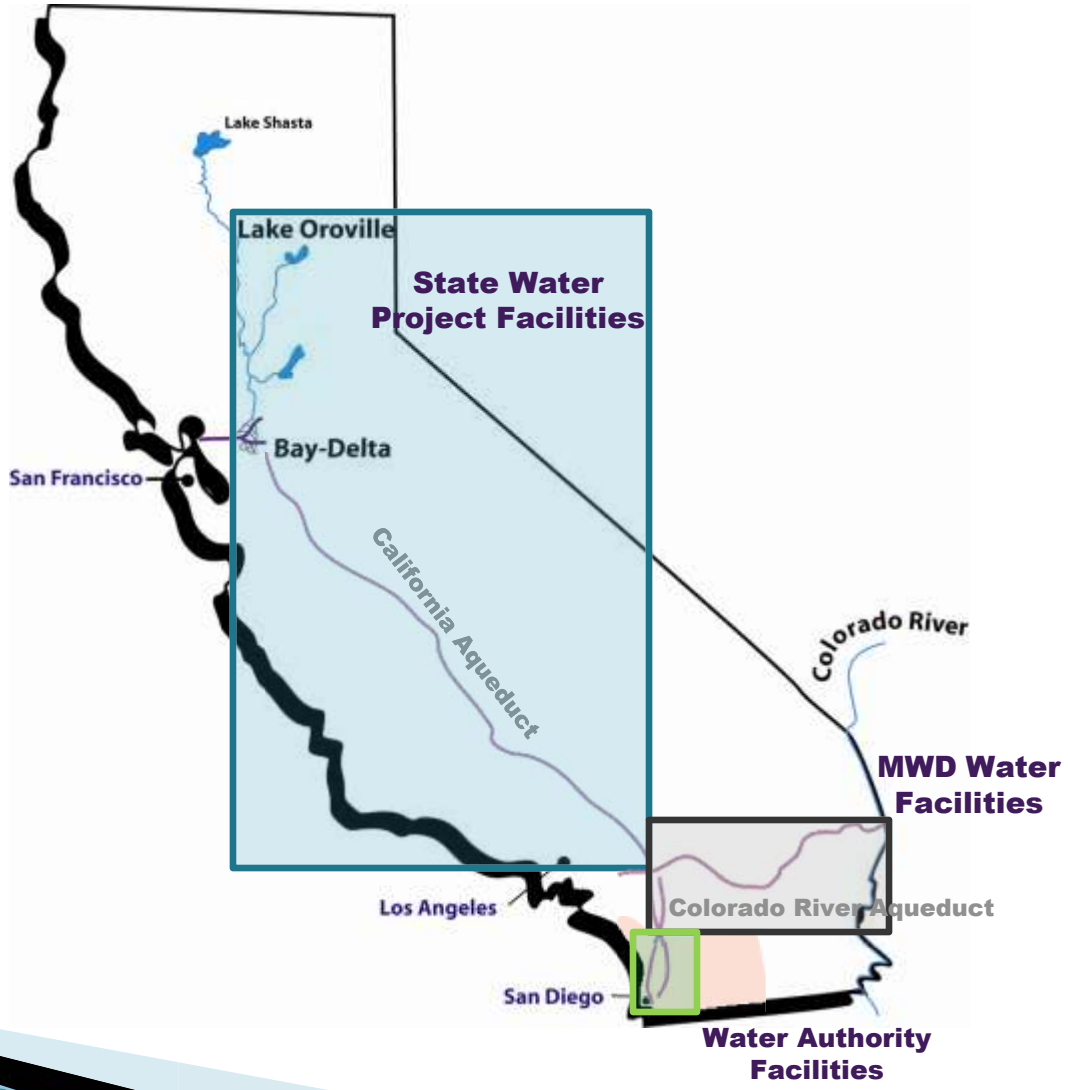
San Diego County Water Issues 2010 Update

