ***History of Previous Development Proposals and Activity (HSC §34191.5(c)(1)(H)):***

The City Hall Annex Property was a former savings and loan office that was converted into a dental office. At the time the Agency acquired the City Hall Annex Property, there were no pending development proposals for the re-use of the building so the non-profit Visitor's Center was allowed to occupy it. The City currently intends to utilize the City Hall Annex Property as a City Hall Annex.

I. ***Sale of Property:***

The City Hall Annex Property is proposed to be transferred to the City of Desert Hot Springs for governmental use pursuant to HSC §34181(a), at no cost to the City for the reasons stated above.

J. ***Implementation of the Long-Range Property Management Plan:***

Following the approval of the LRPMP by the DOF, the Successor Agency will implement the LRPMP. The transfer of the City Hall Annex Property to the City of Desert Hot Springs will occur only after the LRPMP is approved by the DOF and at no cost to the City. In addition, as a part of this process, the City intends to secure a HSC §34180(f)(1) compensation agreement (the "Compensation Agreement") with the affected taxing entities. The City will seek a Compensation Agreement with the affected taxing entities after the LRPMP is approved by DOF.

City of Desert Hot Springs

65-950 Pierson Blvd.• Desert Hot Springs • CA • 92240

December 2, 2015

President, Board of Directors
Desert Water Agency
1200 S. Gene Autry Trail
Palm Springs, CA 92264

Site 3

RE: Compensation Agreement for the Transfer of the City Corporate Yard Expansion Property Located on Cholla Drive to the City of Desert Hot Springs

Dear President, Board of Directors:

The purpose of this letter is to forward the attached compensation agreement required for the transfer of the property located on Cholla Drive (APNs 663-320-009 and -011) (the "City Corporate Yard Expansion Property") to the City of Desert Hot Springs (the "City") for governmental use purposes without compensation. It is proposed that the Successor Agency to the Desert Hot Springs Redevelopment Agency (the "Successor Agency") transfer the City Corporate Yard Expansion Property to the City consistent with the provisions of the Successor Agency's Long-Range Property Management Plan (the "LRPMP"), which was formally approved by the California Department of Finance on May 15, 2015 and made effective on that date. A copy of the LRPMP is attached.

The City Corporate Yard Expansion Property consists of approximately 0.90 acres of vacant land located on Cholla Drive in the City of Desert Hot Springs, California, and more particularly described in Chapter IV. Property to be Transferred for Future Development, Site No. 3, pages 15-17 of the LRPMP. In the foregoing chapter, the LRPMP specifies that the City Corporate Yard Expansion Property is to be transferred by the Successor Agency to the City at no cost. Notwithstanding this, real property included within the "Future Development Sites" category of the LRPMP are to be transferred to the City after the City has entered into a California Health and Safety Code ("HSC") § 34180 (f)(1) compensation agreement (the "Compensation Agreement") with the taxing entities, as defined in HSC § 34171 (k), that receive pass-through payments and distributions of property taxes attributable to redevelopment project areas of the former redevelopment agency. Our records confirm that your agency is an affected taxing agency in this matter.

Therefore, it is respectfully requested that your agency consider and approve the attached Compensation Agreement that will authorize the transfer of the City Corporate Yard Expansion Property from the Successor Agency to the City at no cost. The Successor Agency and its consultants are available to meet with you, your staff, and/or appear before your Board to present the Agreement, as your agency may require.

For your information, the Compensation Agreement, for the City Corporate Yard Expansion Property, was approved by the City Council on November 17, 2015. In addition, each affected taxing entity has been requested to approve the Compensation Agreement. Once the Compensation Agreement has been approved by each affected taxing entity, a fully executed copy of the Compensation Agreement will be returned to each taxing entity.

Once your agency has approved and executed the Compensation Agreement, please return an original executed copy of it to my office.

On behalf of the Mayor and City Council, your cooperation with respect to processing the Compensation Agreement for approval will be appreciated. If you have any questions, please feel free to contact me.

Sincerely,

Martin Magaña
City Manager

Site 3

COMPENSATION AGREEMENT

THIS COMPENSATION AGREEMENT (this "Agreement") is made and entered into effective as of the date defined herein (the "Effective Date"), by and among the City of Desert Hot Springs, a California municipal corporation (the "City"), and the affected taxing entities as defined in California Health and Safety Code ("HSC") § 34171 (k) (the "Taxing Entities") and as more particularly described herein. The City and the Taxing Entities are collectively referred to herein as "Parties" or individually referred to as a "Party."

RECITALS

WHEREAS, pursuant to Health and Safety Code (the "HSC") § 34172 (a)(1), the Redevelopment Agency of the City of Desert Hot Springs was dissolved February 1, 2012; and

WHEREAS, consistent with the provisions of the HSC, the City Council of the City of Desert Hot Springs (the "City") previously elected to serve in the capacity of the Successor Agency to the Desert Hot Springs Redevelopment Agency (the "Successor Agency"); and

WHEREAS, the Oversight Board for the Successor Agency (the "Oversight Board") has been established pursuant to HSC § 34179 to assist in the wind-down of the dissolved redevelopment agency; and

WHEREAS, pursuant to HSC § 34191.5 (b), the Successor Agency prepared a long-range property management plan (the "LRPMP") to dispose of the real property of the former Redevelopment Agency of the City of Desert Hot Springs (the "Former RDA") and submitted its LRPMP to the Oversight Board and subsequently to the California Department of Finance (the "DOF"); and

WHEREAS, the Oversight Board's Resolution No OB-2015-003, approving the final version of the LRPMP was submitted to DOF on March 25, 2015; and

WHEREAS, per HSC § 34191.5 (b), on May 15, 2015 the DOF approved the final version of the LRPMP and pursuant to HSC § 34191.4 (a) the properties delineated therein were thereafter transferred to the "Community Redevelopment Property Trust Fund" for administration by the Successor Agency consistent with the LRPMP; and

WHEREAS, among other things, the LRPMP describes seven (7) real property sites that are designated to be retained by the City for future development (the "Future Development Sites"); and

WHEREAS, consistent with the LRPMP, Future Development Sites are to be transferred to the City after the City has entered into an HSC § 34180 (f)(1) compensation agreement with the Taxing Entities, as defined in HSC § 34171 (k), that receive pass-through payments and distributions of property taxes with respect to the Former RDA's redevelopment project areas; and

WHEREAS, other than the City, the Taxing Entities entitled to a share of the pass-through payments and distributions of property taxes with respect to the Former RDA's redevelopment project areas are as follows:

o. County of Riverside;

p. Riverside County Library;
q. Riverside County Fire Department;
r. Riverside County Parks and Open Space District;
s. Riverside County Flood Control and Water Conservation District;
t. County of Riverside Office of Education;
u. Palm Springs Unified School District;
v. Desert Community College District;
w. Palm Springs Public Cemetery District;
x. Desert Healthcare District;
y. Coachella Valley Mosquito and Vector Control District;
z. Mission Springs Water District;
aa. Desert Water Agency; and
bb. Coachella Valley Resource Conservation District; and

WHEREAS, this Agreement concerns the real property located on Cholla Drive in the City of Desert Hot Spring (APNs 663-320-009 and -011), consisting of approximately 0.90 acres of vacant land and more particularly described in Chapter IV. Property to be Transferred for Future Development, Site No. 3, pages 15-17 (the "Site No. 3") of the LRPMP and is incorporated herewith by this reference as though fully set forth herein; and

WHEREAS, pursuant to the approved LRPMP, the Successor Agency shall convey Site No. 3 to the City for governmental use, as described within Exhibit "A," at no cost to the City; and

WHEREAS, the City now wishes to enter into this Agreement with the Taxing Entities for the purpose of implementing the LRPMP with respect to Site No. 3.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties hereby agree as follows:

1. **Incorporation of Recitals:** The foregoing recitals are true and correct and are a substantive part of this Agreement.

2. **Purpose:** This Agreement is an HSC § 34180 (f)(1) compensation agreement entered into with the Taxing Entities, defined in HSC § 34171 (k), that receive pass-through payments and distributions of property taxes with respect to the Former RDA's redevelopment project areas.

3. **Approval of Conveyance and Compensation:** Pursuant to the approved LRPMP, the Successor Agency's conveyance of Site No. 3 to the City for governmental use at no cost to the City without compensation to the Taxing Entities is approved by the Parties.

4. **Effective Date:** This Agreement shall be effective on the date that the last Taxing Entity executes this Agreement (the "Effective Date"). Subsequent to the Effective Date, the Successor Agency is authorized to convey Site No. 3 to the City.

5. **Ambiguities:** Any rule of construction to the effect that ambiguities are to be resolved against the drafting Party does not apply in interpreting this Agreement.

6. **Integration:** This instrument constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior offers and negotiations, oral or written.

7. **Amendments:** This Agreement may be modified only in writing and only if approved and executed by the Parties.

8. **Governing Law:** This Agreement shall be construed and interpreted according to the laws of the State of California.

9. **Counterparts**: This Agreement may be executed in one or more counterparts, each of which will be considered an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the dates indicated below.

CITY COUNCIL OF THE CITY OF DESERT HOT SPRINGS

AYES: 5- BETTS; MCKEE; MATAS; PYE; AND MAYOR ADAM SANCHEZ.

NAYES: NONE.

ABSENT: NONE.

ATTEST:

Jerryl Soriano, City Clerk

APPROVED:

Adam Sanchez, Mayor

Approved as to Form

Steven Quintanilla, City Attorney

TAXING ENTITIES

COUNTY OF RIVERSIDE,
A political subdivision of the State of California

Dated: ______________________

By: ______________________
Chairman of the Board of Supervisors

ATTEST:

KECIA HARPER-IHEM,
Clerk of the Board of Supervisors:

By: ______________________
Deputy

RIVERSIDE COUNTY LIBRARY

By: ______________________
LIBRARY SYSTEMS AND SERVICES LLC

RIVERSIDE COUNTY FIRE DEPARTMENT

By: ______________________
Fire Chief

RIVERSIDE COUNTY REGIONAL PARKS AND OPEN SPACE DISTRICT

By: ______________________
Riverside County Regional Park & Open Space District

RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Dated: ______________________

By: ______________________________
Riverside County Flood Control and Water Conservation District

APPROVED AS TO FORM:
GREGORY P. PRIAMOS
County Counsel

By: ______________________
Deputy County Counsel

TAXING ENTITIES (Continued)

COUNTY OF RIVERSIDE OFFICE OF EDUCATION
Riverside County Superintendent of Schools

By: ____________________________

Date: __________________________

TAXING ENTITIES (Continued)

PALM SPRINGS UNIFIED SCHOOL DISTRICT

By: ______________________________
President, Board of Education

Date: ____________________

TAXING ENTITIES (Continued)

DESERT COMMUNITY COLLEGE DISTRICT

By: ______________________________

Date: ____________________

TAXING ENTITIES (Continued)

PALM SPRINGS PUBLIC CEMETERY DISTRICT

By: ______________________________
Kathleen Jurasky, District Manager

Date: ____________________

TAXING ENTITIES (Continued)

DESERT HEALTHCARE DISTRICT

Desert Healthcare Foundation

By: ______________________________

Name: ______________________

Title: ________________________

Date: ________________________

TAXING ENTITIES (Continued)

COACHELLA VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

By: ______________________________
General Manager

Dated: ____________________________

ATTEST:

By: ______________________________
Clerk of the Board

APPROVED AS TO FORM:

By: ______________________________
General Counsel

TAXING ENTITIES (Continued)

MISSION SPRINGS WATER DISTRICT
A county water district

By: ______________________________
Board President

Dated: ______________________

ATTEST:

By: ______________________________
Deputy Secretary of the Board

Dated: ______________________

APPROVED AS TO FORM:

By: ______________________________
District Counsel

TAXING ENTITIES (Continued)

DESERT WATER AGENCY

By: ______________________________

_________, President
Board of Directors

Dated: January 5, 2016

ATTEST:

By: ______________________________

_________, Secretary-Treasurer
Board of Directors

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

By: ______________________
President

Date: ______________________

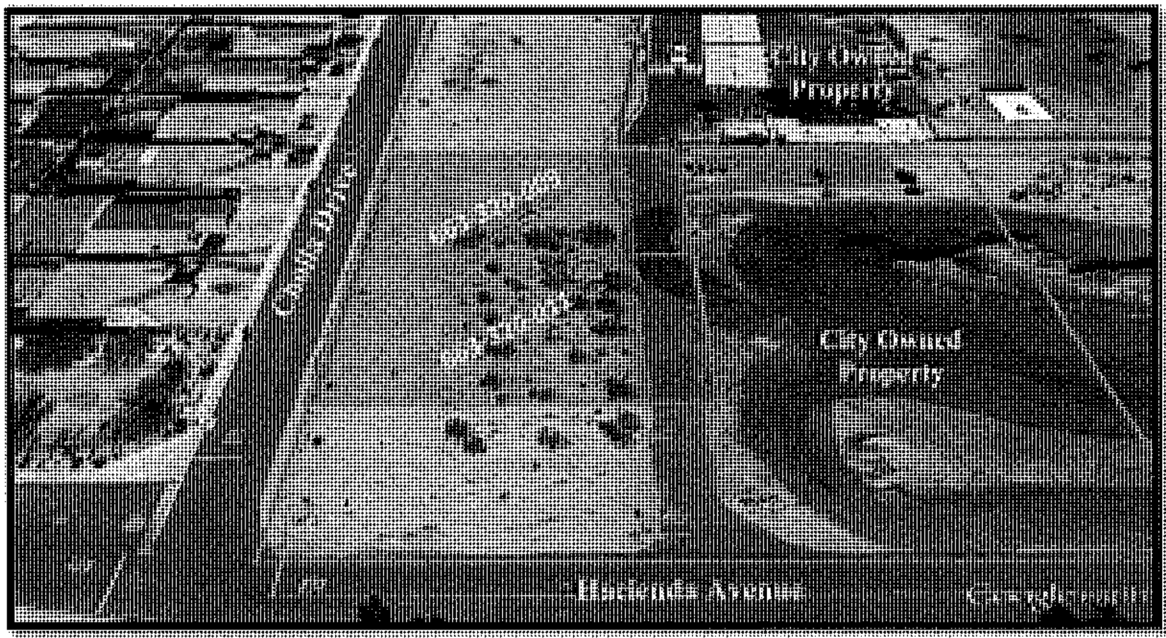
EXHIBIT A

Chapter IV.
Property to be Transferred for Future Development,
Site No. 3, pages 11-14 of the LRPMP

(See Attachment)

Site No. 3
City Corporate Yard Expansion Property

Cholla Drive
APN: 663-320-009, -011



A. ***Permissible Use (HSC §34191.5(c)(2)):***
Site No. 3 is the City Corporate Yard Expansion Property (the "City Yard Expansion Property") and is proposed to be retained by the City of Desert Hot Springs for future development (i.e., use as a government facility) pursuant to HSC 34191.5(c)(2). The Successor Agency believes this use is fully consistent with the intent of HSC § 34181(a).

B. ***Acquisition of Property (HSC §34191.5 (c)(1)(A) and §34191.5(c)(1)(B)):***
The City Yard Expansion Property was acquired by the Agency on February 12, 2007 for $140,000, in order to meet the revitalization goals of the City and the Agency to alleviate the existence and

spread of physical and economic blight.[3] The estimated current value (the "ECV") of the City Yard Expansion Property is $31,000.

C. ***Site Information (HSC §34191.5(c)(1)(C)):***

The City Yard Expansion Property consists of two (2) parcels (APNs: 663-320-009, -011) totaling 0.90 of an acre located on Cholla Drive. The City Yard Expansion Property is zoned Residential Low (RL) within the City's General Plan and Zoning Ordinance. For areas zoned RL, uses provide for single-family residential development on individual lots of not less than 9,000 s.f. The RL zone serves to buffer more dense residential development from estate residential uses, and may be appropriate in areas with some site constraints. It serves to transition between lower and more moderate (medium) residential densities. As the expansion of the City Yard project is an inconsistent use within the General Plan, a zone change will be processed by the City upon approval of the LRPMP by the DOF for implementation.

D. ***Estimated Current Value (HSC §34191.5 (c)(1)(D)):***

To determine an ECV for the City Yard Expansion Property, in March 2014, a comparable sales analysis was conducted through the National Data Collective. The ECV was determined to be approximately $31,000. Local factors were not taken into consideration in determining the ECV of the City Yard Expansion Property. Therefore, the actual value of the property may vary significantly from the ECV. The ECV is only a planning number and should not be relied upon as a basis for actual value. The ECV is only a rough estimate that was obtained from an on-line source where only comparable sales data are available. It is not possible to include environmental issues or any other special or unique factors into simple ECV calculations, as such data are not available from the source. As noted in the LRPMP, the real value of the property cannot be determined without an appraisal.

E. ***Site Revenues (HSC §34191.5(c)(1)(E)):***

There are no site revenues generated from the City Yard Expansion Property.

F. ***History of Environmental Contamination (HSC §34191.5 (c)(1)(F)):***

There is no history of environmental contamination.

G. ***Potential for Transit Oriented Development (TOD) and the Advancement of Planning Objectives of the Successor Agency (HSC §34191.5 (c)(1)(G)):***

There is no potential for a TOD in conjunction with City Yard Expansion Property. The transfer of the City Yard Expansion Property to the City advances the planning objectives of the City and Successor Agency by providing (i) a perceivable reduction in blight through new construction and infrastructure; (ii) expanded public facilities that support the community in maintaining public infrastructure; (iii) public facilities which are located to efficiently serve the community and are compatible with surrounding land uses; public facilities located to assure the least intrusive and most compatible integration of related buildings and facilities into the land use pattern of the community; and (iv) every effort to assure the long-term availability of sites for the development and expansion of City buildings, utility infrastructure, and other public facilities.

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[3] *Amended Redevelopment Plan, October 1997*; pages 1, 2, and 4; Attachment "F - Merger Amendment No. One to the Desert Hot Springs Redevelopment Projects No. 1 and No. 2 Proposed Projects/Program List."

H. History of Previous Development Proposals and Activity (HSC §34191.5 (c)(1)(H)):
Google Earth® indicates that the City Yard Expansion Property has been vacant since at least 1996. The City is currently in the planning stages with respect to expanding the City Yard into the property acquired by the Agency – the City Yard Expansion Property. Additionally, the City Yard Expansion Property encroaches into the existing City Yard property. There are no previous or current development proposals or activity.

I. Sale of Property:
The City Yard Expansion Property is proposed to be transferred to the City of Desert Hot Springs for governmental use pursuant to HSC §34181(a), at no cost to the City for the reasons stated above.

J. Implementation of the Long-Range Property Management Plan:
Following the approval of the LRPMP by the DOF, the Successor Agency will implement the LRPMP. The transfer of the City Yard Expansion Property to the City of Desert Hot Springs will occur only after the LRPMP is approved by the DOF and at no cost to the City. In addition, as a part of this process, the City intends to secure a HSC §34180(f)(1) compensation agreement (the "Compensation Agreement") with the affected taxing entities. The City will seek a Compensation Agreement with the affected taxing entities after the LRPMP is approved by DOF.

BEST BEST & KRIEGER
ATTORNEYS AT LAW

8-A

December 29, 2015

MEMORANDUM

TO: GENERAL MANAGER AND BOARD OF DIRECTORS OF DESERT WATER AGENCY

FROM: BEST BEST & KRIEGER LLP

RE: DECEMBER 16, 2015 MEETING OF THE BOARD OF DIRECTORS OF THE STATE WATER PROJECT CONTRACTORS AUTHORITY AND DECEMBER 17, 2015 MEETING OF THE BOARD OF DIRECTORS OF THE STATE WATER CONTRACTORS, INC.

The December 16, 2015 meeting of the Board of Directors of the State Water Project Contractors Authority was conducted in the main conference room of the State Water Contractors at the Senator Hotel in downtown Sacramento. The December 17, 2015 meeting of the Board of Directors of the State Water Contractors, Inc., was conducted at the Tsakopoulos Library Galleria in downtown Sacramento.

1. SWPCA Board Meeting.

The SWPCA Board meeting it was reported that discussions with the Department of Water Resources regarding the RFP process for conducting habitat conservation programs were going very well. DWR will conduct workshop in January for potential proposers who may be interested in responding to the Request for Proposals once they are issued by DWR. However, the date of that workshop has not been calendared yet. It is hoped that the majority of the Contractors will be willing to participate in "fronting" the money necessary to prepare initial proposals and commence work if awarded a project. For 2016, the total projected budget is $750,000.00. Another $750,000.00 is projected for 2017. Assuming that the projects are awarded to the Contractors, it is expected that the progress payments from DWR thereafter will create a "revolving fund" sufficient to continue performing projects until all of the work is completed, totaling 8,000 acres of restored habitat in the Delta.

