

Chair Pierce:

Thank you very much. Okay, now we're to Item #7 and this is the SFPUC report, Mr. Carlin, thank you very much for being with us this evening. Did it get you all excited that you were going to be on earlier before?

Michael Carlin:

I don't know, it may have been a horrific transformation when I saw her. . . Thank you for allowing me to come and speak to you tonight. I only have a few points I was going to make. One was on Hetch Hetchy Reservoir, but Director Laporte was going to tell me whether the reservoir was filled or not. It was filling, she got it right, so it is filling. It's full, our water bank is full and we expect that it'll stop spilling in about a week or so at this point in time. But the good news is that there is a slight uptick in sales that's occurring at the same time so we have plentiful water and we are making sales of that water to you and all our customers in San Francisco as well. I was going to report of the Water System Improvement Program—I know you have that on your agenda later, there's a notice of proposed change in the schedule and I'll let Ms. Sandkulla talk about that later on three projects, but we'll be here to answer any questions. And finally, the water transfer, I'm sure that it's on most of your minds, it is something that we have been working on for a number of years and we view it as an insurance policy. It's hard to buy insurance after an accident happens, and we can't count on when the next drought will be, but this is what we said in 2008—that we needed to fill a gap in our drought planning to make sure that we had no more 20% rationing during a drought period. This 2 million gallons per day fills that gap and makes us—at least right now—whole, but there are

other things coming down the road, regulatory requirements, that are going to change that as we go forward. We have gone back and forth with Modesto Irrigation District, there are some slight changes to the agreement that's in your package tonight. There will be some changes posted on their website tomorrow as ours as well, and we'll probably be addressing some of these California environmental quality issues as well as an analysis of that that will be posted as well. The transfer is something that we have been working on—the Modesto Board is planning to take it up next Tuesday. I can answer questions as best as I can tonight if you like, and we are going to be talking to our commission about future water supplies and we're going to do a workshop on that with our commission in June and hopefully do some more workshops in August as well. So transfers plays into our whole sort of “what is our water supply portfolio look like in the future?” Now a lot of people start talking about the 22 million gallons per day transfer that's also been proposed with Modesto Irrigation District—that is not a done deal. That is something we will have to go through environmental review, we expect it to take us at least a year and a half and it will be scrutinized by many people. One other question that was raised by Mr. Drekmeier about the legal issue, I just want to put that to rest. If the farmers that are customers to MID sue MID over the transfer, it's a 100% expense on MID's side, we changed that in the draft agreement at this point in time. So I'd be glad to answer any questions if you have any at this point.

Chair Pierce:

Director McCloud.

Director McCloud:

Thank you very much for being here, for your presentation also addressing the water transfer issue. I just wanted to ask two questions. One, the first is about the additional information on potential environmental and biological impacts; and is that information going to be incorporated into CEQA document, or how is that additional information going to be addressed?

Michael Carlin:

It's what's called in CEQA "a note to the file" but we're publishing it so it's going to be publicly available to everyone. [Director McCloud: Does it suggest that there will be additional impacts?] No. Actually when we addressed this in 2008, we addressed a water diversion rate of 265 million gallons a day into the service area, and we addressed all the issues of a transfer of 2 million gallons per day and the only time you see some sort of slight impact is in a refill year. So the programmatic document went into a great amount of detail on the environmental impacts of this proposed transfer. It did not go into the environmental impacts of the proposed larger transfer that people talk about and so they need to separate those things. We're talking about 2 million gallons per day, 22 hundred acre feet in the entire water year period, and we'd be taking that water during the snow melt period so it's in the spring period that we'd be calling for that water.

Director McCloud:

Thank you, and my other question—and I know it's also in Art Jensen's letter, but does the anticipated water supply that you calculated, does that include water for Santa Clara

as well and not interrupting that supply, City of Santa Clara. [Michael Carlin: Does it include San Jose and Santa Clara? (Inaudible response) That's part of the nine that we're looking at, yes.] So it is included?

Michael Carlin:

Not right yet. It's a separate issue. Right now it's a separate issue; so there's the drought issue that we need to address and we're addressing that at the service level of no more than 20% reduction. Making San Jose and Santa Clara a permanent customer at 9 million gallons per day is a separate question that we need to address in the future prior to 2018.

Director McCloud:

And I apologize, I guess I'm not understanding what you just told me, but, in the planning for this water in your planning documents, are you including keeping the water supply to the City of Santa Clara whole?

Michael Carlin:

Part of our water supply options with our commission is to talk about the 9 million gallons per day to San Jose and Santa Clara and how we would actually meet that need. So that's a future decision to be made.

Chair Pierce:

Director Laporte???

Director Laporte???

Is the 2 million gallons, is there any option to store that water in years of “no need” for it?

Michael Carlin:

No. Either we’re going to use it in the year that we take it. . . we’re going to take the water every year. We believe that, and this is going to be addressed in the letter that we’re sending back to Mr. Jensen, we’ll have a cycle of how often we need that water, how it is cost effective, but if we don’t use that water in that particular year, it spills back to the districts.

Chair Pierce:

All right, thank you very much Mr. Carlin, I appreciate your being here and if there are any other questions that come up later, we ask you to come forward. Item #8 is really for CEO reports, so Mr. Jensen if you would walk us through these.

Art Jensen:

I’ll split these reports with Nicole and I’ll start with the Board of Directors Policy Calendar to be clear for the next fiscal year. This is updated; the one that you saw previously ran out this month. So we have a variety of items, this is not all inclusive, but it’s the major ones that we saw coming before you in the next fiscal year. Nicole will be talking about a Long-Term Reliable Water Supply study session in July and that’s a chance for us to engage with the Board as we did once before on topics related to long-term reliability and