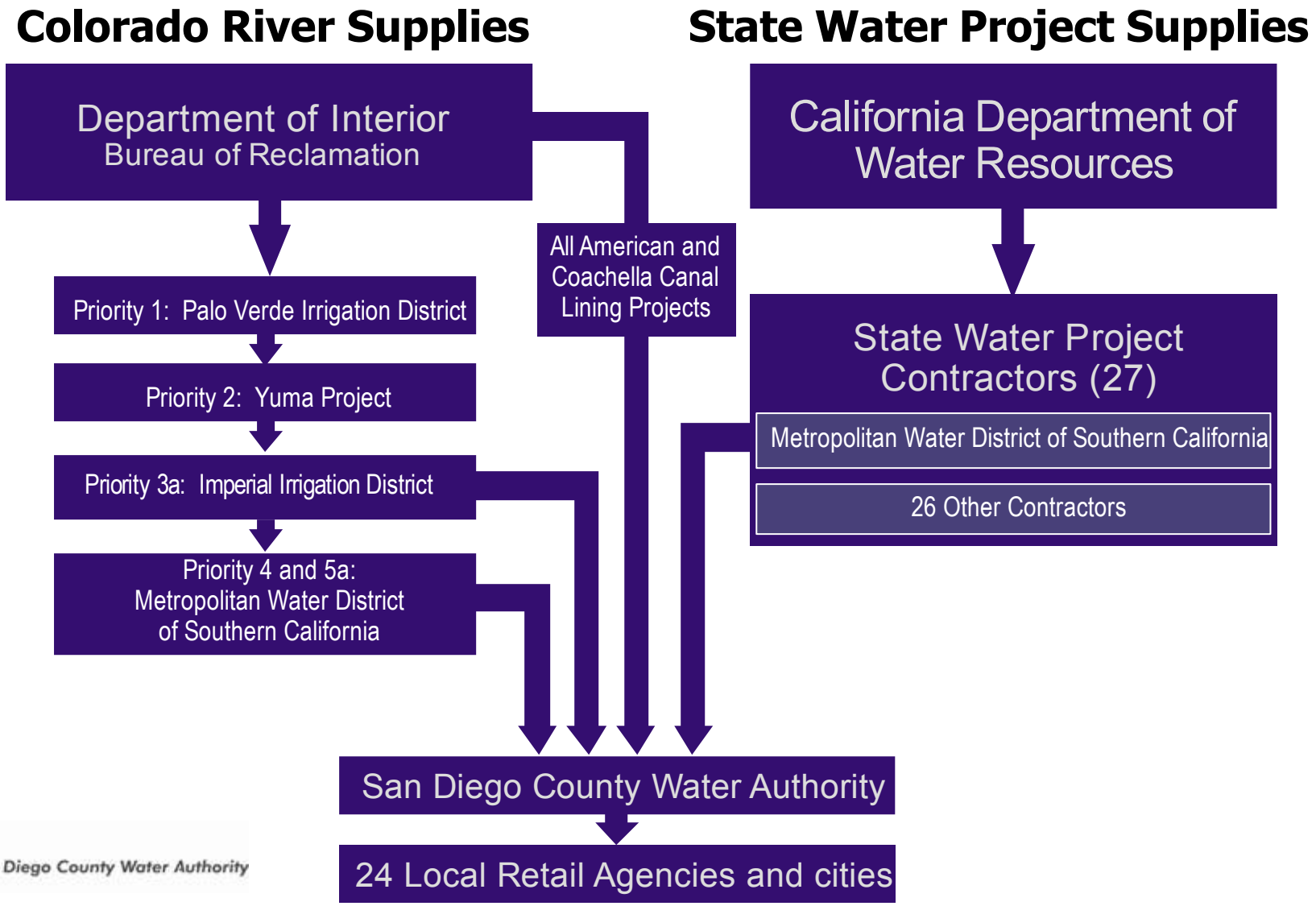
San Diego Coastkeeper Legislative Forum
September 30, 2010