2. Proposed Water Transfer.

At the SWC Board Meeting, the Board was asked to submit a letter to DWR in support of a water exchange between Antelope-Eastern Water Agency and Metropolitan Water District. The Proposed arrangement is an unbalanced exchanged (two for one), by which AVEK will provide up to 30,000 acre feet of water to Metropolitan Water District, and Metropolitan will return half of that quantity to AVEK within a ten (10) year period. For the Water coming back to AVEK, Metropolitan will pay a set price per acre foot based upon an agreed scale tied to the percentage of allocation to Contractors in the year in which the water is returned. The agreement would also require Metropolitan to pay the State Water Project Transportation costs to deliver the returned water to AVEK; or alternatively, Metropolitan may use its water previously stored in AVEK's groundwater bank to repay the exchange water debt. The SWC Board took action to approve the proposal. However, DWR has indicated that it will need to look at the proposal very carefully to make sure that it does not conflict with provisions in the Monterey Amendment which prohibit the use of an exchange program as a "disguised sale" in which water is basically sold to another contractor, that circumventing the use of the return toll arrangement.

3. Water Operations Report.

The water supply report was positive for a change. DWR was expecting a series of storms to roll in, through the end of the December. Recent storms had caused the storage in Lake Oroville to increase by about 20,000 acre feet since the previous month. The low point in Oroville was 909,000 acre feet, but as of the date of the meeting the storage in Oroville was 930,000 acre feet (still extremely low) combined exports in the Delta were at 1,400 cubic feet per second. Title intrusions had caused a lot of water quality decline in the Delta. Total storage in the San Louis Reservoir was at 350,000 acre feet, with 280,000 acre feet of that belonging to that the State Water Project and the remainder belonging to the Federal Project. As of the date of the meeting, precipitation in the Northern Sierra was at 9.5 inches, which was already twenty percent of an average years surplus rainfall in the Northern Sierra. Storage in Oroville was at forty-three percent of historical average for that point in the year. DWR was hopeful about the prospects for an above average year, in anticipation of the El Nino rains, but storage is alarmingly low and there is a lot of ground to make up.

4. Energy Report.

Power prices continued to decline in October, driven by lower gas prices. As of November 1, gas storage had hit its limit, and there was no additional room to store additional gas. Since November 1, however, some of the storage had been withdrawn, and therefore, had been freed up. The price of gas was at 13 year low price, which was applying downward pressure on power prices. On the other hand, hydro power generation was also quite low. Much of the water released from Oroville had been released through the Oroville River valves, in order to take advantage of "water releases". Water release through the Oroville River valve do not run through the hydro power units, and therefore do not generate electricity. In addition, the price of purchased power is actually higher, due to renewal energy prices, notwithstanding the all-time low price of gas. Therefore, the net result is an overall higher price of energy, notwithstanding historically low gas prices.

5. Temporary Urgency Change Petition.

Due to drought conditions, DWR had submitted a Petition to the State Water Resources Control Board for a temporary urgency change in the permit requirements, to relax the normal conditions for the diversion of water from the Delta. DWR staff had received a surprise letter from the State Board proposing permit conditions that would impose increased carry over requirements of one million acre feet in Lake Shasta and Folsom Reservoir, so that cold water would be retained and available to protect fish later in the year. However, the State Contractors were worried about the impacts that the these storage requirements would have on releases from Oroville. In other words, if water is required to be retained in Shasta, that places an additional demand on releases from Oroville, to the disadvantage of the State Contractors. In light of those concerns, the State Board backed off from that requirement somewhat.

6. One Year Transfers.

Also in light of the current drought conditions, the Delta Stewardship Council had authorized an exemption from review for one year transfers, but reserved the right to revisit that exemption at a later date. It was reported that the Delta Stewardship Council was now revisiting that exemption, and considering a requirement to review one year transfers instead of exempting such transfers from review. However, it was reported that the Delta Stewardship Council staff had reported to its own governing body that the review of one year transfers really was not needed. Therefore, the Contractors are hopeful that the exemption for review of one year transfers will continue.

7. Energy Objectives Update.

Tim Haynes of the SWC staff provided an update on energy objectives for the year. One item of note had to do with the FERC relicensing effort. That effort is currently $33,000.00 under budget. However, when the Contractors finally due receive the license, it is anticipated that there will be approximately one billion dollars in obligations, including required expenditures for ecological benefits.

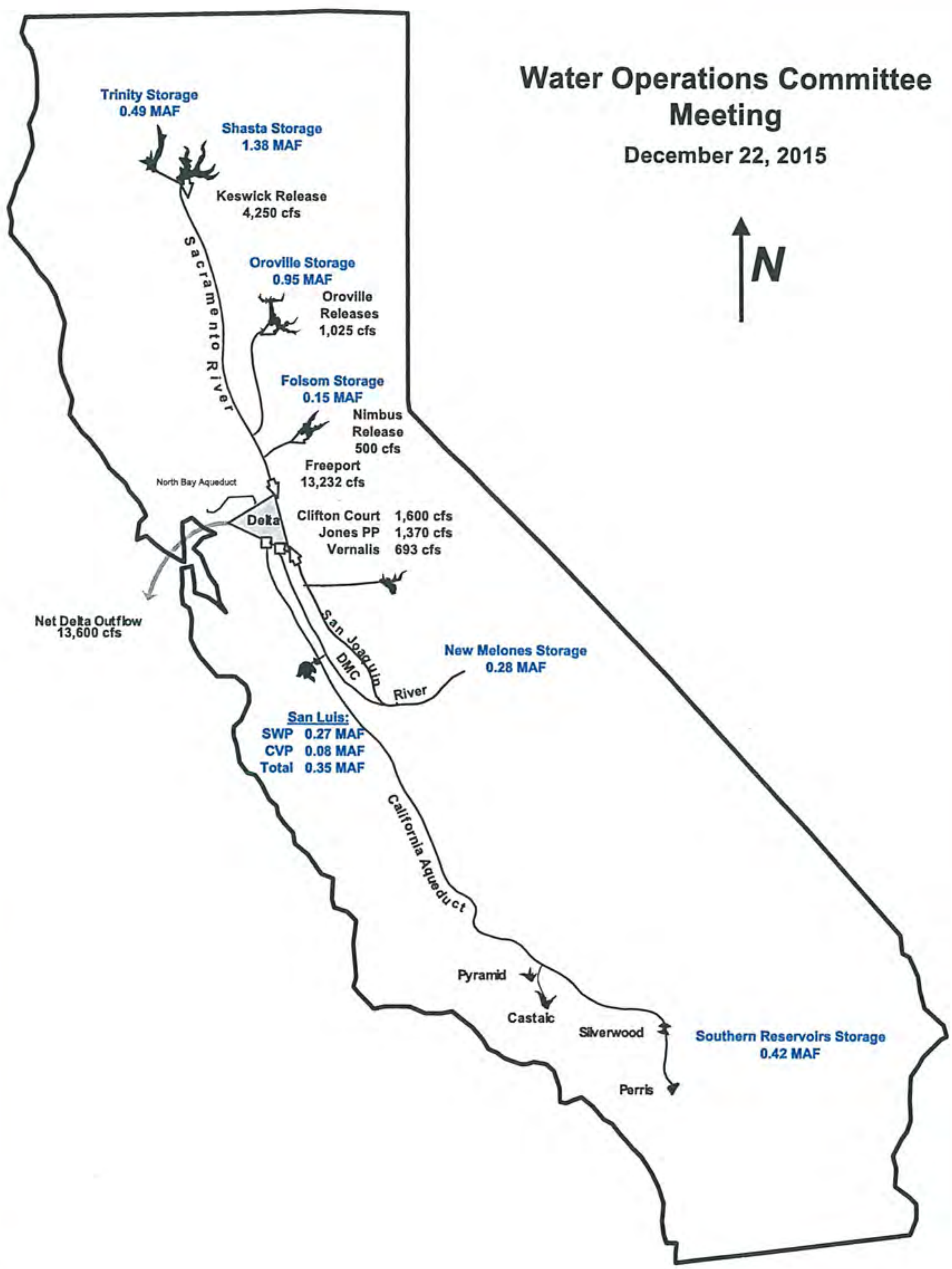
On the Greenhouse Gas initiative, the Air Resources Board and the Department of Finance had to place the State Water Project in the electric sector, and yet did not provide the SWP with the "free admission" allowances provided to other electric utilities within that sector. As a result, the SWP must pay for "Cap and Trade" expenses like all other consumers. The cost to date have been approximately two million dollars per month. The proposed State policy objectives following the year 2020 will examine how emissions can be further reduced on the water supply side. Cap and Trade funds are used to fund projects that reduce carbon emissions. One good bit of news is that the SWP actually had received some Cap and Trade funding to help refurbish SWP hydro units.

The objectives for the year also included more involvement in other organizational activities, such as Cal ISO. New utilities will be added to Cal ISO as necessary to accommodate expanded transmission studies and facilities for renewable energy initiatives. The strategy will be to build coalitions with other stake holders whose interest are aligned with the SWP. To that end, the SWC Board authorized an expenditures of $20,000.00 for the SWC to join the California Municipal Utilities Association.

MICHAEL T. RIDDELL

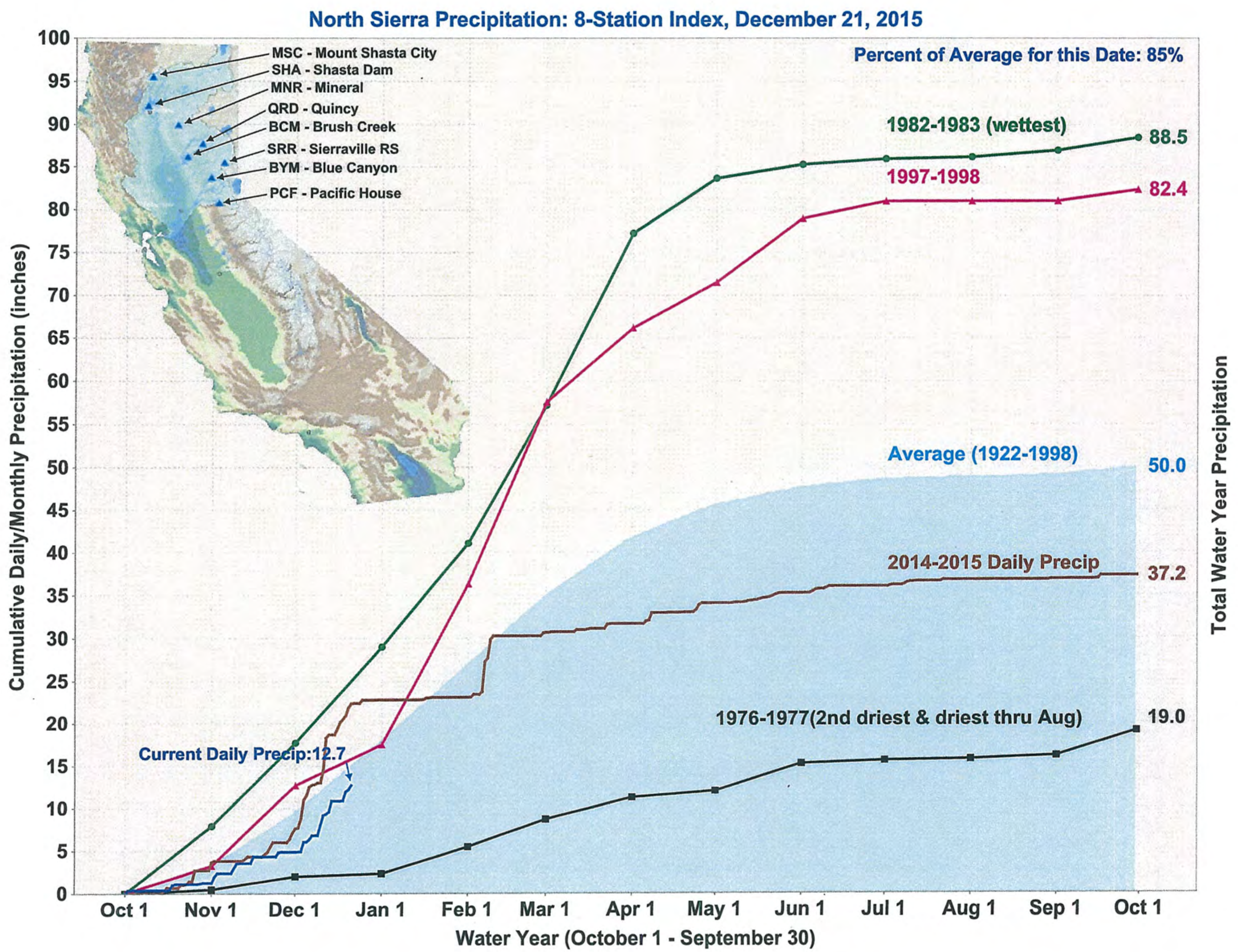
Water Operations Committee Meeting

December 22, 2015



Data as of:
12/22/2015

O&M, OSC



North Sierra Precipitation: 8-Station Index, December 21, 2015
Percent of Average for this Date: 85%
MSC - Mount Shasta City
SHA - Shasta Dam
MNR - Mineral
QRD - Quincy
BCM - Brush Creek
SRR - Sierraville RS
BYM - Blue Canyon
PCF - Pacific House
1982-1983 (wettest)
88.5
1997-1998
82.4
Average (1922-1998)
50.0
2014-2015 Daily Precip
37.2
1976-1977(2nd driest & driest thru Aug)
19.0
Current Daily Precip:12.7
Cumulative Daily/Monthly Precipitation (inches)
Total Water Year Precipitation
Water Year (October 1 - September 30)
Oct 1
Nov 1
Dec 1
Jan 1
Feb 1
Mar 1
Apr 1
May 1
Jun 1
Jul 1
Aug 1
Sep 1
Oct 1
0
5
10
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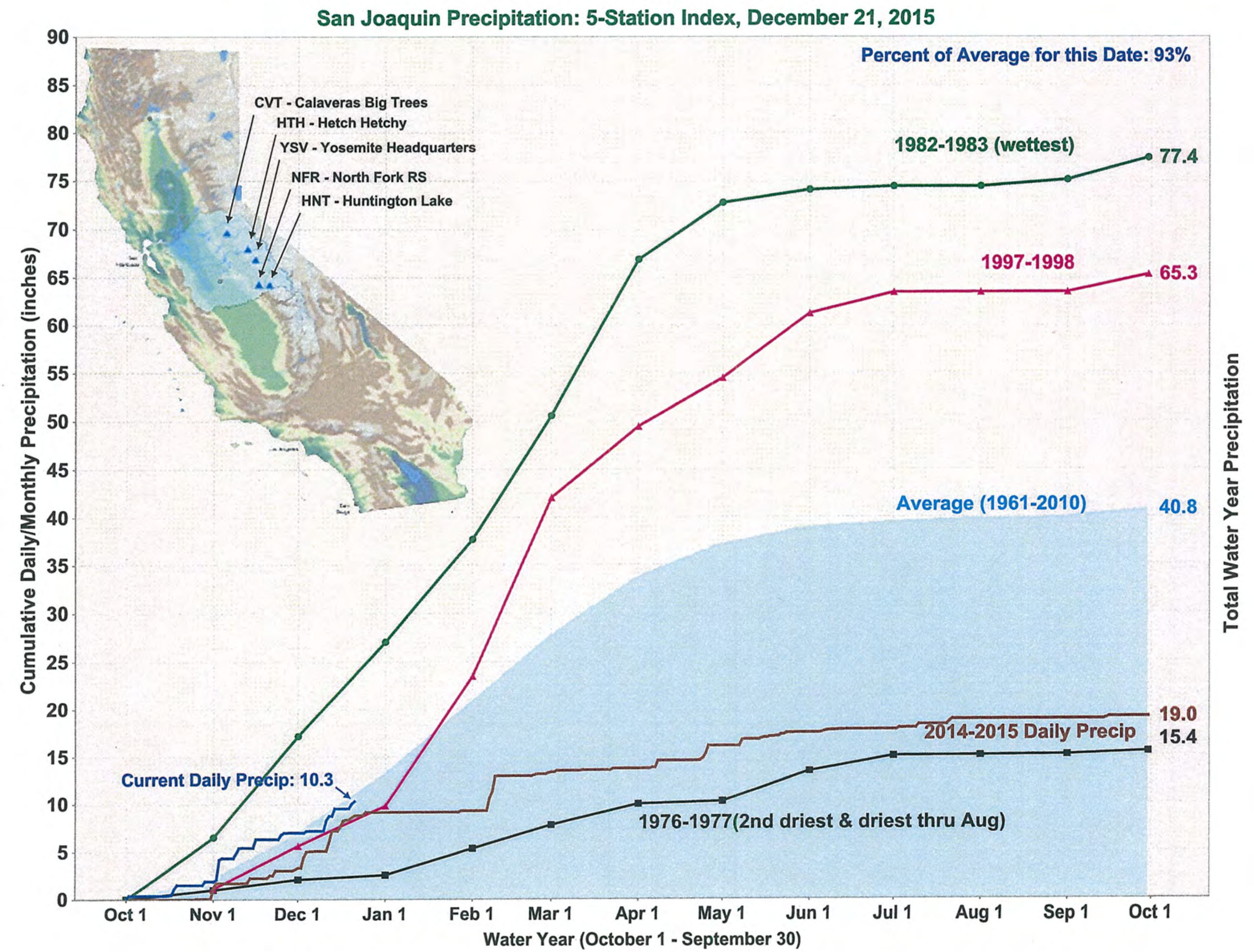
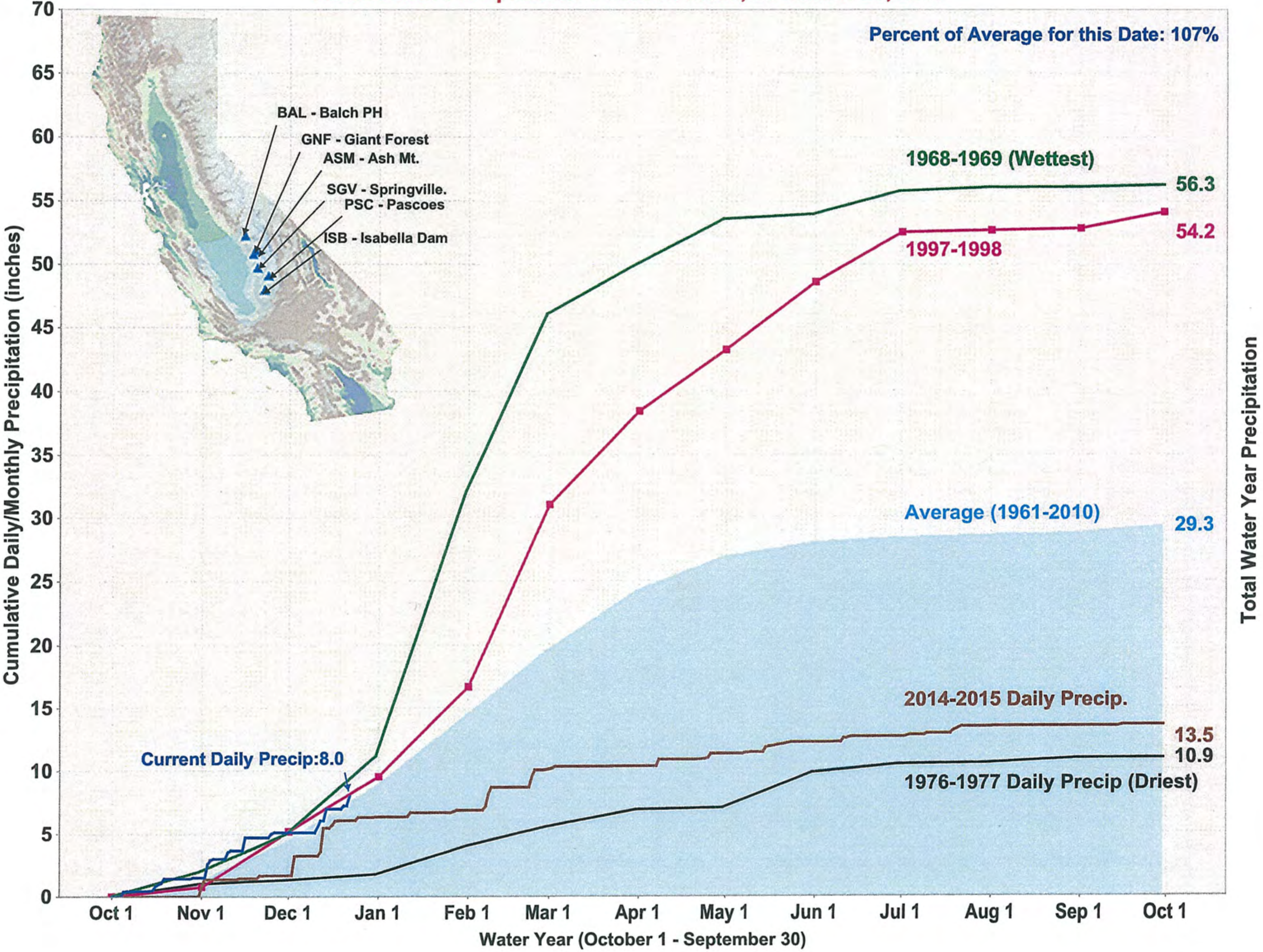
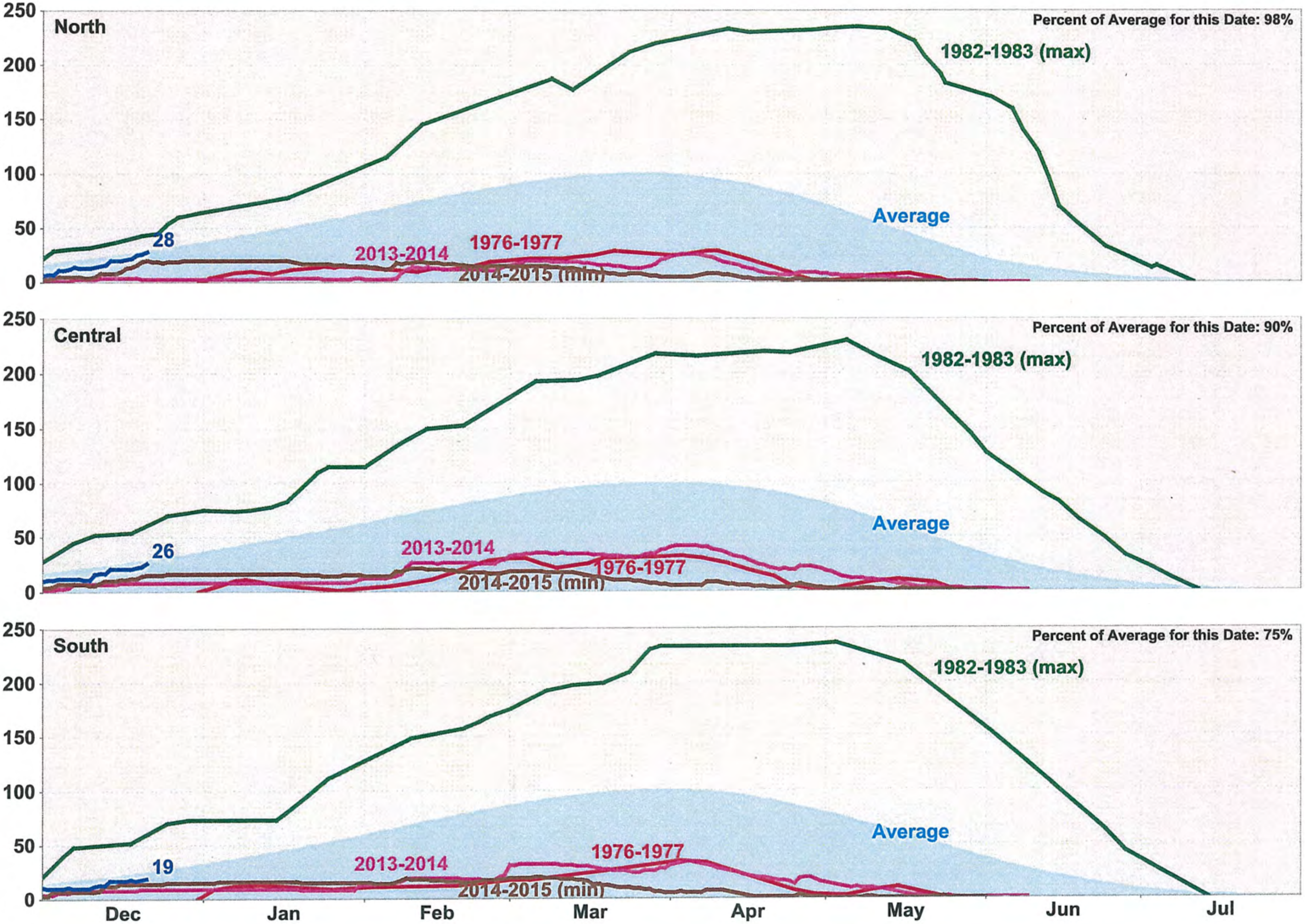
70
75
80
85
90
95
100


