



Frequently Asked Questions
about the
Water Supply Agreement
Between the City and County of San Francisco
and
Wholesale Customers in Alameda, San Mateo and Santa Clara Counties

THE AGREEMENT

Who are the parties to the Water Supply Agreement?

The City and County of San Francisco and the 27 cities, water districts and privately owned water agencies that purchase water from San Francisco on a wholesale basis and distribute it to over 1.7 million residents, 30,000 businesses and thousands of community organizations in Alameda, Santa Clara and San Mateo Counties. These 27 agencies are called "Wholesale Customers."

Who negotiated the agreement?

All 27 Wholesale Customers that buy water from San Francisco are members of the Bay Area Water Supply and Conservation Agency (BAWSCA), and authorized BAWSCA to negotiate the Agreement with San Francisco on their behalf.

What is the purpose of the Water Supply Agreement?

To ensure that San Francisco provides a reliable supply of high quality water at a fair price to the customers outside San Francisco.

Who has to approve it?

The Agreement must be approved by the San Francisco Public Utilities Commission, which did approve it on April 28, 2009. In addition, it must be approved by the governing body of any Wholesale Customer who wants to participate in the Agreement.

How long will the new agreement last?

The new Agreement has a term of 25 years. It may be extended for one or two five-year periods with the consent of the SFPUC and Wholesale Customers.

Is there an existing agreement? When does it expire?

The existing agreement, called the Settlement Agreement and Master Water Sales Contract, was signed in 1984 and expires June 30, 2009.

WATER SUPPLY

How much water do the agencies outside San Francisco get under this agreement?

San Francisco has made a perpetual commitment to provide the 25 permanent Wholesale Customers collectively up to 184 million gallons per day (mgd), on an annual average basis. The cities of San Jose and Santa Clara are not permanent customers and are not included in this amount. The Agreement preserves the Wholesale Customers' claim that San Francisco is obligated to provide water over and above this amount, and San Francisco's denial of that obligation.

How much water would San Jose and Santa Clara receive?

The cities of San Jose and Santa Clara are currently temporary and interruptible customers of the San Francisco regional water system. They are able to purchase surplus water from San Francisco. These two cities currently purchase a combined total of about 9 mgd. Under the new agreement, San Francisco would provide San Jose and Santa Clara up to 9 mgd until the year 2018, but they would continue to be temporary and interruptible customers.

Will the water agencies outside receive as much water as they are projecting to need?

No. The agencies will be about 11 mgd short of their projections. In 2004 the 27 Wholesale Customers projected they would need to purchase 195 mgd of water from San Francisco in 2018. This amount of water supplements their use of other sources of water and already includes their commitment to 11 mgd of new water conservation plus 9 mgd of recycled water. In October 2008, San Francisco imposed a limit on sales of water to its Retail and Wholesale Customers of 265 mgd until at least 2018: a limit of 81 mgd on sales to San Francisco Retail Customers, and a limit of 184 mgd on sales to Wholesale Customers. This action leaves the 27 Wholesale Customers 11 mgd short of their projected needs in 2018. For their communities to continue to prosper as planned, they will now have to double the amount of new water conservation and recycled water between now and 2018.

Who will provide reliable water supplies for the future of our communities?

BAWSCA and its member agencies are developing a plan to save a total of 22 mgd before 2018 through additional conservation and water recycling and are planning to take on the challenge of preparing a longer-term plan to establish reliable water supplies past 2018.

WATER SUPPLY, cont'd.

Where does San Francisco get its water?

San Francisco currently obtains water from watersheds in San Mateo County, Alameda and Santa Clara Counties and the Hetch Hetchy watershed in the Sierra Mountains. An average, 85 percent of the system's water originates in the Sierra Mountains and flows to the Bay Area by gravity, requiring much less energy for pumping than most water systems in the State.

Why do agencies outside San Francisco get water from the San Francisco Regional Water System?

San Francisco's Hetch Hetchy water system was built with the intent of serving neighboring communities in these counties, and many of the agencies served today supported the Congressional act that permitted the system to be built.

If there is a drought, how is the available supply divided between San Francisco's Retail and Wholesale Customers?

In the event of a drought, the Agreement includes a provision for allocating water between San Francisco's Retail Customers and the Wholesale Customers as a group. The formula requires greater cutbacks to the Wholesale Customers reflecting differences in climate, density and land uses.

Does the Agreement specify how water would be allocated among the 27 Wholesale Customers during a drought?

No. The allocation of water among the Wholesale Customers will be decided separately. In 2000, the Wholesale Customers approved a plan to allocate their share of water among the 27 agencies. That formula is based on several principles, one of which is that agencies should not be penalized for investing in local water conservation or wastewater recycling. This plan will be reviewed, and revised if necessary, this coming fiscal year. San Francisco is not a party to that plan, so it is not included in the Agreement with San Francisco. On an individual agency basis, how each agency allocates water to its retail customers is up to that agency's governing body, and is not addressed in the Agreement with San Francisco.

COSTS AND WATER RATES

Do customers outside San Francisco subsidize the cost of water for customers inside San Francisco?

No. The costs associated with building, operating and maintaining the Regional Water System are shared between San Francisco Retail Customers and the Wholesale Customers based on their proportionate annual use of water from the system.

What about the other way? Do customers inside San Francisco subsidize the cost of water for customers outside San Francisco?

No.

Will the new agreement make the cost of buying water from San Francisco go up?

No. Wholesale water rates will *not* go up because of the Agreement. The wholesale cost of water is projected to increase in order to pay for the seismic upgrades to the regional water system. Those cost increases would occur even if the existing agreement remained in effect.

How much will residential water bills outside San Francisco go up because San Francisco is rebuilding the Regional Water System?

It depends on where you live and whether your local water agency is undertaking capital improvements or other costs. For a typical household outside San Francisco, the cost of rebuilding the Regional Water System will increase the monthly residential water bill by about \$2.50 per month between now and 2015.

When is San Francisco going to complete rebuilding the Regional Water System?

San Francisco estimates it will complete the Water System Improvement Program by the end of 2015.

Who monitors costs and ensures San Francisco honors the provisions of the Agreement?

BAWSCA will continue to administer the Agreement on behalf of the water agencies outside San Francisco and their retail customers.