San Diego County Water Authority

California Water Facilities

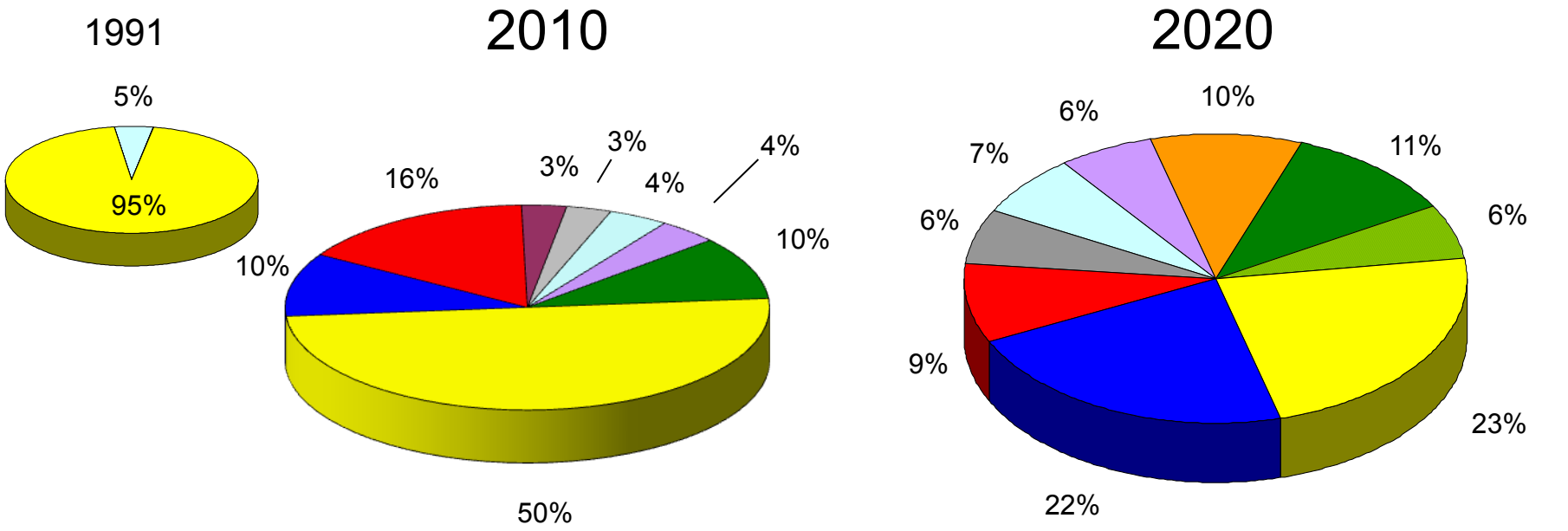


Imported Water Sources



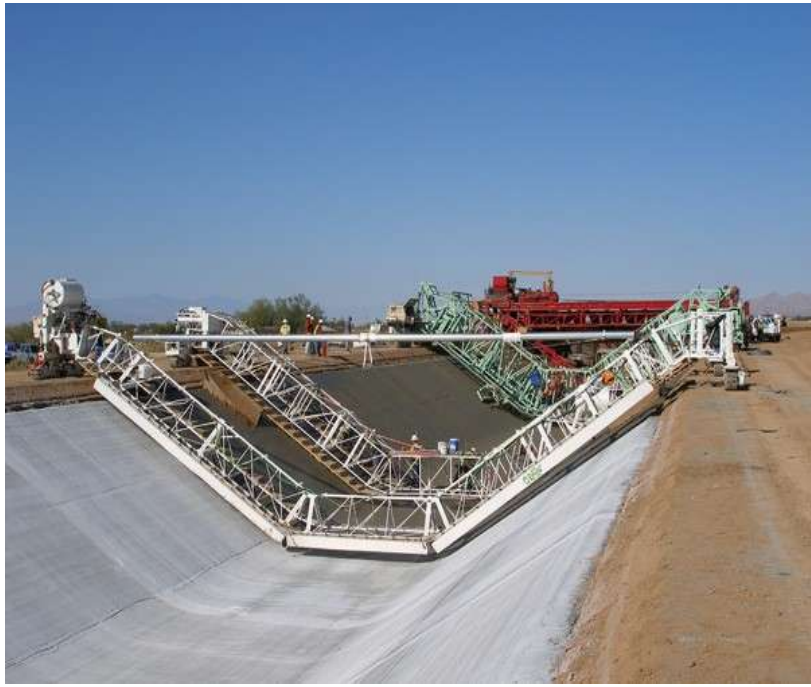
San Diego County Water Authority

Regional Water Supply Diversification



Quantification Settlement Agreement

- Colorado River QSA Supplies
  - Imperial Irrigation District transfer
    - 200,000 acre-feet*/year for 45 to 75 years
  - Canal-lining projects
    - 80,000 acre-feet**/year for 110 years
- Key to supply diversification strategy
  - Provides 165,000 acre-feet in 2010; helps mitigate current shortage
- By 2021, will provide 30% of region's supply