San Joaquin Precipitation: 5-Station Index, December 21, 2015
Percent of Average for this Date: 93%
CVT - Calaveras Big Trees
HTH - Hetch Hetchy
YSV - Yosemite Headquarters
NFR - North Fork RS
HNT - Huntington Lake
1982-1983 (wettest)
77.4
1997-1998
65.3
Average (1961-2010)
40.8
2014-2015 Daily Precip
19.0
15.4
Current Daily Precip: 10.3
1976-1977(2nd driest & driest thru Aug)
Cumulative Daily/Monthly Precipitation (inches)
Total Water Year Precipitation
Water Year (October 1 - September 30)
0
5
10
15
20
25
30
35
40
45
50
55
60
65
70
75
80
85
90
Oct 1
Nov 1
Dec 1
Jan 1
Feb 1
Mar 1
Apr 1
May 1
Jun 1
Jul 1
Aug 1
Sep 1
Oct 1

Tulare Basin Precipitation: 6-Station Index, December 22, 2015



California Snow Water Content, December 21, 2015, Percent of April 1 Average



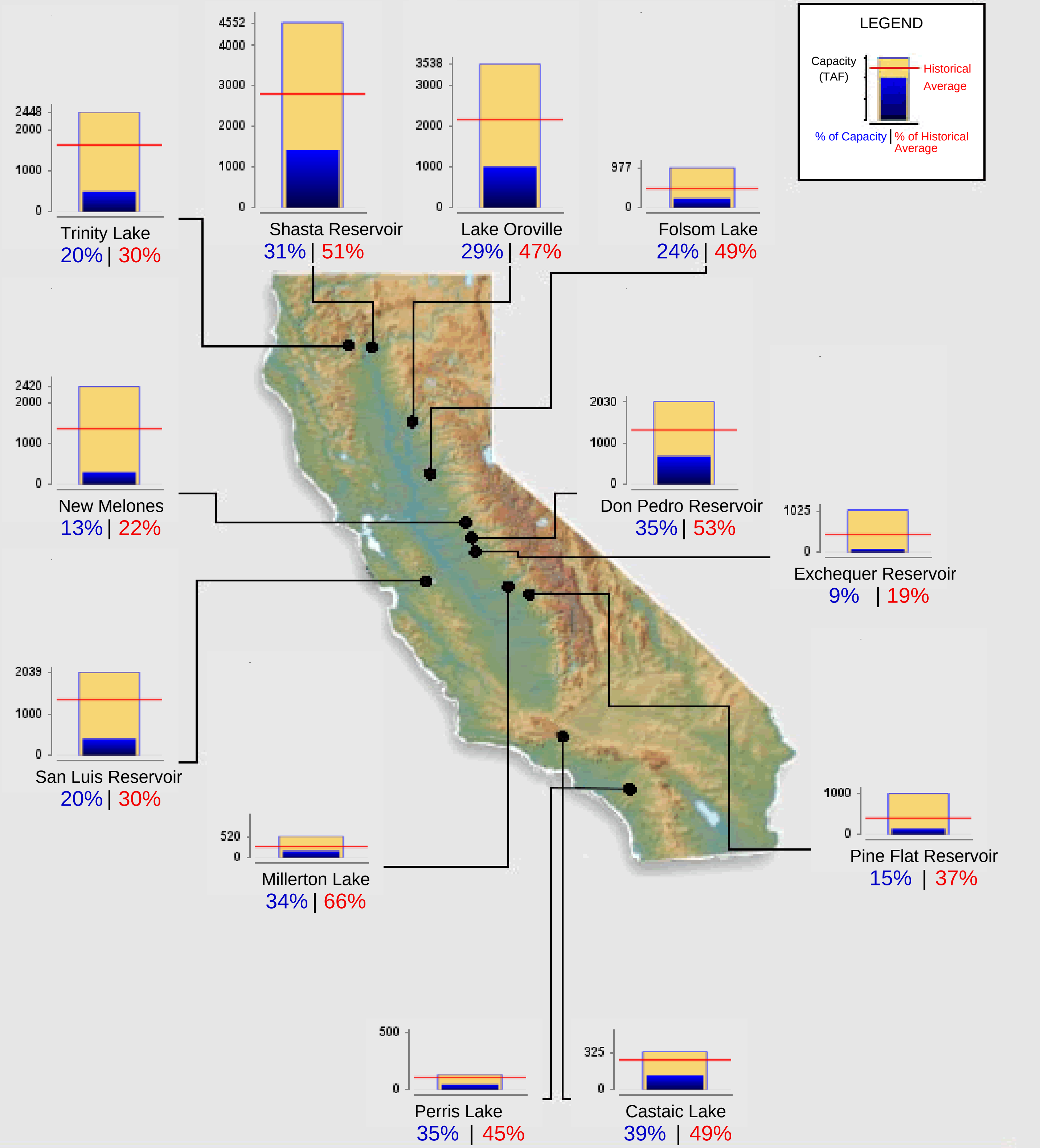
Statewide Percent of April 1: 24%

Statewide Percent of Average for Date: 86%

Reservoir Conditions

Ending At Midnight - December 29, 2015

CURRENT RESERVOIR CONDITIONS

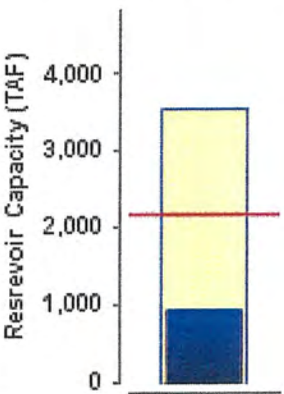


Graph Updated 12/30/2015 01:45 PM

Reservoir Conditions - Lake Oroville

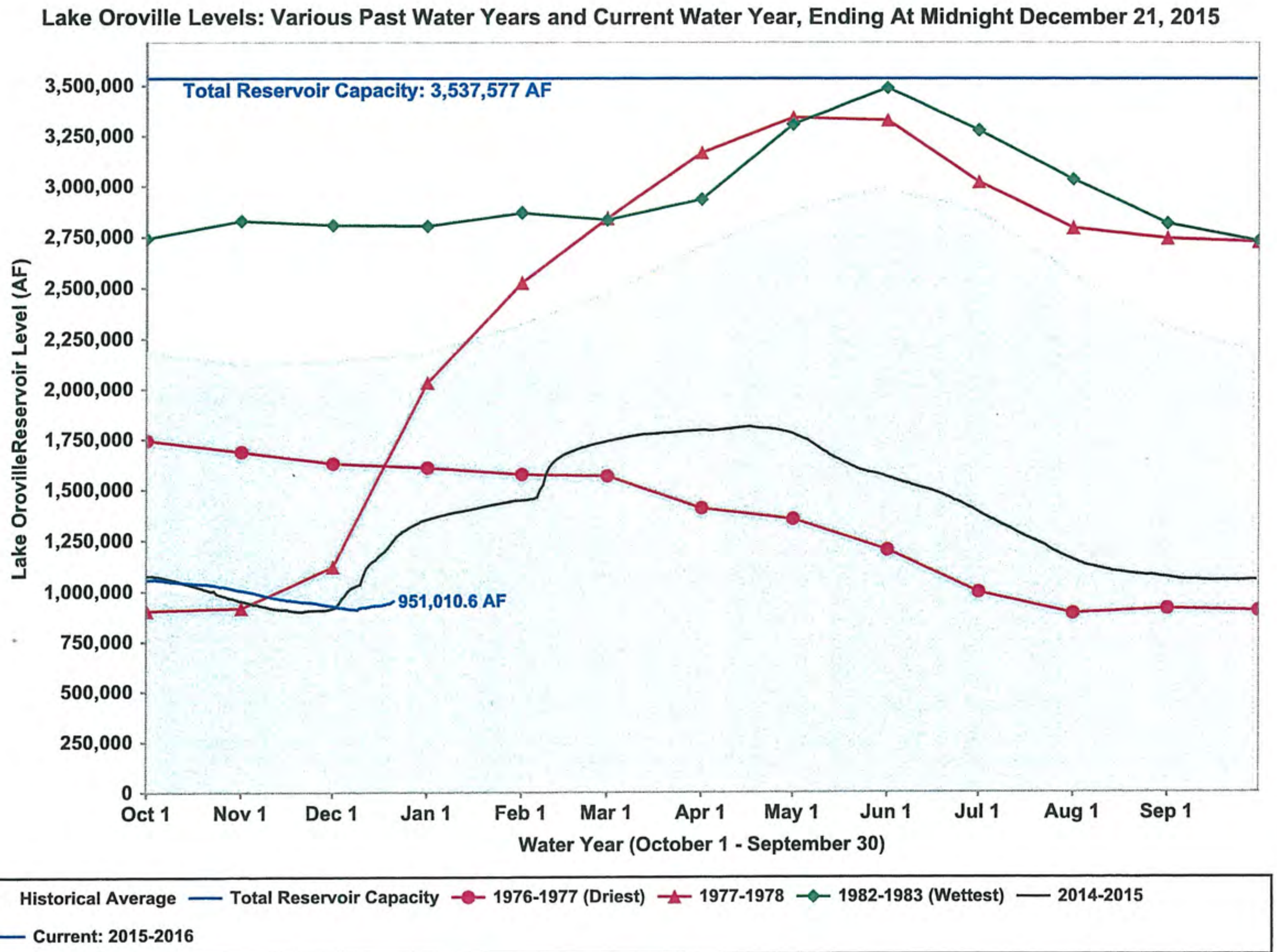
Lake Oroville Conditions

(as of Midnight - December 21, 2015)



Current Level: 951,010.6 AF

27% (Total Capacity) | 44% (Historical Avg.)

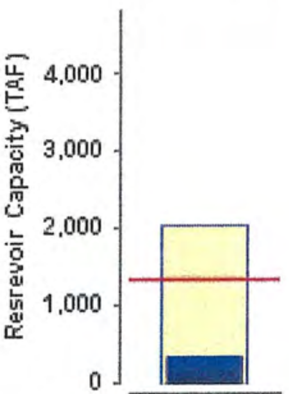


Data Updated 12/22/2015 07:45 AM

Reservoir Conditions - San Luis

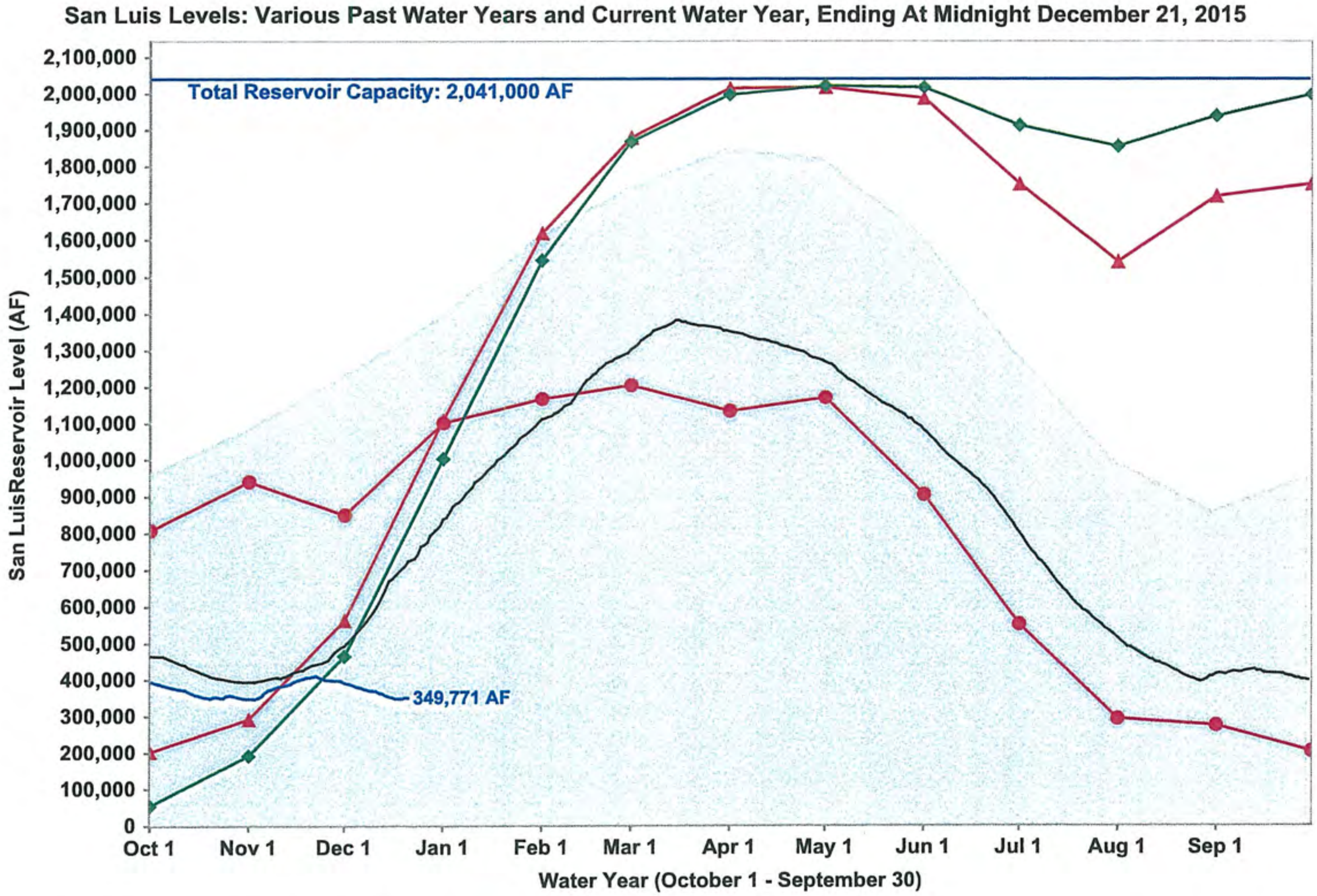
San Luis Conditions

(as of Midnight - December 21, 2015)



Current Level: 349,771 AF

17% (Total Capacity) | 26% (Historical Avg.)



