Be Aware in the Cone Zone

CONE ZONE, continued from page 1

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Be patient. Traffic delays in work zones are sometimes unavoidable. Aggressive driving is dangerous for everyone. The risk of a hefty fine, accident, or fatality is not worth the few extra minutes it takes to get through a cone zone.

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GM MESSAGE, continued from page 2

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and examine every dollar to ensure our ratepayers’ investment is protected.

A downgraded credit rating would mean higher borrowing costs for future bond issuances, making it more expensive to make needed infrastructure repairs.

Staff believes we should not base our financial projections on revenues that may or may not be there. That is not good financial stewardship. The board majority agreed and approved the financial plan.

EID staff and members of the board look at every project and examine every dollar to ensure our ratepayers’ investment is protected. A downgraded credit rating would mean higher borrowing costs for future bond issuances, making it more expensive to make needed infrastructure repairs.

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January February March April May June July August September October November December

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2016 REGULAR BOARD MEETINGS

board meetings generally occur on the second and fourth Monday of each month. The date marked (T) take place on a Tuesday. Dates with an asterisk are tentative.

Water Quality

The water we treat and deliver to customers comes from pristine surface water that originates high in the Sierra Nevada mountain range. While we are responsible for providing high quality drinking water, EID cannot control the quality of water delivered to the consumer.

EID produces high quality, reliable drinking water that meets or exceeds all federal and state drinking water regulations. Using advanced treatment technologies increased monitoring and adhering to stringent laws and guidelines, EID works hard to protect the quality of water delivered to the consumer.

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EID is dedicated to a prudent and sustainable financial path. And that means developing long-term financial and capital improvement plans, not just for this year and the next, but for a longer horizon that takes into account current and future financial and operational constraints.

I would like to briefly go over the process used to develop our most recent five-year financial plan and revenue forecast. EID holds budget and financial planning workshops each year in November. EID staff makes recommendations to the board about financial and capital improvement needs and members of the board often make suggestions during their deliberation process.

During the November 2015 budget/financial plan workshop, board members made some recommendations and staff addressed those recommendations during a presentation at the December 14 board meeting [see details at Information Item No. 14 on p. 217 of the board packet: http://www.eid.org/home/showdocument?id=5248]. Staff agreed with many of the recommendations.

However, EID staff professionally disagreed with a proposal to assume higher risk levels for potential water transfer and FCC (facility capacity charges, or new hook-up fees) revenue. This was discussed at the public workshop in November, in December when the EID board approved our financial plan, and again in January during the public rate hearing.

In the case of future water transfers, management considers this potential revenue as uncertain or speculative since we do not yet have an executed transfer agreement with a third party and we do not know if both federal and state rights holders will allow a transfer this year.

Staff conservatively forecasts FCC revenue at $5 million per year because we cannot plan too aggressively with unknown factors like development. I am sure everyone remembers the double-digit rate increases in 2010, 2011, and 2012. These increases were a result of EID relying on new hook-up fee revenue to meet its financial obligations. The FCC revenue in 2008 was $11.45 million. It dropped to $1.10 million in 2009 and hit a low of $570,000 in 2010. When this revenue stream vanished, EID cut costs and raised rates by double digits. This volatility confirms that a fiscally conservative financial forecast is prudent management.

As a result of the severe downturn in 2008 and 2009, staff implemented a “1.0 test”—this internal control requires that operating revenues, excluding FCCs, confirm that a fiscally conservative financial forecast is prudent management. By creating budgets to meet this conservative and sustainable “test”—this internal control requires that operating revenues, excluding FCCs, confirm that a fiscally conservative financial forecast is prudent management.

Delta Tunnels Could Affect EID Water Supplies

Constructing and using the proposed Delta tunnels will require changes to the state and federal water projects’ existing water rights. The California Department of Water Resources (DWR) and United States Bureau of Reclamation (Reclamation) submitted petitions to the State Water Resources Control Board in 2015 to add the three new points of diversion and/or re-diversion of water, at the locations of the proposed tunnel intakes.

“The District had previously submitted comments on all environmental analyses prepared by the project proponents,” said Cumpton. “Now, Downey Brand has prepared and filed the District’s protest to the DWR and Reclamation petitions, alleging that the petitions could result in injury to the District’s prior water rights, cause environmental harm, and produce results contrary to the public interest.”

In addition to concerns about its effects on waterways and the Delta ecosystem, the California WaterFix project as currently proposed has the potential to injure other legal users of water. EID’s water rights could be injured in several ways.

• The new operations of the California State Water Project (SWP) and federal Central Valley Project (CVP) could reduce water supplies available for diversion and use by EID customers, compared to current conditions—less water that would otherwise benefit EID customers.