Lining the Coachella Canal

*At full implementation in 2021
** Acre-foot = 325,900 gallons

Local Supplies

- Conservation
  - Comprehensive water conservation programs, incentives and school programs since 1990s
  - 65,000 AFY today, growing to 94,000+ by 2020
  - Cumulative savings: more than 600,000 AF
  - Shifting emphasis from indoor to outdoor conservation

- Recycled Water
  - 28,000 AFY today, growing to 52,000 AFY by 2020
  - 17 agencies in San Diego produce recycled water
  - Primarily used for landscaping irrigation
  - 2 IPR projects in planning stages

- Groundwater
  - 13,000 AFY today, growing to 53,000 AFY by 2020
  - San Diego does not have significant underground storage basins
  - Brackish groundwater must be desalinated
  - Six local agencies have groundwater projects

Local Supplies (cont.)

- Seawater Desalination
  - Carlsbad Desalination Project
    - Produce up to 56,000 AFY
    - Approved term sheet that will lead to water purchase agreement to buy output of plant
  - Camp Pendleton Project
    - 56,000 to 168,000 AFY
    - Feasibility studies under way
  - Bi-national Desalination Project
    - In conjunction with agencies in Nevada, Arizona and Mexico
    - Studying site in Baja California

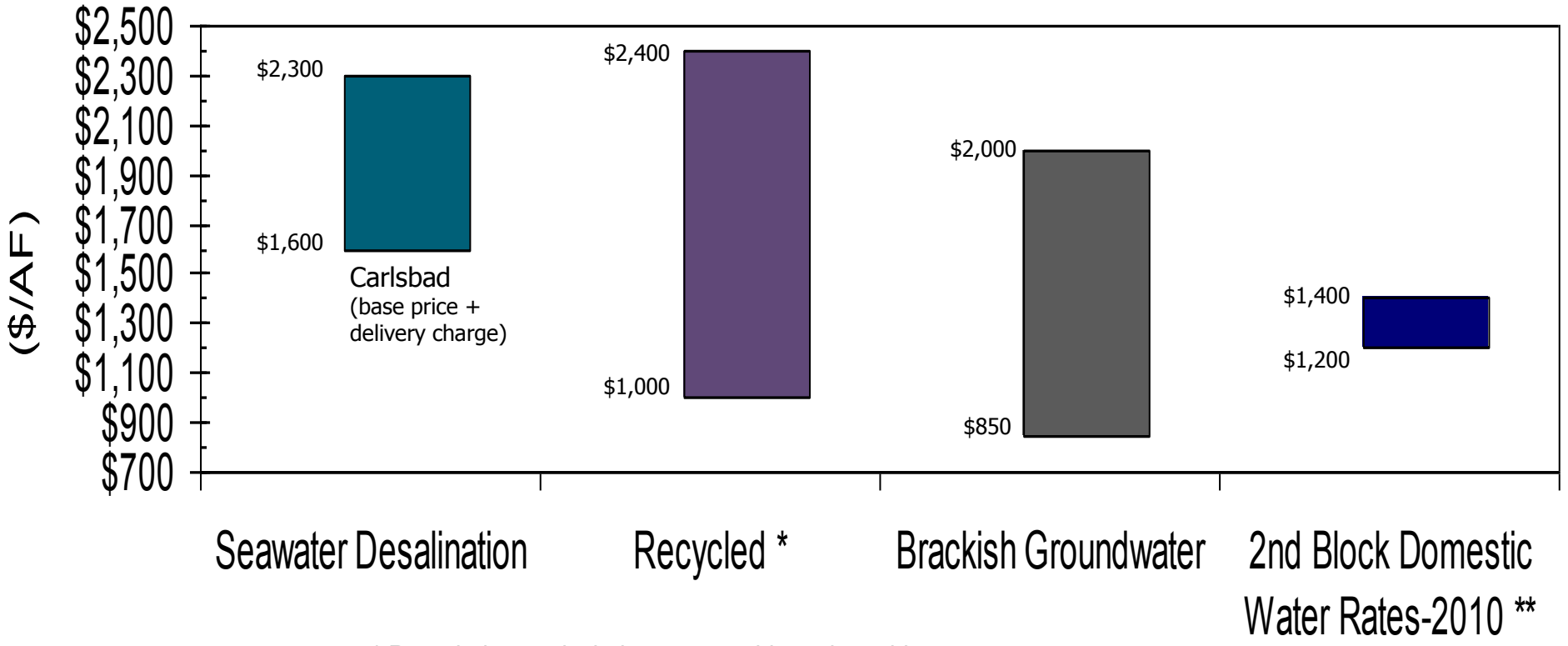
Encina Power Station, Carlsbad

The Cost of Local Supplies in San Diego County

- All new water will be more expensive than historic imported water costs
- Cost is an important factor in evaluating a local supply – reliability, quantity produced, avoided costs, other benefits are also important
- Ultimate cost of a local supply to rate payer is project specific
- When establishing a range of cost-effectiveness, understanding unit cost of supply allows a common basis for a valid comparison
- Unit cost provides a realistic assessment of the range of cost effective options
- Most of the "low hanging fruit" of local supply has been developed
- Future marginal cost of the next increment of local supply will be more expensive

Unit Cost Ranges for Existing and Proposed Supplies in San Diego County

(Before Incentives and Deductions for Avoided Costs)