Data Updated 12/22/2015 07:45 AM

ENERGY OBJECTIVES UPDATE

STATE WATER CONTRACTORS BOARD MEETING

DECEMBER 17, 2015

Goals and Objectives

OBJECTIVE	DESCRIPTION	Metric
Strategic Plan to develop a more cost effective power supply	Coordinate with DWR on Near-Term (up to 5 years) and Long-Term (up to 20 years) Resource Plan	1. Maximum Value and Minimize Costs 2. Update IRP
Identify and Address Near-term Energy Risk	Coordinate with DWR on Power Resource, Transmission Service, Staffing and State Energy Policy Issues	1. Assess Market Opportunities and Operational Limits 2. Analyze DWR Management Reports
Seek Greenhouse Gas / Renewables Policies that are Compatible with SWP Operations	Work with DWR on appropriate greenhouse gas and renewable policies that reflect SWP utility characteristics and rate concerns	1. Mitigate Cap-and-Trade Costs 2. Acquire Competitive Renewables 3. Get message out on project impacts
Obtain a new FERC Relicense that retains the value of Oroville & SoCal Facilities and complies with environmental regulations	Oroville Water Quality Certification	1. Obtain new FERC license for Lake Oroville 2. Obtain agreement on Habitat Expansion Plan

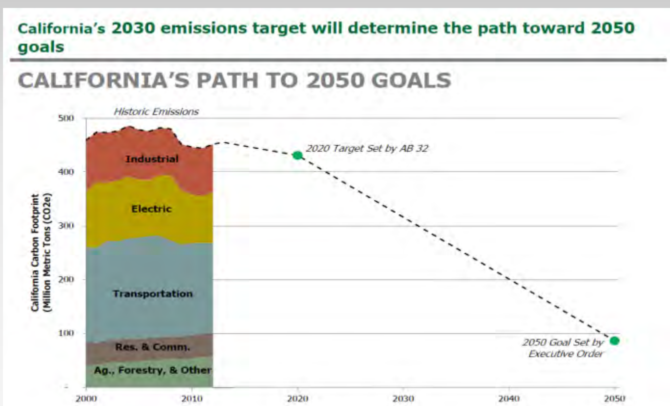
	Budget	Actual
FERC & Relicensing	$315,000	~ $30,000
Energy Resources	$317,000	~ $35,000

Oroville Relicensing

- **Post License** ecological and recreational **obligations** as much as **$1 billion**
- Lake Orville Relicensing Team (**LORT 2.0**) – Jeff Davis, Mike Melanson and Tom Berliner with support from MWD and SWC
- **NMFS BiOp** - Final Regulatory document before FERC license (areas of interest flows, temperatures and non-jeopardy)
- **Habitat Expansion Plan** - The proposed activities are intended to expand the amount of spawning, rearing and adult holding habitat available for 2,000 to 3,000 Central Valley spring-run Chinook salmon (Spring-Run) and Central Valley steelhead (Steelhead).
  - Proposed activities rejected by NMFS in January 2014
  - It can stand on its own but assessing fit with YCWA and NMFS announced $500 million Yuba River Salmon Initiative
- **Well coordinated with DWR** – credit to Ted Craddock and his team

	Budget	Actual
Relicensing	$275,000	~ $20,000

Post-2020 Energy Policy



	Budget	Actual
FERC Counsel	$40,000	~ $10,000
Dick Ferreira, Craig Jones, Strategic Resource Advisors & CMUA Dues	$317,000	~ $35,000

Where to Engage & Why

- Air Resources Board
- CA Independent System Operator
- California Energy Commission
- California Public Utility Commission
- Peak Reliability and Western Electric Coordinating Council
- Western Interconnect Reliability Advisory Board (WIRAB)
- Federal Energy Regulatory Commission

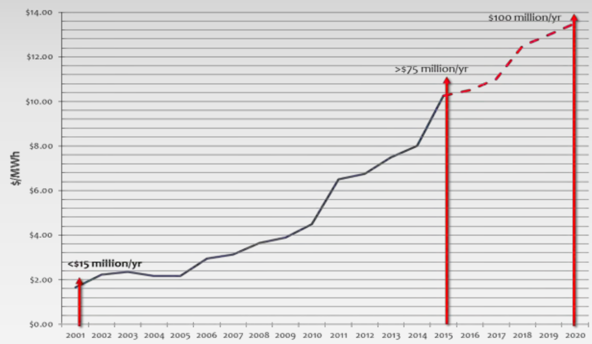
Greenhouse Gas – ARB & Department of Finance

- **Cap-and-Trade**
  - SWP placed in electric sector but did not receive free emission allowances like electric utilities.
  - Cost to date are ~$2 million per month / ~ $20 million per year (would be higher if not for, low pump load and low carbon market clearing price)
  - ARB has initiated amendments to make improvements and "chart post-2020 implementation Program."
- **Update to the Scoping Plan**
  - This is the roadmap the state will take to achieve Post-2020 Carbon reduction goals
- **Investment Plan - $10 million appropriations in each of last two years**
- **Renewable Procurements**

	Budget	Actual
SWC members and SWC	N/A: Payment in kind & SWC staff time	$0

FERC Intervention

- Last two Proposed Rated Cases would have increased SWP transmission $5+ million
- Interventions by SWC, DWR and others reduced that by ~ half



	Budget	Actual
FERC	$40,000	~ $10,000

CA ISO, CEC, CPUC & Regionally

- CAISO Expansion
  - CAISO has statutory authority to justify its expansion
  - The expansion will have significant effect on SWP transmission rates and energy costs
- Transmission Planning and Cost
  - Adding new utilities to ISO will lead to expanded transmission studies and reallocation of transmission costs
  - Significant new renewables will cause additional buildout of transmission system
- Utility General Rate Case

Next Steps

- Proposed work plan including budget
- Develop communications plan including messaging and leave behind documents
- Build Coalitions with stakeholders we are aligned (See Board Action Request)
- Assemble Work Groups

8-B

STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS

JANUARY 5, 2016

RE: 2015/2016 REPLACEMENT PIPELINES UPDATE (BELDING DRIVE)

Over the course of constructing our 2015-2016 replacement pipeline project, the scope of work has expanded repeatedly to avoid trench cutting newly rehabilitated streets and avoid pipeline leaks on ageing pipelines caused by vibrating equipment within the City of Palm Springs. The intent of the staff report is to update the board on the additional pipeline replacements and costs related to this effort.

To accommodate the City of Palm Springs 2015 street rehabilitation and slurry project, Agency staff initially worked with the City's engineering department on a schedule to allow the Agency to replace the pipeline within Indian Canyon Drive, Stevens Road, and Wawona Road prior to the street rehabilitation work.

On September 23, 2015, Borden Excavating was awarded the contract for constructing the 2015/2016 Replacement Pipeline Project in the amount of $730,269.00. The project included installation of replacement pipelines within Indian Canyon Drive (approximately 2,700 feet of 12" ductile iron pipe between Tahquitz Canyon Way and Alejo Road), Stevens Road (approximately 600 feet of 8" ductile iron pipe between Palm Canyon Drive and Kaweah Road), and Wawona Road (approximately 600 feet of 8" ductile iron pipe between Steven Road and Vista Chino). The budget amount for the work is $1,200,000 to include engineering, construction, inspection, and overhead costs.

The City's rehabilitation work has been modified, adding several streets to include Belding Drive, between Sunset Avenue and Cerritos Road. The existing water main located within Belding Drive (4" diameter) was installed in 1946 and has been identified by staff as a priority main to be replaced and is scheduled to be part of the Agency's 2017/2018 replacement pipeline project. Since 2010, the main has experienced 31 leaks.

Due to the condition of the main, and the potential of numerous leaks to occur during the City's rehabilitation work, staff has expanded the current replacement pipeline scope of work. Prior to the City's grinding operations, Borden Excavation will install approximately 700 feet of 8" ductile iron pipe within Belding Drive, to include 11 services and 1 fire hydrant. Utilizing established costs provided as part of Borden's original bid, the installation will cost $96,200. The Agency will provide Borden with the mainline pipe for a cost of approximately $20,000. Inspection costs are anticipated to be approximately $9,000, for a total estimated cost in the amount of $125,200.

At the December 1 Board Meeting work was expanded to include San Miguel and Sunny Dunes Road. To date, the total amount to be paid, to include the San Miguel and Sunny Dunes addition, engineering, inspection, and overheads is anticipated to be $1,287,000. With the addition of Belding Drive, the total work order costs is anticipated to be $1,412,200, to include engineering, inspection, installation, materials, and overheads. This is approximately 17.7% over the work order budget of $1,200,000. The Agency has $100,000 in the 2015/2016 budget for contingency mains (emergency pipeline replacement) to cover some of the estimated overage. This will reduce the total anticipated amount over budget to $112,200, or 8.6%.

Although staff anticipates exceeding the budget by 8.6%, the Agency was able to replace over 6,500 feet of mains that had a total of 180 leaks since 2010 that cost the Agency approximately $60,000 in labor to repair. Also, the cost to install the pipeline from Borden Excavation was approximately 22% lower than the next bidder, saving the Agency approximately $170,000 in construction costs for a combined savings of $230,000.

Finally, it should be noted that the total combined budget amount for the last two replacement pipelines was $2.9 million and the anticipated total amount spent for these combined projects is $2.9 million.

DESERT WATER AGENCY
MEDIA INFORMATION
DECEMBER 2015

DATE	PACKET PAGE	MEDIA SOURCE	ARTICLE
11/26/15	1-2	THE DESERT SUN	California's Hard-hit Water Districts Will Get A Chance To Ask Regulators For Relief
11/27/15	3	PRESS ENTERPRISE	Jurupa Valley: District Wants Developers To Pay For New Water
11/27/15	4	PRESS ENTERPRISE	Murrieta: Utilities Unite To Run Plant
12/01/15	5-6	THE DESERT SUN	California Drought: October Water Savings Dip Below 25%
12/01/15	7	THE DESERT SUN	CA Drought: State Expects 10% Of Full Water Deliveries
12/02/15	8-10	PRESS ENTERPRISE	Water Saving Misses Target
12/02/15	11-12	LA TIMES	California Water Conservation Lagged in October, But State Is Still On Course
12/04/15	13-14	LA TIMES	Audit Finds Widespread Mismanagement At Central Basin Water District In L.A. County
12/10/15	15-24	THE DESERT SUN	California In Overdraft
12/14/15	25-26	THE DESERT SUN	Agua Caliente Plans 350-Foom Hotel, Casino Expansion
12/18/15	27-28	THE DESERT SUN	Water Districts Urge California To Change Drought Rules
12/21/15	29-30	THE DESERT SUN	CA Drought: State Likely To Ease Conservation Mandate
12/22/15	31	PRESS ENTERPRISE	State May Ease Its Drought Limits
12/23/15	32	PRESS ENTERPRISE	Sierra Snowpack Builds Encouraging Base
12/30/15	33	PRESS ENTERPRISE	Hemet Water, Sewer Billing Changes Coming

DATE	PACKET PAGE	MEDIA SOURCE	ARTICLE
12/30/15	34	ASSOCIATED PRESS	Official: California Snowpack at 136 Percent of Normal
12/31/15	35-36	LA TIMES	California Officials Upbeat About Snowpack, But Long-range Prospects Are Unknown
12/31/15	37	PRESS ENTERPRISE	High Sierra Snow Level A Good Sign, But Just 'A Start'

Los Angeles Times

California's hard-hit water districts will get a chance to ask regulators for relief

Matt Stevens, November 26, 2015

Complying with an emergency order to cut water use 36% has cost the Yorba Linda Water District in more ways than one.

Financially, spokesman Damon Micalizzi said, it has cost millions in lost revenue and brought the agency "to its knees." Then there's the political cost of raising rates to cover the deficit.

"Everybody was ecstatic," Micalizzi quipped.

Seven months after state regulators drew up their plan to achieve a statewide reduction in urban water use, Yorba Linda Water District and its counterparts will get their first formal chance to ask for relief.

Gov. Jerry Brown's latest executive order provisionally extends California's drought restrictions into next fall and calls on the State Water Resources Control Board to consider adjusting the rules in the coming weeks.

While other parts of California are bone dry, San Diego faces the opposite problem: too much water

So far, input from local water agencies and environmental think tanks has been diverse and sometimes conflicting.

"What is the state staff going to do with the information?" said Charles Gibson, a board director at Orange County's Santa Margarita Water District. "I think anybody you ask is going to say they're concerned.... There's this great uncertainty."

The discussions will feel like deja vu to those involved.

State regulators spent much of a frenzied April conducting meetings, gathering comments and ultimately developing a tiered system that assigns different conservation "standards" to each of the state's 411 urban water suppliers.

Under the regulations, water districts with a history of high residential use were told to cut back as much as 36%, while other less thirsty cities and towns were required to cut as little as 4%.

The board and its staff took heat at the time for not considering factors such as climate, population growth and water conservation efforts prior to 2013. But local water districts largely accepted regulators' demands, acknowledging that they were pressed for time and facing an emergency.

To address districts' unresolved concerns, the board convened a group of several dozen water officials and experts. Beginning in August, the group set out to consider the next steps for the emergency regulations, which expire Feb. 13.

Two weeks ago, Brown ordered the water board to extend the rules until Oct. 31 if drought conditions continue through January, which the water board's Max Gomberg said is a "near certainty."
Those conditions could change rapidly this winter depending on the effect of an El Niño that is expected to dump rain on much of the state.

Brown's order "really gives us the flexibility we need … to look at the winter conditions and make a determination" about whether to raise or lower the 25% water-savings target, said Gomberg, the board's climate and conservation manager.

Exactly what the regulators will do is unclear. In letters to the water board and interviews, officials at local water districts asked for many of the same allowances they called for in the spring.

Many districts asked to receive adjustments or credits based on their local conditions and for their investments in developing new water supplies.

For example, the nation's largest seawater desalination plant, in Carlsbad, is on the verge of starting commercial operations, supplying the San Diego County Water Authority.

Under the current state regulation, the use of water from new supplies counts the same as any other drinkable water produced by an agency. Sandra Kerl, deputy general manager of the water authority, said that's not fair to ratepayers.

"The only answer being that you use less is untenable," she said. "It needs to be a combination of conservation and sustainable supply development."

Other agencies are more concerned about weather than water supply. Warmer, drier areas with higher evaporation rates require more water than cooler, wetter areas to maintain similar landscapes, officials said.

In Sacramento, Regional Water Authority Executive Director John Woodling said he is seeing landscapes and trees die.

"The same burden looks different in inland versus coastal areas," Woodling said.

Still others say the drought regulations have created a financial strain on their districts because conservation results in lower water sales. Some officials fear that continuing the state regulation will impinge further on local control and have opposed making any of the drought rules permanent.

Micalizzi's Yorba Linda district has managed to reduce its consumption cumulatively by more than 41% from June to September. But to do that, officials at the northeast Orange County supplier have had to nearly triple the basic service charge assigned to most single-family residential customers.

The increase will help cover a revenue shortfall expected to exceed $9 million, Micalizzi said, but some customers aren't happy.

"People feel they're being penalized for doing what the state asked them to do," he said. "We're the messenger ... and people are shooting the messenger."

The board will hold its first public workshop Dec. 7 to discuss changes to the regulation, but staff is unlikely to make any formal proposal until mid- to late January, Gomberg said. The board must approve the proposal with a vote that could come in February or March

The state water board will consider the issues raised over the last several months, Gomberg said, but cautioned that local districts should not expect wholesale changes to the regulation.
"Everything we've been looking at is modifications within the existing framework," Gomberg said. "I would expect there to be more nuance."

Experts say they are unconvinced that so many adjustments for use are needed at this juncture, warning that many of the changes proposed by water districts could result in lower levels of conservation.

"The focus needs to be on protecting basic [water] needs," said Heather Cooley, water program director at the Pacific Institute, an Oakland water think tank.

Fiona Sanchez, director of water resources for the Irvine Ranch Water District, has been in the water board's informal work group meetings with Cooley. Both acknowledge that regulators have a tough job ahead.

"I'm glad I'm not in their shoes," Sanchez said.

matt.stevens@latimes.com

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JURUPA VALLEY: District wants developers to pay for new water sources

Builders and Eastvale officials fear the increases will stifle commercial and residential development

By SANDRA STOKLEY / STAFF WRITER, November 27, 2015

A proposal to make developers pay the cost of additional water to meet the demands of new businesses and homes being built in Eastvale and Jurupa Valley is drawing fire from city officials and builders who say it will stifle residential and commercial development -- a crucial source of revenue for cities.

The Jurupa Community Services District, which provides water and sewer service to Eastvale and much of Jurupa Valley, is proposing a new $3,557 per-unit water resource fee which would be charged to developers, said general manager Todd Corbin.

The district is also proposing increases to the existing fees developers and builders pay to connect their projects to the water and sewer system.

The proposed increases are set for a public hearing before the district's board of directors on Dec. 14.

The district is proposing to hike the water capacity charge from $7,260 to $8,445, a 16.5 percent increase. The sewer capacity charge would rise from $5,910 to $6,971, an estimated 18 percent increase. The charges are paid on each dwelling unit.

Capacity charges have not been increased in 10 years, Corbin said.

If the increased capacity charges and the new water resource fee are approved by the district's board of directors, the cost per unit to builders would rise from $13,170 to $18,983. That is an estimated 44 percent increase.

Corbin said the proposed water resource fee addresses an issue of fairness.

"The goal of this new fee is to fairly apportion the cost of water supplies and sewer service between existing customers and new development," Corbin said. "If we didn't do this, it's clear that existing customers would be subsidizing the cost of new development."

In a time of drought, it's not fair to ask existing customers to cut their water usage and then use the savings for new development, Corbin said.

Eastvale Mayor Ike Bootsma said he understands that charges need to be increased, but he called the proposed hikes "outrageous."

The Eastvale City Council has adopted a resolution formally declaring its opposition to the increases.

"These charges will curtail new business coming into Eastvale and that's a major source of our revenue," Bootsma said. "That revenue pays for public safety and other city services."

Bill Blankenship, chief executive officer of the Riverside County Building Industry Association, agreed.

"All the cities and municipalities in western Riverside county need development to mature," Blankenship said. "These are communities that need development and expansion or they won't generate the sales tax revenue they need to survive."

Blankenship said the association's board has not taken an official position but he stressed that "there is a high level of concern about the magnitude of these fees."

Corbin said the new water resource fee would pay for two major district projects: it would help underwrite the multimillion dollar cost of a recycled water system in Eastvale and to complete the Chino desalter treatment plant expansion.

The district also is planning to drill two new water wells. Each well costs about $5 million, which includes the cost of the land and to treat the water to remove nitrates and other contaminants.

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MURRIETA: Utilities unite to run plant

Rancho California, Elsinore Valley and Western form joint powers authority to take ownership of Santa Rosa reclamation facility.

BY MICHAEL J. WILLIAMS / STAFF WRITER, November 27, 2015

Households and businesses in Wildomar and Murrieta will not have to foot the bill for installing new, expensive sewage facilities as a result of an agreement forged recently among three utility districts.

Under the pact, the Rancho California Water District's water reclamation plant in Murrieta will be jointly owned by the three districts. As a result, it will continue to process sewage from Wildomar and Murrieta into the future.

That will alleviate the need for the Elsinore Valley and Western municipal water districts serving those communities to build new pipes, lift stations and processing plants.

For years, the two districts have rented capacity at Rancho California's Santa Rosa Water Reclamation Facility on Washington Avenue in southern Murrieta.

Rancho California primarily serves Temecula and southern Murrieta. Elsinore Valley has about 5,000 customers in Wildomar and northern Murrieta, while Western serves about 2,000 ratepayers in central Murrieta.

"It's really going to save ratepayers, especially in the financing," said Elsinore Valley board Director Andy Morris, who represents Wildomar and northern Murrieta. "It's just very expensive to build things."

He said that, with their lease agreements nearing expiration, Elsinore Valley and Western explored options for increasing capacity. Ultimately, they decided it would be cheaper to stick with Santa Rosa and unite with Rancho in owning it through a joint powers authority -- a coalition of government agencies.

"Forming this regional authority will allow our agencies to work more efficiently to keep rates lower for our customers as well as provide our customers with ... water services for years to come," Western Deputy General Manager Craig Miller said.

While Elsinore Valley has its own sewage plant in Lake Elsinore, it is mostly uphill from the district's southern part, so it's cheaper to move wastewater from there to Santa Rosa.

"We needed to decide whether we were going to keep working with Rancho, possibly go with Eastern, or take our flows back up to Elsinore," Morris said. "Those were the three options we explored and, in the end ... we decided working with everybody in a regional approach is the best thing. You get more economy of scale, basically, and keep the prices down."

The agreement eliminates the risk of the lease not being renewed.

"We knew at one point, all Rancho had to do was to send us a letter saying to get out," said Elsinore Valley Board President Phil Williams when the directors signed off on the deal earlier this month.

Morris said the authority will have more leverage than a single district in obtaining state and federal government funding for renovating the 26-year-old plant and paying off the remaining financing debt.

While Rancho California will continue to run the facility, each district will share in operational costs, the debt and its future overhaul.

Elsinore Valley and Rancho will each have the rights to 40 percent of the plant's capacity of 5 million gallons per day, while Western will own 20 percent.

A committee consisting of one representative from each district has been formed to oversee transition costs and details. The first meeting is scheduled for Dec. 11 at Rancho's headquarters.

"It's the beginning, not the end," Morris said.

Contact the writer: 951-368-9690 or michaelwilliams@pe.com

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California drought: October water savings dip below 25%

Sammy Roth, The Desert Sun, December 1, 2015

California cities slashed their water use just 22.2 percent in October, but they're still on pace to meet Gov. Jerry Brown's 25 percent conservation mandate over the long term.

It was the first month since June, when Brown's conservation order took effect, that Californians didn't hit their 25 percent target. They saved so much water from June through September, however, that they've now conserved 27.1 percent over five months of mandatory cutbacks, compared to the same months in 2013.

State officials blamed October's scorching temperatures for the relatively poor performance. California got more rain in October 2015 than in October 2013 — mostly along the coast — but it was also seven degrees warmer on average.

Felicia Marcus, chair of the State Water Resources Control Board, said she was glad savings weren't even lower than 22.2 percent. She had worried that predictions of El Niño-induced storms would lead Californians to take conservation less seriously.

"Pretty good news, considering it could have been a lot worse," Marcus said during Tuesday's water board meeting. "I was relieved, especially because it was hot. That indicated continued, conscious efforts on the part of Californians, that they haven't eased up."

Even if October hadn't been so hot, it was always going to be difficult for Californians to save as much water in the fall and winter as they did during the hot months. That's because water use is so much higher in the summer to begin with.

"It is going to get more difficult to continue a higher level of savings through the next few winter months, because it is that lower baseline," said Kathryn Landau, an environmental scientist with the water board. "We just don't have as much easy water that we can save. But it's hopeful that people are still putting a concerted effort into their savings."

The conservation picture isn't so rosy in the Coachella Valley.

In October, five of the valley's six water agencies failed to meet their individual conservation targets, which range as high as 36 percent because per-person consumption is so high in the desert. Only the City of Coachella achieved its goal.

Even more concerning: Over the first five months of mandatory conservation, none of the valley's water providers have hit their targets overall. Two local agencies — the Coachella Valley Water District and Indio — are so far from their targets that the state water board fined them $61,000 apiece last month, saying they hadn't shown a serious commitment to conservation.