• The new operations could change the amounts of storage in SWP and CVP reservoirs and the flow in rivers controlled by the SWP and CVP, and as a result, could create physical limitations on the abilities of EID to divert water under its CVP and Warren Act contracts at Folsom Reservoir, or its long-standing water rights.

• The new Delta flow criteria required by California Water Code could be incorporated into a revised Bay/Delta Water Quality Control Plan, and EID could be required to contribute to the implementation of those new requirements, despite a lack of evidence that EID’s diversions are contributing to the Delta’s problems.

“The California WaterFix project has the potential to adversely impact EID’s water supply portfolio.” — JIM ABERCROMBIE, Fiscally Responsible Financial Planning
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As a result of the severe downturn in 2008 and 2009, staff implemented a “1.0 test”—this internal control requires that operating revenues, excluding FCCs, be sufficient to fund operations and maintenance expenses as well as debt payments. Currently, the District premium is at a 14-year low, saving $1.6 million since 2003.

The Delta tunnels project—recently rebranded as the California WaterFix project—is the latest initiative in a decades-long struggle to reconcile the objective of conveying huge quantities of Northern California–originated water through the Delta to agricultural and urban users to the south with the legal imperative of providing adequate levels of protection to the Delta’s habitat and the species that depend upon it.

A successful reconfiguration, if it is possible, would benefit the entire state. The potential consequences of an undesirable outcome could extend throughout the Delta watershed, which encompasses most of Northern California—including EID’s service area and nearly all of its water sources.

“EID has long involved itself in Delta issues, primarily to defend against potential impacts to our customers’ water supply,” said EID General Counsel Tom Cumpston. “We are guarding against having burdens imposed upon the District as part of a Delta solution that are properly the responsibility of the state and federal water projects—which created many of the Delta’s problems and hold water rights that are typically junior to EID’s.”

The scope of the Delta problems and projects makes it difficult and costly for the District to participate on its own in litigation or administrative hearings. In order to protect the interests of EID’s customers as well as minimize costs, the District has joined a coalition of potentially impacted water purveyors in retaining the prominent Sacramento law firm Downey Brand to represent them. The coalition includes Placer County Water Agency and numerous water rights holders in the Sacramento Valley.

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“The California WaterFix project has the potential to adversely impact EID’s water supply portfolio,” said EID General Manager Jim Abercrombie. “By joining forces with other concerned Northern California water purveyors, we are doing what we can to vigorously defend our long-standing water rights.”

The first SWRCB hearing regarding the petitions will commence in April and extend through mid-June, with additional proceedings to follow later in 2016.
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With the unfolding public health tragedy in Flint, Michigan, EID’s customers may be wondering about the safety of EID’s water supply. Lead in drinking water is primarily from materials and components associated with service lines and home plumbing. There are no lead service lines in EID’s service area.

The district’s rigorous water monitoring program is conducted in strict accordance with regulatory requirements and guidance. To help ensure that safe water is delivered to our customers, EID’s water quality monitoring program includes taking samples of raw and treated water throughout the year from many locations in the District’s service area.

**GM MESSAGE, continued from page 2**

Changes and these revenues do materialize, we can adjust the maximums—the board stated that if the financial situation and guidelines, EID works hard to protect the quality of water delivered to the customer.

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EID produces a water quality report every year that summarizes water quality, page 4

**Drought Update, Conservation Mandate Extended**

EID is required to reduce its water consumption by 28 percent from June 2015 through February 2016, compared to the same months in 2013, under a mandate issued by the State Water Resources Control Board (State Water Board).

On February 2, the State Water Board adopted an extended and revised emergency regulation that extends restrictions on water use through October 2016. The action follows Governor Brown’s November 13, 2015, executive order directing the State Water Board to extend the emergency water conservation regulation should drought conditions persist through January 2016.

The revised emergency regulation provides “credits” that recognize certain factors that affect water use in three ways. The first considers the differences in climate that affect different parts of the state. The second provides a mechanism to reflect water-efficient growth experienced by urban areas. The third recognizes significant investments made by suppliers toward creating new, local, drought-resilient sources of potable water supply.

“We are exploring every avenue to reduce our customers’ conservation requirement,” said EID Public Information Officer Jesse Saich. “Of the three ways to get credits, it’s likely we’ll get the credit from the climate adjustment. We will be submitting data to the State Water Resources Control Board by February 22, and will be requesting a four percent reduction from our current 28 percent requirement.”

Additional information is available on EID’s website at www.eid.org/drought along with ideas for how customers can save water inside and outside of their homes or businesses.

**Your Water: Safe and Reliable**

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