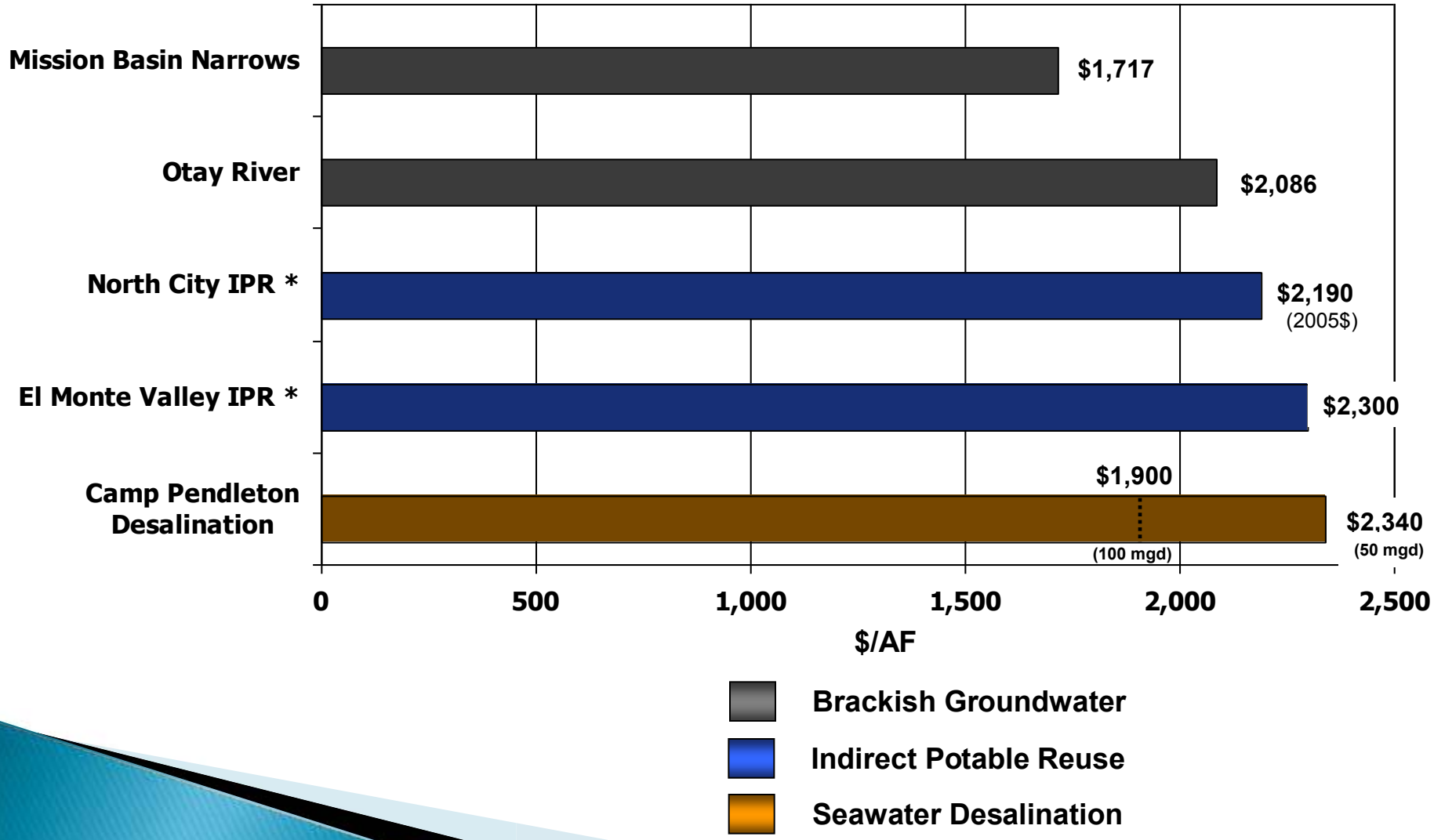


* Recycled water includes non-potable and potable reuse

** Water rates represent a range of rates (2nd tier of inclining block rates) paid by 78% of Water Authority Service area population

Marginal Cost of the Next Increment of Local Supply

(Actual Proposed San Diego Region Project Unit Costs)