Gov. Jerry Brown's conservation mandate calls for cumulative cutbacks between June and February. Here's a breakdown of how much the Coachella Valley's six water agencies and the state as a whole cut overall from June through October, compared to their targets.
Both water agencies are appealing their $61,000 penalties, as is Redlands, which was also fined. (Beverly Hills paid its $61,000 without protest.) State officials didn't announce any new enforcement actions Tuesday.

In the meantime, the Coachella Valley Water District — the valley's largest water provider — is trying to induce homes and businesses to save more.

Last month, the water district increased penalty fees for the homes and businesses that use the most water, and banned outdoor irrigation on Mondays and Thursdays from December through March. (The new penalty fees took effect Tuesday.) None of the valley's other agencies have raised rates for water wasters, although Indio will implement similar penalty fees in February.

At the same time, the Coachella Valley Water District has largely shied away from slapping customers with fines for violating water-waste rules, such as hosing down their driveways or letting sprinkler water run off onto the sidewalk. The same is true of the valley's other water providers. While the Myoma Dunes Mutual Water Company — the smallest local water agency — issued 55 fines between June and October, the other five water agencies levied just six penalties collectively, state data shows.

Brown's conservation mandate is currently scheduled to last through February, but the governor said in an executive order last month that it would be extended through October, barring a drought-ending miracle winter. State officials are considering changes to the mandate, which could include adjustments to water agencies' individualized targets.

Coachella Valley water managers have long argued that their cutback targets are too high, because state officials have declined to include snowbirds in local population figures. Local water agencies are sure to press that point once again.

"We've been actively discussing it over the last couple of months," Marcus told The Desert Sun last month. "Things have to be fair, and they have to be intelligible."

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CA drought: State expects 10% of full water deliveries

Sammy Roth, The Desert Sun December 1, 2015

With no end in sight to California's epic drought, the Coachella Valley shouldn't plan for more water from Northern California anytime soon.

State officials expect to deliver just 10 percent of full allotments through the State Water Project in 2016, the Department of Water Resources said Tuesday. The complex system of canals, pipelines and pumps — which carries water from California's relatively wet northern regions to its parched south — serves 29 water suppliers, including the Coachella Valley Water District and the Desert Water Agency.

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The Coachella Valley has been dealing with minuscule allocations from the State Water Project for several years. State officials have delivered just 20 percent of full allocations this year, following a 5-percent year in 2014.

Still, the new projections are "unfortunate news" for the desert, Coachella Valley Water District spokesperson Heather Engel said. The less water local agencies receive from the state, the less water they have to replenish the valley's shrinking groundwater aquifer.

"There's a disappointment from that side of it. But that's why we look at long-term planning, not short-term planning," Engel said. "We've gone through years of low, and then we have years of high, and then we have years of low. It's not something to panic over."

The Coachella Valley Water District and the Desert Water Agency helped pay for the construction of the State Water Project in the 1960s, but the project doesn't physically reach the valley. As a result, the two water providers trade their allotments to the Metropolitan Water District of Southern California for equivalent amounts of Colorado River water. That water flows into groundwater recharge ponds on the outskirts of Palm Springs and is used to recharge the aquifer.

The Coachella Valley requested 138,350 acre-feet of water from the state in 2016, but is projected to receive just 13,835. The Desert Water Agency requested 55,750 acre-feet, but is projected to receive just 5,575. An acre-foot is equal to about 326,000 gallons.

It's possible the Department of Water Resources will end up delivering more than 10 percent of allotments, as it did after initially projecting a 10-percent allocation for 2015. That will depend on how much rain and snow El Niño brings over the next few months.

Even a banner El Niño winter, though, almost certainly won't end the drought.

"No matter how hard it's raining, we need to remember to use water wisely and sparingly," Department of Water Resources Director Mark Cowin said in a statement. "Our historic drought has lasted for years and isn't going to quickly be washed away."

Date: Dec 2, 2015; Section: Front Page; Page: A1

Water saving misses target

Lower state conservation is blamed on October's higher temperatures.

JANET ZIMMERMAN

STAFF WRITER

Californians cut their water use by 22 percent in October – less than the governor's mandate but still significant considering the month's summerlike temperatures, state officials said Tuesday.

The October conservation numbers released by the State Water Resources Control Board represented the first time since mandatory savings began in June that conservation fell below Gov. Jerry Brown's order of 25 percent reductions.

But the cumulative total for the five-month period is 27.1 percent.

"I was relieved at the numbers. It's good we're still up there on the cumulative total," said Felicia Marcus, board chairwoman.

The state's water-saving rules expire in February. The board will vote early next year on whether to extend the regulations through next fall.

Of the 409 suppliers reporting in October, 58 missed their state targets by 5 to 15 percentage points and seven districts are more than 15 percentage points off their goals. State water board staff will review the numbers this week and decide whether to issue $500-a-day fines for noncompliance, said Cris Carrigan, director of the board's office of enforcement.

Last month, the cities of Redlands, Indio and Beverly Hills, and the Coachella Valley Water District were fined $61,000 each for repeated failure to meet their conservation goals, the first use of financial penalties.

Beverly Hills paid its fine and the others have appealed their fines to the board. Carrigan said he will hold settlement meetings with the other three suppliers in the coming month to discuss creative ways to put the penalties to use in their communities.

For example, the money could be used by a nonprofit group to create a wetlands habitat on a contaminated river. In the Coachella Valley, the fine might help buy more efficient swamp coolers for homes in the poorest sections of the district's service area, Carrigan said.

"The idea is to use this fine money for extraordinary conservation efforts, not to do what they're already required to do," such as hiring enforcement staff and giving rebates on water-efficient appliances, he said.

STILL BEHIND

Redlands cut 23 percent in October and has a cumulative savings of 25.3 percent, still well off its 36 percent target. City spokesman Carl Baker said the city won't discuss "matters of potential litigation" and declined to elaborate.

Chris Diggs, Redlands' utilities director, said the city is formulating a list of possible conservation measures to present to state staff at a Dec. 14 meeting. The city is expected to switch to tiered rates next year and has hired enforcement staff and reduced the number of days residents can water in an effort to reduce use, he said.

Indio's cut was nearly 20 percent in October, bringing its cumulative savings to 21.3 percent; its state target is 32 percent.

Coachella Valley Water District saved 27.7 percent in October and had a fivemonth total of 27.2 percent. The district's goal is 36 percent.

In the past five months, California residents have saved 913,851 acre-feet of water. That is 76 percent of the overall goal of saving 1.2 million acre-feet by February. One acre-foot is equal to 325,851 gallons, about enough water to supply two households for a year.

Statewide in October, residents used an average of 87 gallons per person, per day, down from 97 gallons in

September. October was an unusual month because it was seven degrees warmer than October 2013, the baseline period.

The governor ordered the reductions this spring as the drought approached its fifth year. To reach the 25 percent average, large water suppliers in the state had to cut 8 percent to 36 percent, depending on their past use.

EXTENDING

REGULATIONS

On Nov. 13, Brown issued an executive order giving the state water board authority to revise and extend the cutbacks through Oct. 31 if drought conditions persist through January.

While El Niño storms are expected to bring significant precipitation this winter, Marcus, the state water board chairwoman, says there's no way to predict their impact on the drought.

A public workshop will be held in Sacramento on Monday to gather input on a possible extension of the emergency conservation regulation and how to account for rain and snow this winter. The board is expected to vote on the updated regulations in late January or early February.

Water agency officials will have a chance to lobby for modifications to the regulation, such as allowances for higher Inland temperatures and credit for earlier conservation efforts, which they say were not considered when the emergency rules were quickly adopted earlier this year.

John Rossi, general manager at Western Municipal Water District in Riverside, said his agency has aggressively reduced deliveries and developed new water supplies since 2010.

Rossi, like other local suppliers, said he is worried that conservation has maxed out and further savings will be difficult to achieve. Western cut 28.2 percent between June and October; the district's state-mandated cut is 32 percent.

"I don't know how much lower it can go. We're going to reach some equilibrium," Rossi said.

He maintains that longterm conservation mandates should be an act of the Legislature, not a regulatory state agency.

CONTACT THE WRITER:

951-368-9586 or

jzimmerman@pe.com

Inland conservation

Water suppliers across the state have been ordered to cut as much as 36 percent from 2013 baseline levels during the fifth year of drought. Some agencies, including Redlands, have been fined $500 a day for missing their targets. Here's a look at how some Inland districts are doing:

Statewide water conservation

Though water savings dipped in October, the cumulative five-month total continued to meet the 25 percent statewide cutback ordered by Gov. Jerry Brown.

Continued drought

The state on Tuesday issued an early-season water delivery forecast of 10 percent for the State Water Project, which would be one of the lowest allocations in a decade.

The system supplies drinking water to 25 million people in California. The allocation could increase as winter progresses.

The Department of Water Resources delivered 20 percent of requested amounts in 2015 and 5 percent – the lowest ever – in 2014.

Water savings

In October, Californians saved 41.9 billion gallons of water, using 22 percent less than in the same month in 2014.

Supplier	State target	Cumulative savings (June 2015 to October)
Perris	24%	24.3%
Hemet	32%	24.9%
San Bernardino	28%	29.5%
Colton	20%	19.2%
Jurupa Comm. Services District	28%	25.7%
Riverside	28%	25%
Elsinore Valley MWD	28%	29.3%
Eastern MWD	28%	20.3%
Lake Hemet	28%	40.7%
Rialto	28%	21.7%
Rubidoux Comm. Services District	28%	23.1%
San Jacinto	32%	32.8%
East Valley Water District	28%	29.2%
Western MWD	32%	28.2%
Loma Linda	32%	23.7%
Beaumont/Cherry Valley	36%	26.7%
Yucaipa Valley Water District	36%	24.9%
Redlands	36%	25.3%
Rancho California Water District	36%	30.7%
Norco	36%	26.4%
Corona	28%	23.5%
Statewide average	25%	27.1%

STAFF GRAPHIC

Los Angeles Times

California water conservation lagged in October, but state is still on course

Matt Stevens, December 2, 2015

During the first four months of California's emergency drought rules, people in cities and towns across the state made conservation look easy.

From June to September, urban areas routinely exceeded Gov. Jerry Brown's call to reduce water use by 25% — sometimes by wide margins.

But during an unusually hot October, state regulators say, water savings hit a snag. For the first time, residents and businesses fell short of the statewide target, cutting their water consumption by 22.2% in October compared with the same month in 2013.

Water officials say they expect savings percentages to be lower during the colder, rainier months, when people typically use less water and there is less room to cut back.

Felicia Marcus, chairwoman of the State Water Resources Control Board, said she was "relieved" by the 22% effort in October. It showed that Californians "haven't eased up," she said at a board meeting Tuesday where the numbers were announced.

Because local water suppliers saved so much during the summer, the state's cumulative savings are 27.1%, officials said, still above the level ordered by Brown.

"That's the number that matters," Marcus said in a phone interview. "I'm going to be worried until the drought's over. I wake up worried. But there's a lot to be thankful for, and I'm appreciative of the efforts Californians are making every day."

To bring about a 25% cut in water consumption, the water board assigned conservation standards to each of the state's 411 urban suppliers this year.

Suppliers with a history of high per-capita water use were ordered to cut as much as 36% from 2013 totals. Suppliers with a history of lower consumption were told to cut as little as 8% or, in rare cases, even 4%.

Some have struggled mightily to meet their targets. Seven suppliers finished October more than 15 percentage points from their targets. Fifty-eight others missed their marks by 5 to 15 percentage points, water board officials said.

The board already has begun penalizing water suppliers for falling short of their mandates, fining Beverly Hills, Indio and Redlands and the Coachella Valley Water District $61,000 each. At Tuesday's meeting, water board staff said Beverly Hills had paid its penalty.

Meanwhile, other local water providers have been issued formal notices warning that they, too, could face fines if they fail to improve.

Overall, enforcement actions by the board declined in October, staff members said. For example, water suppliers handed out almost 4,000 fewer financial penalties to customers in October than they did in September.

They took a generally positive view of statewide conservation in October. The month's average temperature was about seven degrees hotter than in October 2013, water board staff members said. (The state uses 2013 data as the baseline for its water-use comparisons.)
Though the state's percentage of water saved was the smallest in five months, staffers noted that Californians had conserved 41.9 billion gallons of water in October 2015 — more than three times what they saved during the same month in 2014.

Officials also pointed to a statewide decrease in the average amount of water that residents used each day. In October, residents used 87 gallons per person per day, 10 fewer than they did in September.

The board will not impose any penalty because the state missed its target in a single month, Marcus said.
"Not bad, not bad at all," she said of Californians' conservation in October.

Mark Gold, associate vice chancellor for environment and sustainability at UCLA, was also unconcerned by the latest numbers.

"We had a brutally hot October so it isn't surprising that we didn't meet the 25% goal for the month," Gold said. "However, a 22% cutback during such a hot month demonstrated that urban water users are still doing their part to conserve."

With wet, cold weather expected this winter, managers of some districts that lag furthest behind have worried that they will be unable to boost their savings enough by February, when the current drought regulations expire.

Brown has issued an executive order extending the mandatory water cuts if the drought continues through January. Water officials have said that will almost certainly be the case.

In another indicator of the severity of the state's water shortage, officials with the Department of Water Resources said the State Water Project would limit deliveries again in 2016.

Twenty-nine public agencies contract for water from the project to help them serve Californians. But under Tuesday's initial allocation, the suppliers will receive only 10% of what they have requested. Officials said that allocation could increase depending on rain and snow amounts this winter.

The water agencies received only 5% of what they requested in 2014 and 20% this year.

But officials also gave Californians reason for hope, reporting Tuesday that the state's snowpack is more than double the level it was last year at this time.

Snow levels measured statewide showed that water content was 56% of the historical average for Dec. 1. One year earlier, the water content measured just 24% of average.

"It's certainly a better sign than there was last year," said David Rizzardo, chief of snow surveys for the water resources agency. "Anything is better than zero."

Times staff writer Veronica Rocha contributed to this report.

Los Angeles Times

Audit finds widespread mismanagement at Central Basin water district in L.A. County

Dan Weikel, December 4, 2015

Poor leadership, a lack of planning and widespread mismanagement have threatened the long-term financial health of the Central Basin Municipal Water District, which serves 2 million people in southeast Los Angeles County, according to a new state audit.

The report released Thursday by the California state auditor revealed that the district avoided competitive bidding for contracts, had six general managers in five years and spent thousands of dollars on potentially illegal gifts of public funds to support community events.

"They have had poor leadership on the board and instability at the top executive levels for many years. The role of the financial director has been unstable as well," said Margarita Fernandez, the state auditor's chief of public affairs. "This makes it difficult to put an effective structure in place to provide for the agency's financial viability."

The Central Basin Municipal Water District, which was established in 1952, serves 24 cities and six unincorporated areas throughout southeast Los Angeles County. It has a five-member board of directors elected by the public.

Troubled Central Basin Water District settles overbilling lawsuit

Auditors also found that the agency repeatedly failed to earn enough revenue to cover costs and that its board improperly set up a trust fund to pay for a project's environmental review without adequate public meetings or safeguards to ensure that expenditures of $2.75 million from the fund were appropriate.

According the state report, the district spent $500,000 to investigate those expenditures and to deal with a lawsuit filed by a board member who sought to recover for the agency some of the money transferred to the fund.

District officials said the audit provides valuable insights and that the agency is addressing the state's recommendations, some of which have already been implemented. The completed changes include developing a strategic plan, establishing an ethics policy and strengthening financial controls.

"We commend the state auditor for their high level of professionalism and for identifying areas where Central Basin can be a more effective agency," Kevin Hunt, the district's general manager, said in a prepared statement. "We also recognize that the state report identifies areas in which the district's actions over the last five years have impacted our credibility with the public we serve."

Despite problems uncovered by the audit, the district has maintained the same water rates for customers for the last four years, Central Basin spokesman Joseph Legaspi said. He added that the agency made up for revenue shortfalls by reducing legal and operating expenditures.

Although the audit states that district problems could increase its costs, it does not discuss any effect on water rates in the future.

Questions about the water district were first raised in 2013 when it became enmeshed in the federal investigation of State Sen. Ronald S. Calderon (D-Montebello). That year, the FBI issued several subpoenas to the agency for contracts, personnel records, purchase orders, voice mails and information related to how district officials accepted or rejected bids.

Calderon and his brother, former Assemblyman Tom Calderon, who was once an advisor to Central Basin, were later indicted on money laundering charges over alleged activities unrelated to the water district. They face a trial in federal court next year.

Prompted by news coverage about district problems, the Los Angeles County Board of Supervisors asked for a state audit last year. District officials later testified in favor of the review before the legislative audit committee, and the state inquiry began in March.

The audit found other serious financial irregularities, including failure to do long-term planning and studies to ensure that its rates were appropriate and provided enough revenue to cover costs.

"In fact, in planning its annual budgets, the district overestimated its revenues in four of the past five years and consequently its expenditures exceeded its revenues in three of those years," the report stated.

Auditors also found that twice in the last five years, the district did not meet requirements to maintain a large enough cushion of cash to guarantee that debt payments would be covered.

The agency never defaulted. But, the report states, its credit rating was downgraded in 2013 and 2015, raising the possibility that Central Basin will have to pay higher interest on future borrowings.

In other findings, auditors stated that the district lost its liability insurance in 2014 and 2015 because the board did not comply with insurance companies' requirements. The report notes that the agency now pays thousands of dollars more in premiums.

Auditors found that competitive bidding was not used in 13 of 20 contracts awarded from 2010 to 2015, preventing the district from getting the best value for its money. In 11 of the contracts, the agency did not justify why it failed to use competitive bidding.

The report cautioned that the district leaves itself open to allegations of favoritism and conflicts of interest. It further noted that a former general manager, Arthur J. Aguilar, was fined $30,000 by the state for attempting to steer work to a contractor that had given him almost $3,500 in gifts, an amount in excess of legal limits.

Because of disagreements on the board, the district's leadership failed to provide stability in the hiring of general managers, a key executive position that oversees the staff and day-to-day operations, the report said. Auditors noted that from 2010 to 2015, six different people were hired as general manager and the current one is contemplating retiring in 2017.

In addition, the state found that the agency gave $9,000 in fiscal year 2012-13 to outside organizations and for years it provided $3,000 annually to each of the five board members for community outreach.

According to the report, the money might be an illegal gift of public funds because it was given to activities unrelated to agency business, such as golf tournaments, religious organizations, high school sports programs, local pageants and car shows.

Besides the $3,000 annual payment, the audit noted that board members have been receiving the same health benefits and generous car allowances as full-time district employees though they work part-time.

The audit uncovered an additional $22,000 that was misappropriated to prepay the college tuition, registration and fees for a newly hired senior manager, who did not meet the education requirements for the job.

Under district policy, tuition cannot be paid until after all coursework is finished. The report stated that the manager was among four senior executives hired in violation of agency policy and requirements.
dan.weikel@latimes.com

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California in overdraft

DRY WELLS AND SINKING GROUND AS STATE STRUGGLES WITH GROUNDWATER CRISIS
Story by Ian James, December 10, 2015

PASO ROBLES, California – Two decades ago, the rolling hills of Paso Robles were mostly covered with golden grass and oak trees. Now the hills and valleys are blanketed with more than 32,000 acres of grapevines.

Surging demand for wine has brought an explosion of vineyards, and along with it heavy pumping of groundwater. With the water table dropping, many people have had to cope as their taps have sputtered and their wells have gone dry.

Drilling a new well can cost $30,000 or more, and for Juan Gavilanes and his family, that's out of reach. Instead, they're relying on a neighbor who lets them use his well, and they bring water to their house through a hose.

Standing in his parched yard, Gavilanes said life has changed radically. He let his vegetable garden die. His family uses a coin laundry. They take quick showers and eat on paper plates. He said it's quite clear where their water has gone and why their well is empty.

"The vineyards are killing us," said Gavilanes, a construction worker. "That's the problem, you know. They suck up all the water."

Groundwater levels have also been falling miles away, beneath the ranch of Kim Routh, who saw one of her wells dry up, and beneath the stables of Laurie Gage, whose horse-boarding farm relies on a well that can no longer pump as much anymore.

"I'm frightened, have been for a long time," Gage said, a hand resting on a steel corral. "I can point to three wells that have gone dry, and a fourth right down the road."

California's severe drought has multiplied the stresses on aquifers across the state, sending groundwater levels to record lows. But it's an issue that began long before the drought. For decades, through wet and dry periods, groundwater has been overpumped and progressively depleted.

The Central Valley alone is estimated to have lost more than 150 cubic kilometers of groundwater, roughly the amount of water in Lake Tahoe. Nearly two-thirds of that has been pumped out since 1960 as wells have proliferated. And the pace of depletion has been accelerating.

Even if El Niño brings a wet winter, it won't be enough to refill California's badly depleted aquifers. They've been drawn down so far that if pumping were suddenly cut back, the state would still need many years of above-normal rainfall and snows for a significant turnaround.

So much water has been pumped from the aquifer in the Central Valley that the underground spaces in layers of clay and rock have been collapsing, leaving the land surface permanently altered. Scientists have determined the ground is sinking faster than ever before, in some areas by up to 13 inches over just eight months. That settling has buckled the concrete lining of canals and damaged roads and bridges.

As the aquifers have receded, rural homeowners have been the first to run out. The state has tallied reports of more than 3,400 households out of water during the past two years, mostly with *dry* wells. Some of those homeowners have voiced resentment, blaming surrounding farmers with deeper wells for causing their predicament.

But along with the finger-pointing has come growing discussion about a fundamental imbalance: There are simply too many demands drawing on California's limited supply of water.

"We're running up against what I call 'peak water' limits," said Peter Gleick, president of the Pacific Institute, an organization based in Oakland that focuses on water issues. "There's no longer enough water to do everything that we want to do. We can no longer grow as much food as we're growing, as inefficiently as we're growing it. We can no longer ignore the fact that some of our agricultural practices are leading to problems."

When the communities' water sources suffer as a result, he said, "that's a problem of equity. It's a problem of power and politics. It's a problem of wealth."

Farmers have been spending heavily to drill new wells hundreds of feet down – even up to 2,000 feet deep in places – to reach water.
Property owners in California have long been entitled to draw as much water from their wells as they wish. In many areas, that lack of regulation has led to an unbridled free-for-all of pumping.

Trying to bring the situation under control, Gov. Jerry Brown last year signed theSustainable Groundwater Management Act, which puts local agencies in charge of managing groundwater and also gives the state new authority to step in when necessary to keep aquifers from falling further.

State officials have drawn up a list of 21 groundwater basins considered to be in "critical overdraft" and have laid out a timeline of requirements. By mid-2017, local "groundwater sustainability agencies" need to be formed. By 2020, basins that are in "critical overdraft" will be required to adopt 20-year plans for achieving sustainable management – defined as managing groundwater in ways that avoid problems such as chronic declines or saltwater intrusion.

Other high- or medium-priority groundwater basins will have until 2022 to have their groundwater plans in motion.

In the meantime, pumping has rolled along largely unchecked. Despite the drought, California farm revenues have risen to record highs in the past few years, pushing gross farming income to $56.9 billion in 2014. And it's been possible precisely because farmers have been leaning more than ever on the declining supply of groundwater.

"That gives them a short-term benefit, but the long-term consequences of that are going to be very severe, and we can't do that forever," Gleick said. "We have to ultimately think about how to bring the system back into balance."Ju
an Cuevas, 35,
In 1983, the Paso Robles area had a total of 17 wineries and about 5,000 acres of vineyards. By 1995, the number of wineries had grown to 29. Then the Central Coast suddenly became trendy as a winemaking region, and the number of wineries increased to more than 200.

That coincided with the expansion of the wine business across California, in places from Napa Valley and Sonoma County to Lodi and Temecula. The total number of licensed wineries in the state has grown from 944 in 1995 to 4,285 in 2014.

Winemakers and investors poured into Paso Robles partly for its climate – the sunny days, afternoon breezes from the Pacific Ocean, and cool nights. They planted many varieties: Cabernet Sauvignon, Merlot, Syrah, Zinfandel, as well as others such as Mourvèdre, Grenache and Petit Verdot. Some vineyards imported vines from France.

As the business took off, it brought wine-tasting tours and lifted the economy of a town where businesses had been boarded up. Then came the declines in groundwater levels.

On her horse farm, Gage said the water level in her well has fallen about 130 feet since she moved to the area 27 years ago. When she last checked, the water level was 220 feet underground. In the past seven years, it has dropped at least 70 feet.

Her well now runs intermittently. After about 15 minutes of use, the pump automatically shuts down, and it only restarts an hour later once enough water has seeped back into the well.

As she carried armfuls of hay to feed her horses, Gage explained how she's using water sparingly while trying to keep her mulberry and sycamore trees alive. Without changes to the status quo, she said, "more wells will be going dry."

In 2013, as dozens of homeowners' wells were failing, concerned residents formed a group called PRO Water Equity and began advocating for changes to protect the water supply. At first, they were sharply at odds with wine grape growers, and their disagreements fed distrust.

Reacting to the complaints of many dry wells, San Luis Obispo County supervisors passed an emergency ordinance in August 2013 that for a two-year period barred new or expanded vineyards in the Paso Robles basin unless the additional water use could be offset with reductions elsewhere.

Gage, who is vice president of PRO Water Equity, said the contentious atmosphere changed after county supervisor Frank Mecham offered an idea to her group and the opposing side, a group of growers known as the Paso Robles Agricultural Alliance for Groundwater Solutions. He suggested they get together to search for common ground, and after a series of meetings they struck a compromise: a proposal to create a new water district to manage the groundwater basin, with a board that would include representatives of large-, medium- and small-sized landowners, as well as members elected by all voters.

"I've come to a much different understanding and appreciation of those guys as people," Gage said. "There is at least a fairly large group of wine grape growers who have come to the realization that unless we do something smart with our water soon, they're going to be in a world of hurt in terms of their investment. They've got huge investments in these areas, just gigantic, and they will lose all of that if the water goes away."

Nearby at Pomar Junction Vineyard and Winery in Templeton, owner Dana Merrill said he agrees the area should have its own district to start managing groundwater.

"Right now there aren't any rules," Merrill said. "You've got to start before it's an emergency."

The water levels in his vineyard's wells have been dropping. But Merrill, a 7th generation farmer and Californian, said he believes someday the wine country of Paso Robles can be as valuable as the vineyards of Napa and Sonoma.

"What is the one thing that could derail that? Running out of water," he said. "To me, how can you take a chance on screwing this up?"
Driving to the top of a hill, he looked out over rows of his grapevines and other vineyards in the valley below.

"I think we should do something about it," he said. "I don't want to sit here and say, 'God, maybe I should have done something about that.' Yeah, doggone it. Maybe there was a problem, yeah."

The proposal to create the Paso Robles Basin Water District will go before voters in an election on March 8, with three separate votes on creating the district, establishing a special tax to fund it, and electing its board of directors.

The proposal is generating controversy. One group of vineyard owners and other residents called Protect Our Water Rights is opposing the creation of a water district. They've gone to court to pursue an adjudication of the basin, which they argue would lead to a better court-supervised solution.

Gage doesn't see that as a workable approach.

"There's a lot of people who are so tied up in their concept of property rights that they can't envision that anybody would ever say to them, 'Guess what? You need to cut back,'" Gage said. "And without some kind of community consensus, it's going to keep going the way it's going."

The county's Board of Supervisors, meanwhile, amended the land use ordinance in October to make permanent its restrictions, which bar new vineyards or other water-using development in the Paso Robles basin unless water use elsewhere can be retired in exchange.

If a vineyard intends to drill a new well, it needs to show it can conserve an equivalent amount of groundwater by taking out a more water-intensive crop or taking other steps.

"It's a way of saying look, we can't let people plant acre after acre, hundreds of acres of wine grapes, without doing something to offset that water use," said Bruce Gibson, one of the county supervisors who backed the change in a contentious 3-2 vote. "We have a serious problem with groundwater, and I think most people recognize this now. If we don't do something, we're going to hit the wall somewhere down the line."

The effects of drilling deeper go beyond higher pumping costs. In the Paso Robles area, the aquifer is made up of multiple layers of water and rocks, and at lower levels those layers can contain water tainted with high levels of boron, chlorides and other natural contaminants that can make it unfit for human consumption or use in agriculture unless it's treated.

The county measures affect only the Paso Robles groundwater basin. Just outside that area, near Atascadero, there are no restrictions and vineyards are still being planted. On a recent morning, workers moved along the rows on a hillside slipping plastic tubes over newly planted vines.

Kim Routh has also seen new vineyards spring up on the winding roads around her ranch. When a vineyard was established years ago directly across the road, one of her wells went dry within a month. She had used water from that well to fill a round basin and a watering trough for her cattle. Without that source, she said she decided to reduce the number of cattle she raises.

"This area was never meant to sustain this level of development," Routh said, standing near the empty basin in the dry grass. "One of the main problems I see is that people come into an area with a lot of money and they can afford to spend a lot of money to drill a well 1,000 feet deep."

"The large corporations come in and pump like crazy," she said. "And the people who live in the area can't afford to go that deep."

Her ranch is located in an unincorporated area where the county's measures don't apply, and she said winemaking companies have been buying up land all around to take advantage of the lack of regulation. Routh has been appalled to see that even as people have been struggling with dry wells, new vineyards have been planted.

"Money has taken over and crushed all common sense," she said.

Standing beneath an old windmill, Routh said she sees a real threat of completely running out of water.

"Sad. There used to be so much water here. It literally shot out of that well head," she said, looking up at the windmill, which was squeaking as the blades slowly turned.

"A lot of people don't want to talk about it because they don't want to upset their neighbors," Routh said. "I used to try to keep my head in the sand, but I can't anymore because it's just crashing in on us."

Water is pumped from a well and flows into a standpipe to irrigate a field of corn in the Central Valley of California. Much of the corn is grown for cattle feed. As deliveries of surface water have diminished, farmers have been relying heavily on their wells and declines in groundwater levels have been accelerating.

A valley's descent
Highway 99 cuts through the heart of the San Joaquin Valley, passing fields of bare earth where dust devils whirl beneath the cloudless sky.

The alluvial soil spreads out as flat as a lake and meets patches of green that stretch into the distance and fade in the hazy air. In the 1800s, there was a giant lake here, Tulare Lake, which was fringed with marshes. But its waters were diverted to farms more than a century ago, and the lakebed was transformed into fields.

Along the road, farms roll past in a blur: fields of cotton, orange groves, dairies, grapevines, and orchards of nectarines, peaches, walnuts, pistachios and almonds. Among them are pipes that gush water into standpipes.

This portion of the Central Valley south of the Sacramento-San Joaquin River Delta lies at the epicenter of the state's problems of groundwater depletion. Tulare County has led the state with, at last count, about 1,900 dry wells in less than two years.

One of those wells stopped flowing at the home of farmworkers Enrique Olivera and Yolanda Galvan, in a neighborhood flanked by walnut orchards near Visalia. For the first few months, neighbors let them use water through a hose from their well. Then they signed up to receive a water tank, and regular water deliveries by tanker truck, through a program supported by the state and the county.

As workers connected the new tank to their household pipes, Galvan said she is grateful to have the tank because her family can't afford to drill another well. But she also expressed aggravation that she's been struggling to keep her fruit trees alive while across the street a farmer's well pours out a steady stream into the mouth of a large standpipe day and night.

"The farmers are using much more water than residents like us," Galvan said, sitting on her porch while her 3-year-old son pedaled his tricycle in circles.

"They're stealing water from us, because they're using too much water. They should change their irrigation systems. Because the field here in front of us, they turn on the water and they let the water run," Galvan said. "They're using a lot in order to get rich, and they're leaving us without water."

Farmers in Tulare County deny those accusations, saying they've had surface water taken away from them by court rulings and the decisions of government officials who have curtailed water deliveries from the Sacramento-San Joaquin River Delta to protect the endangered delta smelt and other fish.

Farmer Mike Faria called it a "government-induced drought" on top of the natural drought. He said that while the declines in groundwater are worrying, farmers' hands are tied because of the reductions in flows through canals.

"Everybody is using groundwater. That's how we sustain ourselves through a dry time where there is no surface water," said Faria, whose family runs a 3,500-acre farm and five dairies in Tipton. "We're all pumping from the same bowl. We all got straws in the ground."

Previously the Farias could count on surface water to meet a portion of their needs, but those flows have disappeared. And Faria said it's been a struggle to adapt. Several wells have failed, and they've invested in deeper wells. Still, they have less water to work with.

"We had to sacrifice some land in order to take care of the rest of it," Faria said, standing on a fallow field covered with dry stubble left behind from the last crop.

His father Danny Faria, Sr., looked out across the parched field and kicked a weed with his boot, dislodging it and sending dust swirling. He said they aren't farming about 13 percent of their land because they don't have the water for it this year.

"The only way to recharge the water is the surface water," the elder Faria said.

"We need more surface water, more dams to hold water in wet years," he said. "If you don't have surface water, you use groundwater."
He said he deeply disagrees with the state government's approach. And if he could pick up and leave California for somewhere else, he would.

As for regulating groundwater, he said: "I can't stand the idea, but I know it's coming."

Nearby in the community of East Porterville, the front yards of farmworkers' homes are filled with brown grass and withered shrubs. The city of Porterville's deep wells have kept flowing, but in this unincorporated area just outside city limits, the water table has fallen below the reach of shallow wells and entire blocks have been left without running water. Tanks have been installed in front of many homes.

Some people in East Porterville now make regular trips to a community water station, where they unravel hoses to fill up their tanks and barrels on the beds of pickup trucks and trailers.

Diego Bedolla, a 15-year-old who was helping his father fill two plastic barrels, said their well is running low and the water comes out with sand in it. When they get the barrels home, they carry the water inside with buckets to use for washing dishes, washing clothes and bathing.
"It's a lot of work," he said. "The buckets aren't that heavy, but it gets tiring when you do it for a while."

In the past, water from the Lake Success reservoir would normally flow down through the Tule River and recharge the aquifer around East Porterville. The drought has driven the reservoir's levels to record lows. Some water has continued to flow out of Lake Success, but it's diverted through concrete-lined ditches to farms that hold senior water rights. Nothing has been left to flow downstream alongside East Porterville. The riverbed sits bone dry, and that has eliminated a source of recharge for the aquifer.

At a church parking lot in East Porterville, the county government has set up an emergency drought center with a trailer where residents can take showers.

A local charity, the Porterville Area Coordinating Council, has organized events to hand out donated bottled water. At times, residents have lined up bumper-to-bumper in cars and trucks beside an old lemon packing house to receive cases of drinking water.

The volunteers doling out water include Ron and Cheryl Perine, whose well stopped working last year in a neighborhood where the biggest water users are fruit and nut orchards.

Ron hauled tanks of water on a trailer for months, and for a time was lugging buckets around the house before they took out loans to drill a deeper well.

"We'll be the rest of our life paying for the well – $600 a month," Ron said. The payments are stretching a family income consisting of Social Security payments and his disability benefits as a Vietnam veteran.

"I know a lot of people who don't think it's a crisis like a hurricane or volcanoes or earthquakes," Ron said, "but if you're in it like this, it is. It's a crisis."

The Perines' new well is 300 feet deep. But Cheryl said they still worry about what would happen if the water table keeps dropping.
"It's just unsure what's going to happen and how long it's going to last. Because if we have to drill another well, we're done," she said.

"It's in God's hands, because financially we can't afford to do it again."

A worker carries a box of peaches

Drilling deeper

On highways cutting through farmland, large signs appear: "No Water = No Jobs" and "Help! Solve the Water Crisis."

The signs reflect the political fights over surface water from the Sacramento-San Joaquin Delta that have roiled California politics for decades. And those fights have intensified as the drought has persisted.

"There's a lot of water that's going through the bay that should be coming down here," said Bill Gargan, president of the well-drilling business Kaweah Pump Inc.

"These farmers, our customers, they don't want to deplete the groundwater. That's their lifeblood," Gargan said, standing next to a drilling rig as it bored a new 400-foot-deep well.

"They wouldn't be turning these pumps on, and having it cost them so much money to run these pumps, if they had surface water to where they could use a smaller pump with less power," he said.

Farmers around Visalia have been spending $160,000 to $180,000 for new wells, Gargan said, while deeper wells in the western portion of the valley can run $300,000 to $500,000.

"We're getting probably like 30 calls a day," Gargan said. "The waiting list for a well right now is about a year and three months."
The demand is so strong that some drillers have moved to California from other states. Drilling rigs have been humming day and night, boring holes deeper than ever before.

In parts of the San Joaquin Valley, groundwater levels have fallen more than 100 feet below their previous record lows.

The state's list of areas in "critical overdraft" also includes places across California ranging from Merced to Oxnard, and from Paso Robles to the desert of the Borrego Valley in eastern San Diego County.

Water levels in wells have fallen by more than 100 feet since 1995 in parts of Fresno, Kern, Los Angeles, Riverside and San Bernardino counties, according to U.S. Geological Survey data.

Major declines have occurred not only in California but also in places across the western United States. Researchers at the University of California, Irvine, and NASA found in one study that groundwater has been rapidly depleted in the Colorado River basin, accounting for three-fourths of the region's total losses of freshwater – which also included losses from rivers and reservoirs – between 2004 and 2013.

They estimated that 50.1 cubic kilometers of groundwater was depleted from the basin during that period, far surpassing the amount of surface water losses from Lake Powell and Lake Mead.

Groundwater and surface water are connected. During dry seasons, flows emerging from aquifers sustain many streams and rivers. Groundwater also reaches the surface in natural springs. When aquifers decline, flows in streams can decrease. Springs can dwindle and dry up, as they have in parts of the desert in Southern California.

Last winter California had the smallest snowpack ever recorded in the Sierra Nevada. Long-term decreases in snowpack due to global warming pose threats to a water system that was designed for a different climate. And if combined with serious depletion of groundwater, both of those changes could make the state's water situation even more precarious.

But if groundwater can be managed better and levels are allowed to recover, scientists have said it would provide an important reserve for dry times and make California more water-secure as the climate warms.

The Union of Concerned Scientists has advocated what it calls a "big water supply shift" in California to focus on making groundwater supplies sustainable.

"It will be critical to achieve a better balance by refilling our groundwater account during wet periods for use during dry periods," the nonprofit group said in a report. It said that will involve redesigning systems to better capture water from storms and building infrastructure to replenish aquifers.

The group also called for better measurement and monitoring, saying that's vital to managing groundwater.

The problem for California is that the water deficit has grown so large.

NASA and UC Irvine researchers have estimated using satellite data that the Sacramento and San Joaquin River basins have lost 15 cubic kilometers of freshwater each year of the drought since 2011, with about two-thirds of those losses due to groundwater pumping.

The state would need multiple wet winters and at least 12 trillion gallons of additional water in its reservoirs, snowpack and aquifers to emerge from the drought, said Jay Famiglietti, a UC Irvine hydrologist and senior water scientist at NASA's Jet Propulsion Laboratory. Even then, depleted aquifers would take much longer to recover.

And one of the moral problems, he said, is that it's perfectly legal for those who can afford it to keep drilling deeper, while others are left dry.

"What that means is that only the wealthier individuals and the bigger farms will be able to survive with respect to groundwater, and that's unfair," he said. "It's become this true tragedy of the commons and a race to the bottom of the Central Valley."

Sinking ground

Back in 1977, U.S. Geological Survey scientist Joseph F. Poland posed next to a telephone pole in the San Joaquin Valley for a photo to illustrate the findings of his research. That image has since become famous. Near the top of the pole was a sign marking where the surface of the ground sat in 1925, about 30 feet higher.

Since then, a series of canals was built to bring water to the area, and the sinking of the ground slowed. But it has continued elsewhere, and has accelerated in other parts of the San Joaquin Valley during the past few years.

It's also a problem in places across the country and around the world where groundwater is excessively pumped from aquifers that are made up of fine-grained alluvial sediments and clay. Well-known cases of sinking ground, or land subsidence, have also occurred in Mexico City, Bangkok, the Houston-Galveston area and the Las Vegas Valley.

Across the United States, scientists have found subsidence is occurring in portions of 45 states covering more than 17,000 square miles. In some places where the ground has settled, buildings and pipes have been cracked and damaged, roads have buckled, the steel casings of wells have pushed out of the ground, and canals and bridges have been left needing costly repairs.

In parts of the Coachella Valley in Southern California, the ground sank by between nine inches and 2 feet from 1995 to 2010. In the 1990s, cracks began showing up in homes, swimming pools and roads in some areas of La Quinta. In recent years, there have been fewer reports of damage in that area, apparently because the Coachella Valley Water District has been using water from the Colorado River to help replenish the aquifer nearby.

The most rapid subsidence in the state has been occurring in the San Joaquin Valley, where USGS hydrologists Claudia Faunt and Michelle Sneed have been tracking the problem. They've been using satellite images, measurements of groundwater levels and also a network of devices called extensometers to quantify the compaction of the aquifer.

"In the last month, it's shown about a half an inch of compaction at this location," Sneed said after examining an extensometer in a shed next to the Delta-Mendota Canal. "It is cranking. It's like changing every minute."

She rolled out a large measuring tape to check the depth of an adjacent well, while Faunt jotted the measurements. Then they found a spot along the canal where the concrete lining was cracked and jutting upward.
"This has been a problematic area for subsidence," Sneed said. In areas where canals sink, it can reduce or disrupt the flow of water. The long-term costs of fixing such problems haven't been comprehensively tallied, but they're substantial.