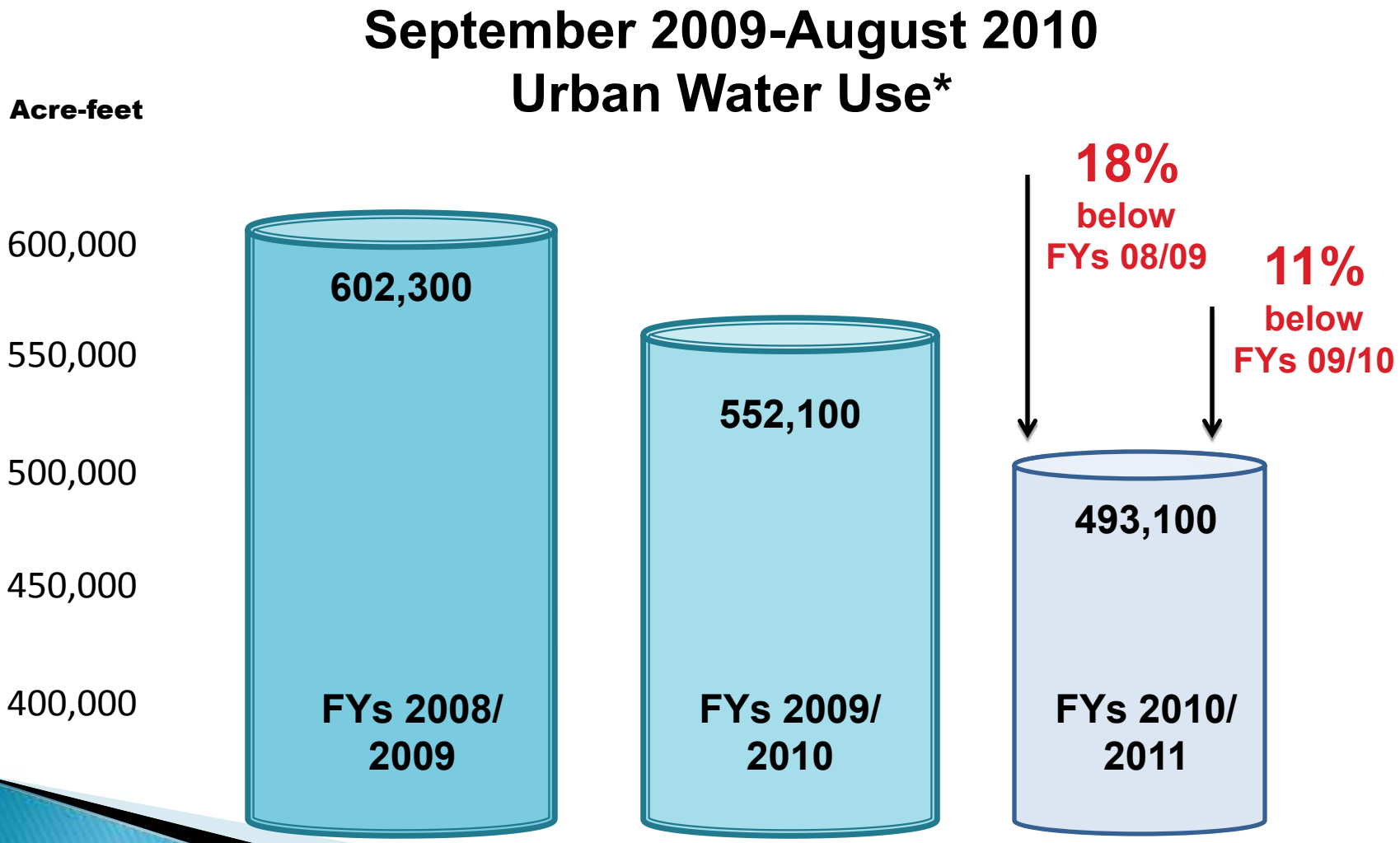


* Cost of re-treatment not included

Local Supply Development for San Diego County

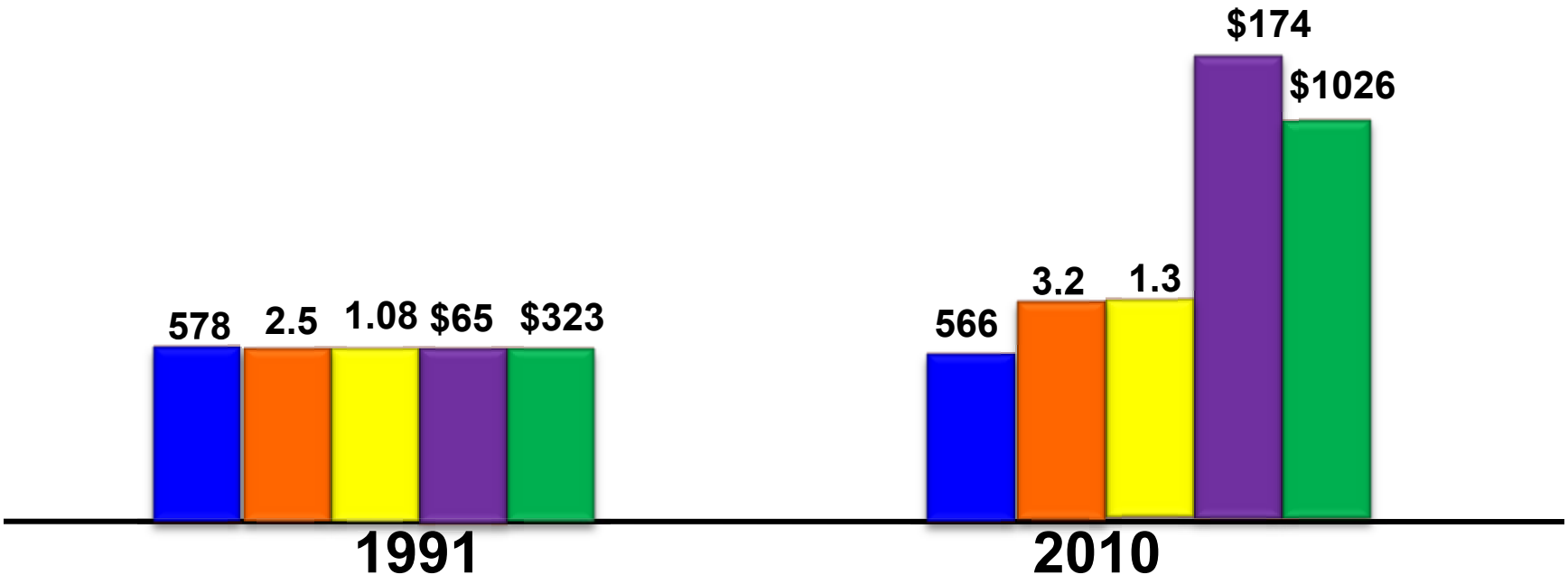
- Supply development takes into account more than just cost
  - Amount of water produced
  - Regulatory requirements
  - Ability to implement or overcome institutional issues
- A reliable water supply for the region depends on a balanced, multi-source approach to supply

Region Succeeding in Saving Water



*12-month periods overlap two fiscal years.

San Diego County: 1991 vs. 2010



Continuing Challenges

- Achieving Bay-Delta fixes that restore reliability
- Rising water rates
- Sustaining new water use ethic
- Resolving MWD and QSA legal disputes
- Water bond passage?

Bay-Delta waterways

Questions