Sneed stopped at a bridge crossing another canal. At first glance, the bridge appeared normal. Then she pointed out that the water has risen higher than the base of the bridge. Off to the side of the bridge, water was seeping out and formed a muddy strip along the road.
"As subsidence has occurred, the bridge has come down," she said. "The water surface is higher than the bridge and this bridge has to be replaced."

As groundwater has been pumped out, "lenses" of clay have compacted and rearranged themselves, Faunt explained, so that they become flat "like a stack of dinner plates."Faunt explained how it's happening, starting with the geology of the Central Valley's aquifer system. The valley's alluvial soil began as sand, gravel and clay that washed down from the Sierra Nevada and the coastal ranges. Think of a bathtub filled with layers of sand, rocks and clay, and water that has flowed down from the mountains and seeped in over tens of thousands of years.

When that occurs, as it has across the Central Valley, the aquifer becomes compacted and its water-storing capacity is permanently reduced.

"If you think of where we are now, the land surface used to be about 4 feet over my head," Faunt said. "The land has subsided about 10 feet here."

The ground level has followed the aquifer's levels, which in some areas have fallen a total of 300-400 feet, Faunt said. The most severe sinking has recently occurred near the town of El Nido, and farmers have been drilling wells as deep as 2,000 feet to reach the receding water.

Faunt and other researchers have estimated the rate of depletion from the Central Valley at about 1.85 cubic kilometers per year on average since 1960. Each year, that's a loss of enough water to fill about 740,000 Olympic-size swimming pools. During the latest four-year drought, though, they've calculated groundwater is being depleted much faster, at about twice that rate.

While farms have become more water-efficient over the years, there also has been rapid growth in the planting of higher-value crops such as fruit and nut orchards and vineyards. Those permanent crops have the effect of making the demand for water less flexible in the long-run because they require year-round irrigation and unlike other crops cannot be left fallow in dry times.

"To reverse the trend I think is going to take a lot of things. The simple answer is we need to reduce groundwater pumping," Faunt said. "We need to basically balance that bank account."

Moving in that direction can be achieved by either reducing the amount of overdraft or recharging aquifers with flows of surface water.
"We really need to think about what we're doing in between droughts and how to manage the water and get water into the ground between the droughts," Faunt said.

In each area of the state, a different set of remedies could help depending on the severity of the overdraft, the symptoms and the availability of other water sources. If the state's Sustainable Groundwater Management Act works as intended, it could be a historic opportunity for communities with badly depleted aquifers to come up with their own solutions.

"It puts it squarely on the locals to get it done, or the big bad state will step in and do it for them, but it also gave them tools," said Felicia Marcus, chair of the State Water Resources Control Board. "Your goal is to give the locals the political will to do it themselves."

The proposal in Paso Robles to create a new agency to manage groundwater will be closely watched across the state, and supporters say it could be a model for how an area can find compromises to address severe depletion.

Gleick, of the Pacific Institute, said he thinks the timetable of allowing agencies until 2040 to achieve plans for sustainable management is much too slow. He has recommended speeding up the pace, including moving more quickly to improve measurement and monitoring.

"We need to know how much water is actually being withdrawn and who's taking it," Gleick said. "As long as we're not measuring and monitoring all groundwater uses, those people who can afford to drill deeper wells, those people who can afford to pump more, will benefit from that lack of control."

And as pumping costs continue to escalate, some farmers could eventually be forced to reduce irrigation or stop pumping altogether, the same way they've shut off their wells in parts of Texas and Kansas that rely on the Ogallala Aquifer.

The answer for California, Gleick said, can no longer simply be "find more surface water." The reason, he said, is that water from streams and rivers is already heavily used, and taking more would seriously harm ecosystems.

"We might be able to squeeze a little more water out of the surface systems that we've built in California, but that's not the long-run answer," Gleick said. "The truth is in many parts of California we're already taking too much water out of our surface systems."

In the big picture, Gleick said he recommends three solutions for dealing with groundwater overdraft:

1). Figuring out how to manage surface water better in order to prevent overdraft and boost groundwater levels. That includes capturing more runoff during intense storms to recharge aquifers.
2). Finding ways to use groundwater more efficiently and grow more food with less water. That includes improving irrigation systems, changing the mix of crops and growing less water-intensive crops.

3). Cutting back on pumping where it's necessary. In some places, he said, people are simply taking too much out of the system and "the only way to bring it back into balance is to reduce what we're doing."

He said those recommendations apply not only to California but to more and more parts of the world where groundwater overdraft is worsening and ultimately is unsustainable.

This increasingly serious problem, he said, has been long underappreciated and neglected, but it can no longer be ignored.

USA TODAY Investigative Reporter Steve Reilly contributed to this report.

This special report was produced with a grant from the Pulitzer Center on Crisis Reporting.

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A GANNETT COMPANY

Agua Caliente plans 350-room hotel, casino expansion

Skip Descant, December 14, 2015

The Agua Caliente Band of Cahuilla Indians is exploring the environmental impact of building a new hotel with up to 350 rooms on its Palm Springs property, along with an expansion of the Spa Resort Casino and new retail, spa and parking options for downtown.

The tribe has been working on plans for a more than 20-acre site in the area around the Spa Resort Casino and the former Spa Resort hotel since the 229-room, 1960s-era building was demolished several months ago.

The announcement Monday offers the first glimpse of what the Agua Caliente tribe has planned for the area.

"Over the past year, we have been working on developing a master plan for this site. This environmental study is the next step in determining what is possible for our downtown location," Tribal Chairman Jeff L. Grubbe said in a statement.

"This part of the process allows us to share with the public, in very broad strokes, the ideas we are considering. It does not mean that we have a project clearly identified at this time, but only that we are considering the overall impact of a concept that may include a new hotel, retail and meeting space, and a potential casino expansion. We have made no concrete decisions," Grubbe said, adding the tribe wants a unique project in Palm Springs.

The tribe's report will study the potential environmental impacts of the Vision Agua Caliente Master Plan, which would allow for the expansion of the Spa Resort Casino by up to 68,000 square feet and the development of up to 350 new hotel rooms in 510,000 square feet of hotel space. The plan also includes up to 60,000 square feet of meeting space, up to 50,000 square feet of retail commercial space, up to 40,000 square feet of space for a spa/fitness center, and about 650 parking spaces.

A draft is expected to be released early next spring, said Kate Anderson, director of public relations for the Agua Caliente Band of Cahuilla Indians. The draft will show general locations for land-uses like hotel, retail, parking and another areas.

Up until this point, tribal officials have remained mum on the scope and scale of Agua Caliente's redevelopment plans. The future of a significant section of downtown just on the other side of Indian Canyon Drive has often been a topic of discussion among city officials as Palm Springs is well on its way of redeveloping the site of the former Desert Fashion Plaza. Just last week the Palm Springs Planning Commission debated the idea of limiting the number of hotel rooms in that downtown area to 300, in part, out of concerns that too many rooms could flood the market.

"We don't know about the tribe. We don't know what they're doing. They may be putting out 500 hotel rooms," remarked commission chair Philip Klatchko, then.

The site is bounded by Amado Road, Calle El Segundo, Tahquitz Canyon Way and Indian Canyon Drive. It includes the existing Spa Resort Casino, located north of Andreas Road between Calle El Segundo and Calle Encilia, surface parking lots, vacant land, and a U.S. post office on the corner of Amado Road and Calle Encilia.

Earlier this month, the tribe announced plans to begin the environmental review process to build a four-story, 850-car garage on an existing surface lot on the north side of its Spa Resort Casino.

As part of the review, the tribe will collect comments and recommendations from Dec. 16 until Jan. 15, 2016, regarding the scope and content of the Environmental Impact Report, which is anticipated to be released for public review in early 2016.

"The draft EIR will be released in the spring, and that document would include a land-use plan showing general locations for the uses being analyzed in the Draft EIR," said Anderson.

If you want to comment

Responses to the environmental report on the tribe's plans should be submitted to:

Margaret Park, AICP
Director of Planning & Natural Resources
Agua Caliente Band of Cahuilla Indians
5401 Dinah Shore Drive
Palm Springs, CA 92264
mpark@aguacaliente-nsn.gov

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Water districts urge California to change drought rules

Ian James, *December 18, 2015*

The Coachella Valley's water districts have been falling short of the state's water conservation targets for months, and they're pressing for changes to what they call a "one-size-fits-all" approach to the state's mandatory drought regulations.

Managers of the area's water districts submitted letters this month urging the State Water Resources Control Board to modify the drought mandates and make adjustments to account for the desert's hot climate, large homes and seasonal "snowbird" population.

State officials are considering input from water districts across California as they prepare to issue new drought rules, which will take the place of emergency regulationsthat are set to expire in February.

Jim Barrett, general manager of the Coachella Valley Water District, said in a letter that the agency is committed to reducing water use but is asking the State Water Board to "consider adjusting the regulations in a way that creates equity among the regions."

Barrett reiterated issues that the Coachella Valley's water districts have been raising for much of this year: that the large seasonal population of renters and people with second homes isn't counted in census figures; that the area's large lots require more water; and that the population has been growing. He pointed out that over the last 10 years, CVWD has reduced its water consumption by about 39 percent, even as its customer base has grown by 9,250 new water connections.

Barrett encouraged the state to consider reducing CVWD's conservation goal to 25 percent less than 2013 levels, in line with the statewide goal. CVWD has traditionally had relatively high per-capita water use – among the highest in the state – and it's among a group of agencies that the state has targeted for the biggest reductions of 36 percent.

In October, CVWD and Indio were fined $61,000 apiece by the state for failing to meet their 36 percent conservation targets.

The Desert Water Agency has also been pushing back. DWA General Manager David Luker said in a letter to State Water Board Chair Felicia Marcus that her board should consider making adjustments to account for seasonal swings in the population, economic growth and also the fact that the desert in the Coachella Valley is one of the hottest places in the world.

"A one-size-fits-all approach is not the best way to regulate water consumption in a state as economically and geographically diverse as California," Luker wrote.

The State Water Board adopted the emergency regulations in response to anexecutive order by Gov. Jerry Brown in April mandating a statewide 25-percent cut in urban water use. Luker said the urgency of adopting those regulations "necessitated a blanket approach that is not realistically sustainable for all."

He pointed out that 2010 U.S. Census lists a population of about 62,000 for DWA's area, while the agency in fact supplied water to more than 100,000 residential customers in 2010, if the seasonal population and vacation renters are included.

Desert Water Agency, like others in Southern California, has also reduced water use significantly in the past decade, and would like the state to consider those past reductions rather than simply using 2013 as a base year.

The regulations have also brought financial strains for the agency, Luker said. He said DWA is facing a projected $8.2 million revenue shortfall – a 29 percent reduction – due to reduced water sales as a result of conservation during the fiscal year that ends in June.

Marcus and other members of the State Water Board have appeared receptive to some of the water districts' proposals for adjustments to the drought mandates. Duringa recent conference of the Association of California Water Agencies in Indian Wells, Marcus said she would like to "take a shot at fixing it as much as we can, so that it's intelligible, it's more fair, people feel heard."

George Kostyrko, a spokesperson for the State Water Board, said the board's staff will release a draft proposal for new regulations early next week. Those regulations would be in place for another nine-month period starting in February.

The state board will accept public comments on its draft for two weeks and issue a formal proposal in January, Kostyrko said.

In November, the Coachella Valley's water districts continued to fall short of the state-imposed targets for reductions in water use. CVWD customers reduced water use by 22.3 percent in November as compared to the same month in 2013. DWA customers cut back 28 percent. Both of those water districts have been given 36-percent reduction goals.

People cut back 21 percent on water use in Indio, again missing their goal of 32 percent. In Coachella, the November reduction of 18 percent fell short of a 24-percent target. And while Myoma Dunes Water Company is tasked with cutting back 36 percent, the reduction in November was 27.5 percent.

The Mission Springs Water District, which was ordered to decrease water use by 28 percent, saw a 4-percent increase last month – the first time water use has risen, as compared to 2013, for any Coachella Valley water agency since the conservation mandate was imposed. John Soulliere, the water district's administrative officer, said it's important to note that with an average of 109 gallons per capita per day, "we are talking about a slim margin between a livable amount of water and water poverty for a person in our region."

Soulliere pointed out that Mission Springs, which serves Desert Hot Springs, has been starting new conservation programs and spending more on them.

He said the water district's most aggressive and difficult push will occur on Monday, when the board plans to take the first step toward raising rates in response to the revenue losses that have resulted from conservation and the costs of complying with the new regulations. The board will consider initiating the process of raising rates under Proposition 218, which requires that agencies set fees based on the costs of service.

In his letter to the State Water Board, Mission Springs General Manager Arden Wallum emphasized that Desert Hot Springs is the city with the lowest median income in Riverside County. He said the water district "believes that the current drought mandate is regressive, even oppressive, to certain communities and must be changed."

The water district achieved a 35 percent reduction in water use between 2005 and 2014, and Wallum said asking for 28 percent on top of that is unreasonable and unachievable. He urged the state to modify what he called a "discriminatory" approach.

Ian James can be reached by email at ian.james@desertsun.com and on Twitter: @TDSIanJames.

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CA drought: State likely to ease conservation mandate

Sammy Roth, *December 21, 2015*

State officials proposed a series of changesMonday to Gov. Jerry Brown's drought mandate, which has required California cities to cut water use as much as 36 percent or face hefty fines. The changes would make life a little easier for the Coachella Valley, which has thus far failed to meet its water-saving goals. But the proposal wouldn't give local water managers everything they've asked for.

Monday's proposal from the State Water Resources Control Board would lower the Coachella Valley's targets by 4 percentage points for each water agency, said Max Gomberg, a senior environmental scientist at the water board. The valley's largest water providers — the Coachella Valley Water District and the Desert Water Agency — would see their targets drop from 36 percent to 32 percent.

Statewide, the changes would lower California's overall goal from 25 percent to about 22 percent, Gomberg said. The water board could keep dropping the targets if El Niño provides serious drought relief this winter — but that's still far from a guarantee.

"We've had four years of extreme drought, which precipitated the need for the emergency regulation to begin with. And the drought's not over," Gomberg said.

Across the state, water managers have clamored for changes to California's first-ever mandatory conservation targets, which Brown instituted in June. In the Coachella Valley, water officials have called the local targets unfair, saying they don't take into account the region's scorching temperatures, its economic growth and its seasonal influx of "snowbirds" from the Pacific Northwest and Canada.

The state water board agreed to take some of those frustrations into account. The board's proposal would ease targets for the state's hottest regions, where large amounts of water evaporate over the summer, by two to four percentage points. Water providers would be able to request lower targets based on the population growth they've experienced since 2013, the baseline year for the cutbacks.

But the proposal wouldn't create any slack for areas with large seasonal and tourist populations. And it would cap the downward adjustment for any water agency at four percentage points, even if that agency would otherwise qualify for a larger adjustment.

"Given that the drought is still going on, we feel like it's the appropriate level of caution not to throw open the doors to serious reductions in what the conservation levels are," Gomberg said. "So we're making some adjustments, because we're responsive to those equity issues that have been raised. But overall, we're still in a drought emergency, and we need high levels of conservation."

Overall, California cities have exceeded Brown's statewide 25 percent goal, cutting back 27 percent from June through October. But the Coachella Valley's six water agencies haven't met their targets, and most of them aren't close. State officials fined Indio and the Coachella Valley Water District $61,000 apiece in October, saying they had failed to show a serious commitment to conservation. Those agencies could face fines of $10,000 per day if they don't improve their performance.

Even if the Coachella Valley's water-saving targets went down by 4 percent across the board, only one valley water agency — the City of Coachella — would be in compliance, based on the most recent data.

Water savings so far

Gov. Jerry Brown's conservation mandate calls for cumulative cutbacks between June and February. Here's a breakdown of how much the Coachella Valley's six water agencies and the state as a whole cut overall from June through October, compared to their targets.
Coachella Valley Water District general manager Jim Barrett criticized Monday's proposal, calling it "a decent starting point, but still far away from a fair, intelligible, explainable and quantifiable outcome that we all hope to accomplish."

Barrett said the district is "especially disappointed" the proposal doesn't include changes for places with high seasonal populations. The water board sets conservation goals based on an area's per-person water use, with bigger users getting bigger targets. Desert water officials have long argued that the water board is under-estimating the region's population, leading to artificially high targets.

"CVWD has worked hard to promote water conservation among seasonal customers and doesn't believe they should be given any special treatment. We just want them counted in the population," Barrett said in a statement.

Gomberg, the water board scientist, countered that it wouldn't make sense to include the Coachella Valley's part-time residents in the region's population totals. The water board has calculated individual conservation targets, he said, based on per-person consumption over the summer, when water use is highest. The Coachella Valley's "snowbirds" don't show up until the summer heat dies down.

"The reason we set this up the way we did was to focus it on the greatest opportunity for savings, which was in the summer," Gomberg said.

Under the proposal from water board staff, areas with summer evapotranspiration rates at least 20 percent above the state average would get a reduction of 4 percentage points. Areas with summer ET rates between 10 and 20 percent above average would get 3 percentage points, and areas with rates between 5 and 10 percent above average would get 2 percentage points.

The proposal would also adjust targets based on population growth since 2013, through a complicated formula involving new homes, new businesses and new residential landscaped area.

In a victory for San Diego County, the proposed changes would give a four-percentage-point credit to water agencies that add "drought resilient water supplies," including desalination plants. The San Diego County Water Authority has lobbied state officials to give its member agencies credit for the new seawater desal plant in Carlsbad, the largest such facility in the Western Hemisphere.

If approved by the five-member water board, the updated conservation requirements would take effect in February, when Brown's original order expires. The rules would continue through October, assuming the state's historic drought doesn't come to a sudden an unexpected end. Even if El Niño brings heavy snowfall to the Sierra Nevada mountains — they key to replenishing the state's surface water supplies — it's unlikely to erase completely the severe water deficit created over the last few years.

Public comments on the proposed changes to the conservation mandate are due Jan. 6, and should be emailed to Kathy.Frevert@waterboards.ca.gov with the subject line, "Comments on Proposed Regulatory Framework."

Date: Dec 22, 2015; Section: Local Extra - Southwest; Page: B1

State may ease its drought limits

Water providers in warmer areas and those with population growth may get a break.

By DAVID DANELSKI

STAFF WRITER

Recognizing that Californians living in hotter parts of the state use more water, regulators may ease the cutback targets it imposed on Inland water agencies in response to the drought.

On Monday, state water officials proposed new water saving rules that would give a break to providers in California's warmer regions and those that need to serve more homes and businesses because of recent population growth.

These rules would allow many communities to raise water use by as much as 4 percentage points while still meeting Gov. Jerry Brown's conservation requirements.

Officials with the Eastern Municipal Water District, Riverside County's largest supplier, praised the proposals from State Water Resources Control Board staff members.

"Those are two things we advocated for," said Kevin Pearson, a spokesman for Eastern, which serves several cities and communities in the Perris and San Jacinto valleys, including Moreno Valley, Hemet and the eastern parts of the Murrieta and Temecula areas.

Eastern water officials were disappointed that the proposal does not give them credit for recycling wastewater or for investing in facilities to desalinate groundwater in the Menifee area, Pearson said.

State water officials will accept public comments on the proposed rules until Jan. 6, and a decision by the state water board is expected in February.

The move comes as California endures its driest four-year span on record, and officials anticipate a possible fifth year of drought.

Weather forecasters say a strong El Niño weather system could drench California, with a series of storms expected during the next three months. But the rain isn't expected to be enough to end the drought. Brown this year required communities throughout the state to reduce water use by one-quarter. State water regulators set individual targets for local agencies to meet, varying between 4 percent and 36 percent compared with 2013, but those targets will expire in February.

Brown recently extended his executive order, giving regulators authority to enforce conservation measures through October if California still faces drought in January.

Several community leaders have criticized the individual targets as unfair and unrealistic. In Southern California, local governments argued that state officials should acknowledge investments in new supplies to prepare for drought.

Eastern is required to bring its water output down by 28 percent each month under the state mandates, Pearson said.

Under Monday's proposal, the agency could get 3 percent credit for serving a warm climate area plus 1 percent for its growth in the number of water customers, Pearson said. The water district's new conservation requirement would be 24 percent, he said.

The Associated Press

contributed to this report.

CONTACT THE WRITER:

951-368-9471 or

ddanelski@pe.com

Date: Dec 23, 2015; Section: Front Page; Page: A5

Sierra snowpack builds encouraging base

By RICHARD BROOKS

STAFF WRITER

It's far too early to declare an end to California's historic drought, but the state's snowpack measures an encouraging 111 percent of normal for this time of year, state water officials say.

"California gets about half its water in December, January and February, so we're about a third of the way into the season," Department of Water Resources spokesman Doug Carlson said Tuesday. "We'd be pleased to have this (level) in a non-drought year."

By comparison, the snowpack measured only 56 percent of normal at this time last year, department records show. In 2013, the situation was even worse: 24 percent. So Tuesday's tally is a good start. But it's only a start.

"Because the reservoir levels are so extraordinarily low, we'd have to have a lot more rain and snowfall to have an impact on the drought," Carlson emphasized. "One wet winter is probably not going to do it for us.

"And we can't make good, solid predictions based on what's fallen so far."

If the above-average snowfall continues until April 1, he said, state water experts will feel more optimistic . But there are no guarantees.

Last April 1, Gov. Jerry Brown stood on dry grass there should have been 5 feet of snow – and ordered the first-ever mandatory water restrictions for California. The announcement, Brown said, was prompted by the lowest snowpack ever recorded in the Sierra.

Higher-than-usual temperatures last winter caused most of the precipitation to fall as rain rather than snow, said Carlson, who said minimum temperatures in the Sierra averaged 32.1 degrees – above freezing.

In California, a deep snowpack is the best way to increase reservoir levels. Even abundant rainfall, without much snow, can be a problem.

"If April 1 rolls around this year with no snow, we'll know we're irrevocably into a fifth year of drought," Carlson said. "Right now, the reservoirs are severely low.

"Just about every single one of them is 50 percent, or less, than its average storage."

But isn't the muchvaunted El Niño weather pattern likely to create abundant rain and snow this winter?

"The problem with El Niño fixation," Carlson said, "is that too many people are crying, 'Happy times are coming!' It may turn out to be a dud.

"We've had strong El Niños that didn't deliver that much rain in the north. Just because it's a strong El Niño year doesn't mean we're going to have a heavy rain year."

Date: Dec 30, 2015; Section: Local Extra - Southwest; Page: B3

Hemet water, sewer billing changes coming

The transition from bimonthly to monthly should be in place by spring.

By CRAIG SHULTZ

STAFF WRITER

The city of Hemet's water and sewer customers not only will pay more in the new year, they will be paying more often.

As announced in September when rates were increased, billing will switch from every other month to monthly. The transition should be complete by spring, city officials said.

The change was made so customers can make two smaller payments instead of having to pay one larger bimonthly bill, administrators said. They also said it will be easier for customers to track their usage and conserve water.

The change affects only residential customers who get their water from the city. Commercial customers are already billed monthly.

The Hemet water department serves about 9,700 customers over 5.25 square miles, extending generally from Menlo Avenue south to Stetson Avenue, and from Sanderson Avenue east to San Jacinto Street.

Hemet residents outside those boundaries are served by the Eastern or Lake Hemet municipal water districts and are not affected by the billing cycle.

Deputy City Manager Jessica Hurst said it will take some time to transition to the new system, so monthly bills will begin in March and be completed by May.

The due dates will be spread throughout the month, she said. A schedule is being finalized and new billing dates will be printed on the bottom of water bills.

Public Works Director Kris Jensen said the more frequent billing will allow customers to notice unusual usage patterns quicker and make adjustments.

The change will come around the same time costs will increase for the second time in five months. Rates went up 19 percent Oct. 1 and will rise another 19 percent in March. Another 4 percent increase is slated for Jan. 1, 2017, with 3 percent hikes each January through 2020.

Sewer rates also have gone up, and will almost double over the next three years.

The increases are the first for water since 2008 and sewer since 2006.

WANT TO KNOW MORE?

Info: 951-765-2350 Indoor conservation kits: 951-765-3710 (free to residential customers)

HEMET WATER AND SEWER FEES

Water rates Current basic charge: $23.05 Consumption rates: $4.85 per unit (748 gallons) Estimated average water bill: $52.64 March 1 Basic charge: $24.95 Consumption rates: $6.25 per unit Estimated average water bill: $63.08

Sewer rates Current: $5.75 monthly March 1: $7 monthly January 2017: $7.50 monthly January 2018: $8 monthly

AP

Official: California snowpack at 136 percent of normal

By Rich Pedroncelli and Scott Smith, December 30, 2015

ECHO SUMMIT, Calif. (AP) — The water content of the Sierra Nevada snowpack in drought-stricken California was 136 percent of normal Wednesday when officials took the winter's first manual survey — an encouraging result after nearly no snow was found at the site in April.

The latest snow level is a good sign, "but that's it — it's a start," said Frank Gehrke, chief of the California Cooperative Snow Surveys Program for the Department of Water Resources.

After four years of drought, Gehrke plunged a measuring pole into a thick field of snow in the Central Sierra, which includes Lake Tahoe. His survey followed an electronic measurement last week that put the water content of the snowpack at 112 percent of normal. Even more snow has fallen since then.

The snowpack provides about 30 percent of California's water supply during the months when it melts and rushes through rivers and streams to fill reservoirs that remain critically low.

Last Jan. 1, the snowpack was a meager 45 percent of the historical average. On April 1, it had dropped to a record low of 5 percent.

Gehrke said snow must continue falling through April for him to feel confident the drought is easing.

"There's going to be those anxious moments when we start to get into a week, a week-and-a-half with no snow," he said.

A brewing El Nino system — a warming in the Pacific Ocean that alters weather worldwide — is expected to impact California and the rest of the nation in the coming months, according to a NASA report released Tuesday.

Its effects on California's drought are hard to predict, but Jet Propulsion Laboratory climatologist Bill Patzert said it should bring some relief. El Ninos in the early 1980s and late 1990s brought about twice as much rain as normal, he said.

The weather also caused mudslides, flooding and high surf in Southern California.

"The water story for much of the American West over most of the past decade has been dominated by punishing drought," Patzert said. "Now, we're preparing to see the flip-side of nature's water cycle — the arrival of steady, heavy rains and snowfall."

Forecasters expect a light to moderate storm system in Northern California early next week.

Los Angeles Times

California officials upbeat about snowpack, but long-range prospects are unknown

Matt Stevens and Taylor Goldenstein, December 31, 2015

Over the last several weeks, snowboarders and skiers alike have reveled in what seems to be bountiful Sierra Nevada snow.

All that powder has enabled even weary state water officials to express some optimism, a feeling buoyed Wednesday when surveyors took their first manual measurement of the Sierra snowpack and found more than 54 inches.

But for all of the excitement, the state's broader drought outlook remains uncertain.

Although there was about twice as much water in the state's snow as there was on the same day last year, and five times as much as the year before that, it still just amounts to an average total.

"Last year was so abysmally bad that even coming up to the average we have now looks good," said Department of Water Resources spokesman Doug Carlson.

Snowpack is important because it melts during the spring and summer months and refills the state's reservoirs. Officials say that in normal years the snowpack supplies about 30% of California's water. They have also said that the state needs a snowpack equal to 150% of average by April 1 to have any chance at ending the drought.

On Wednesday, electronic readings from 99 stations throughout the Sierra Nevada showed that the snowpack statewide held 10.2 inches of "water equivalent" — or about 105% of average for the day.

The manual survey, taken at a single station about 90 miles east of Sacramento, was more promising but less telling. It found 54.7 inches of snow on the ground — 16 inches above average. The water held in that snow amounted to about 136% of normal for the site.

After taking the measurement and leaving a path of boot prints in his wake, Frank Gehrke, chief of the California Cooperative Snow Surveys Program, told a group of tightly bundled reporters that the snowpack was "encouraging, but still obviously not where we'd like to be."

"The real critical thing is going to be ... good solid production in terms of the rest of the season," Gehrke said. "The problem we've had in past years is we start off OK, but then it shuts off."

Because four years of drought have dried out the terrain, "a good part" of this year's snowpack will soak into the ground before "we start to see it as runoff," Gehrke said.

The state's major reservoirs could use that runoff.

As of Wednesday, Lake Oroville — the State Water Project's principal reservoir — held about 1 million acre feet of water, or about 47% of its historical average for Dec. 30. Lake Shasta — the Central Valley Project's largest reservoir — was at 51% of its average.

Meanwhile, the cumulative amount of rain measured at eight important stations in the northern Sierra was about normal for the day.

"Obviously we had a great first quarter" of the water year, said Mark Gold, associate vice chancellor for environment and sustainability at UCLA. "But that's after a four-year slump. We've got a long way to go to make up for such an enormous deficit.

"It's just too early to get excited."

Skiers and snowboarders, though, have been exactly that. The series of storms that began pounding the Sierra Nevada last week has resulted in a surge in business for ski resorts across the state, officials say.

Michael Berry, president of the National Ski Areas Assn., said resorts have posted an increase in visitors and have been able to open more terrain this season.

Member organizations "couldn't be happier" with snow conditions, he said.

"It really is a night and day situation," Berry said. "For skiers and riders, it's the best skiing and riding that they've had in those four years in California."

Indeed, Gehrke joked that although state officials care only about the water contained in the snow, the fresh powder was "great ... for skiing."

Moving forward, he said it's vital that the state avoid long stretches without snowfall.

Water officials plan to take as many as four more manual snow surveys by early May.

"We've got four to five months before the final tale is told," Gehrke said.

matt.stevens@latimes.com

Date: Dec 31, 2015; Section: Front Page; Page: A5

HIGHER SIERRA SNOW LEVEL A GOOD SIGN, BUT JUST 'A START'

Water content is 136% of normal, but it's too soon to be confident drought is easing.

By RICH PEDRONCELLI and SCOTT SMITH

THE ASSOCIATED PRESS

ECHO SUMMIT The water content of the Sierra Nevada snowpack in droughtstricken California was 136 percent of normal Wednesday when officials took the winter's first manual survey, an encouraging result after nearly no snow was found at the site in April.

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The weather also caused mudslides, flooding and high surf in Southern California.

"The water story for much of the American West over most of the past decade has been dominated by punishing drought," Patzert said. "Now, we're preparing to see the flipside of nature's water cycle

– the arrival of steady, heavy rains and snowfall."

Forecasters expect a light to moderate storm system in Northern California early next week.

DESERT WATER AGENCY
PUBLIC INFORMATION ACTIVITIES

DECEMBER 2015

Activities:

12/1-12/4/15	Ashley Hudgens attended ACWA conference and showcased 'Check Yourself, Check Your Water Use' campaign in Exhibit Hall.
12/02/15	President Ewing, Secretary-Treasurer Stuart and Vice President Cioffi, along with staff accepted recognition as finalist for ACWA's Best in Blue award.
12/03/15	Ashley Hudgens was on a live segment with KESQ on checking irrigation.
12/07/15	Ashley Hudgens attended a State Water Resources Control Board public workshop on the extension of the emergency conservation regulation.
12/10/15	Ashley Hudgens was on a live conservation segment with KESQ on adjustments to the emergency conservation regulation.
12/11/15	Mark Krause and Ashley Hudgens attended the ribbon cutting and open house for Assembly Member Chad Mayes' new office in Rancho Mirage.
12/17/15	Ashley Hudgens was on a live segment with KESQ on checking for toilet leaks.
12/18/15	Ashley Hudgens presented to the Coachella Valley chapter of the Community Associations Institute (HOA board members and property managers) on the drought and regulatory environment.
12/24/15	Ashley Hudgens was on a live segment with KESQ on the SWRCB staff preliminary draft regulatory framework.
12/30/15	Ashley Hudgens was interviewed on KMIR about the new #H2OResolution contest.
12/31/15	Ashley Hudgens was on a live segment with KESQ on the #H2OResolution contest.

Public Information Releases:

12/14/15 - DWA Recommends for Modifying the Emergency Conservation Regulation
12/15/15 - DWA Welcomes Kristin Bloomer to Board of Directors
12/21/15 - State Board Staff Releases Proposal for Modified Emergency Conservation Regulations
12/30/15 - DWA Launches Social Media Contest in Partnership with Lowe's

Water Conservation Reviews

Edison Substation	Oasis Hotel
Fairways Condos	Palm Canyon Financial Plaza
Gallery Apartments	Tahquitz Canyon Mobile Estates

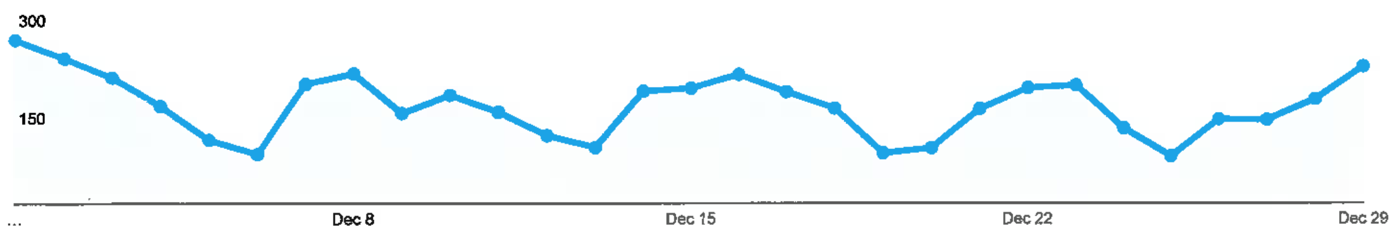
Water Conservation Reviews are annual mailings sent to large water users. The Reviews include a 5-year consumption report, facility map, and information brochures. The purpose is to help customers save water by summarizing their consumption, and offering suggestions for reducing usage. Occasionally, after viewing, the recipient may contact DWA for assistance in the form of a Mobile Lab Evaluation.

Audience Overview

Dec 1, 2015 - Dec 29, 2015

All Sessions
100.00%

Overview

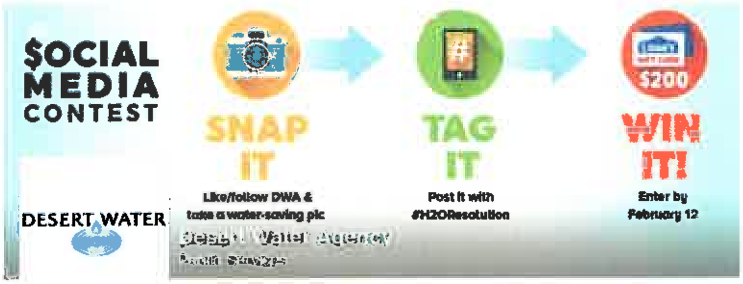


Sessions	Users	Pageviews
4,347	3,495	9,577

Pages / Session	Avg. Session Duration	Bounce Rate
2.20	00:01:47	53.58%

% New Sessions
65.82%

	Language	Sessions	% Sessions
1.	en-us	3,211	73.87%
2.	(not set)	948	21.81%
3.	en	45	1.04%
4.	en-ca	31	0.71%
5.	en-gb	26	0.60%
6.	es	9	0.21%
7.	pt-br	7	0.16%
8.	it-it	6	0.14%
9.	de-de	5	0.12%
10.	de	4	0.09%



Desert Water Agency
Facebook analytics
December 2015

Reach: Organic / Paid | Post Clicks | Likes, Comments & Shares

Published	Post	Type	Targeting	Reach	Engagement	Promote
12/30/2015 9:58 am	Desert Water Agency's cover p hoto			0	0 0	Boost Post
12/28/2015 [illegible]	Didn't get the gift you were hopi ng for? Give yourself the gift of			13	0 0	Boost Post
12/22/2015 [illegible]	Happy holidays to you and you rs from all of us at Desert Wate			34	0 0	Boost Post
12/19/2015 11:29 am	DWA and Coachella Valley Wa ter District updated CAI Coach			324	25 10	Boost Post
12/18/2015 [illegible]	Have extra food coloring aroun d from holiday baking? Use it f			456	11 19	View Results
12/16/2015 [illegible]	In November, DWA customers saved 28% compared to 2013.			154	5 10	Boost Post
12/15/2015 11:23 am	This morning in front of a full ro om, Board President Craig Ewi			99	10 2	Boost Post
12/11/2015 [illegible]	Sprinkling? No, sprinklers. #Do ntDismisstheDrought			59	1 1	Boost Post
12/09/2015 [illegible]	Are you a Golden State Warrior s fan? They partnered with Sav			54	0 0	Boost Post
12/09/2015 [illegible]	Don't know where to start with your conversion? Attend CVW			33	0 1	Boost Post
12/08/2015 [illegible]	Have you changed over to a wi nter watering schedule? Grass,			42	5 0	Boost Post
12/07/2015 2:18 pm	Just testified at the State Water Resources Control Board meeti			154	22 6	Boost Post
12/04/2015 9:14 am	#FlashbackFriday to Check Yo urself, Check Your Water Use.			47	3 3	Boost Post

Desert Water Agency
Facebook analytics continued
December 2015

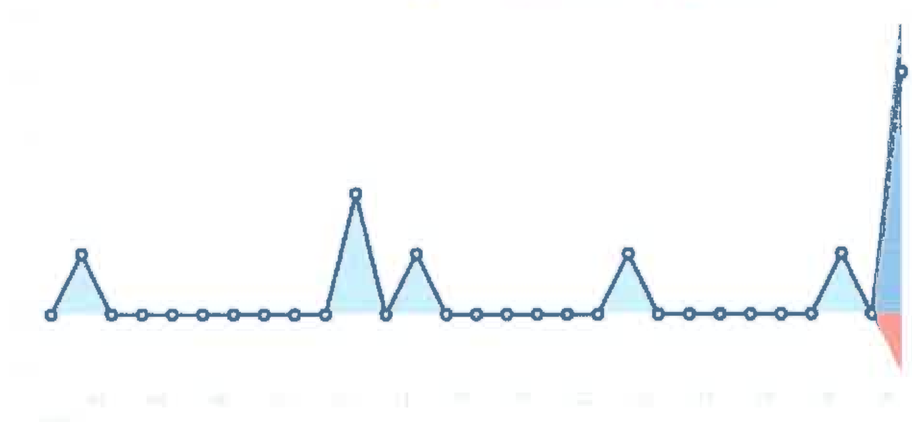
Total Page Likes as of Today: 568

Notifications Insights Publishing Tools Export Settings Help

Total Page Likes

Net Likes

Net likes shows the number of new likes minus the number of unlikes.



BENCHMARK
Compare your average performance over time.

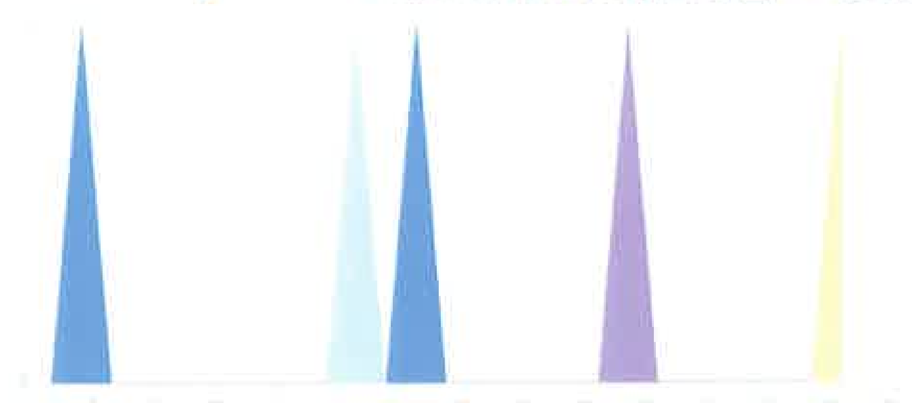
Unlikes
Organic Likes
Paid Likes
Net Likes

WANT MORE LIKES?
Create an ad to get more people to like your Page.

Promote Page

Where Your Page Likes Happened

The number of times your Page was liked, broken down by where it happened.



BENCHMARK
Compare your average performance over time.

On Your Page
Page Suggestions
Uncategorized Desktop
Your Posts

Desert Water Agency
Twitter analytics
December 2015

Dec 2015 · 29 days so far...

TWEET HIGHLIGHTS

Top Tweet earned 1,471 impressions

@saveourwater partnered with the .@warriors to create a message asking fans to #savewater during the #CAdrought. csnbayarea.com/warriors/splas...

View Tweet activity | View all Tweet activity

Top mention earned 9 engagements

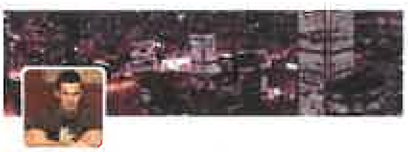
Sammy Roth

California could tweak #water targets for Coachella Valley, #SanDiego next year: desertsun.com/story/news/env... #CAdrought @sdcwa @DWAwater

1 · 3 · 1

View Tweet

Top Follower followed by 11.3K people



Brandon L. Voss

FOLLOWS YOU

Founder, Owner and Operator of @vossevents, a leading #nightlife, #promotion and special #event company in #NYC.

View profile | View followers dashboard

Top media Tweet earned 347 impressions

Election signs are out, yard signs are in. Come get one to show neighbors you're helping #savewater in your yard. pic.twitter.com/5MAPygylj6

3

View Tweet activity | View all Tweet activity

Enrich your Tweets with Twitter Cards

Using Twitter Cards gives you greater insight into your URL clicks, app installs, and Retweets.

Get your Tweets in front of more people

Promoted Tweets and content open up your reach on Twitter to more people.

Get started

10

6,082

Profile visits
441

1

New followers
5