CEO BULLETIN & NEWSLETTERS

CEO Bulletin: 08/16/19 – 08/22/19

BOARD MEMBER REQUESTS & INFORMATIONAL ITEMS

BMR/IBMR Weekly Reports: 08/22/19
Memo from Norma Camacho to the Board, dated 08/30/19, regarding FY2018-2019 Q4 Quarterly Ends Policy Outcome Measure Status Report
Memo from Nina Hawk to the Board, dated 8/21/19, providing an Update on the San Luis Transmission Project

INCOMING BOARD CORRESPONDENCE

Board Correspondence Weekly Report: 08/22/19
Email from Katja Irvin, Conservation Committee Co-Chair, Sierra Club Loma Prieta Chapter to the Board, dated 08/16/19, provided comments on the Water Supply Master Plan (C-19-0206)
Emails from Silicon Valley De-Bug Supports, Jeannette Estruth, Joan Goddard, Veronica Eldredge, Jolene Noel, Demone Carter, Anne Grella, Ted Smith, Ken MacKay, Blanca Marin, Theresa Sweeney Walsh, Francesca Pollock, Andrea Reyna, Kathi Endis and Angelha huynh, to the Board, received 08/19/19 – 08/22/19, regarding Justice for the Survivors of the 2017 Coyote Creek Flood (C-19-0200 through 0205, C-19-0207 through 0211, C-19-0213, and C-19-0217 - 0218)
Email from Lee Hochman to the Board, dated 8/21/19, regarding Media Coverage and Quotes on JAMA Fluoride Study (C-19-0212)
Email from Swanee Edwards to the Board, dated 8/21/19, saying thank you for the tickets to the Volunteer Night at the San Jose Giants (C-19-0214)
Email from Anthony Eulo, Program Manager, City of Morgan Hill to Director Varela, dated 8/21/19, regarding availability of State drinking water grants for private or mutual water companies in the county (C-19-0215)
Email from Raymond White to the Board of Directors, dated 8/21/19, regarding science advances in public water fluoridation (C-19-0216)

Board correspondence has been removed from the on line posting of the Non-Agenda to protect personal contact information. Lengthy reports/attachments may also be removed due to file size limitations. Copies of board correspondence and/or reports/attachments are available by submitting a public records request to publicrecords@valleywater.org.
OUTGOING BOARD CORRESPONDENCE

Emails from Director(s) Estremera and Keegan to the listed constituents, dated (08/19/19 – 08/22/19) regarding “Justice for the Survivors of the 2017 Coyote Flood”
To: Board of Directors  
From: Norma J. Camacho, CEO  

Chief Executive Officer Bulletin  
Week of August 16 – August 22, 2019

Board Executive Limitation Policy EL-7:  
The Board Appointed Officers shall inform and support the Board in its work. Further, a BAO shall  
1) inform the Board of relevant trends, anticipated adverse media coverage, or material external and internal changes, particularly changes in the assumptions upon which any Board policy has previously been established and 2) report in a timely manner an actual or anticipated noncompliance with any policy of the Board.

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</table>
| 8    | Keegan and Kremen  
Director Keegan and Kremen requested staff to provide follow up report on  
SB 268  
R-19-0011 |
| 9    | Varela  
What has Valley Water planned in the event of a county-wide PG&E interruption of service, what is our contingency plan? Please advise and copy Directors.  
I-19-0013 |

1. Almaden Campus Pedestrian Traffic Safety Improvements

Recently, reports of vehicles driving at elevated speeds through the parking lot and roadway between the Administration Building and the Maintenance Office Building were received from Valley Water Staff. Similar conditions were also reported regarding the Water Quality Lab parking lot. In an effort to increase pedestrian safety, a cursory review and a series of improvements were
recommended that are currently in the planning phase for implementation. Thus far, the recommendations include:

• Re-striping the existing pedestrian crosswalks to increase visibility. Several crosswalks are faded.
• Installing a series of speed bumps like those found between Headquarters and the Administration Building.
• Posting additional speed limit signs at the main campus entrance, and at the Fleet and Water Quality Lab parking lots entrances and exits.
• Full identification of stakeholder's needs, clear deliverables, and a detailed project schedule are currently being discussed and developed by applicable Valley Water Staff.

For further information, please contact Tina Yoke at (408) 630-2385.

2. Education Outreach Team Leading Educator Training for Walden West Outdoor Science School Instructors

On Thursday, August 22, the Education Outreach team will be leading an educator training workshop for 20 instructors from Santa Clara County Office of Education's Walden West Outdoor Science School in Saratoga. The focus of the training is watershed stewardship and Education Outreach will be supplying educational materials and training Walden West staff on three hands-on programs. "Blue River", "Stream Assessments" and "Hidden Water" focus on how water travels through the watershed, stream health and an understanding of how much water is used to produce our food. Walden West plan to incorporate these programs into their weekly science camps throughout the 2019-20 school year to increase student awareness of watersheds and watershed stewardship.

For further information, please contact Rick Callender at (408) 630-2017.

3. Governor Appoints Two New Members to the California Water Commission

On August 13, Governor Gavin Newsom's office announced two appointments to fill vacancies on the California Water Commission (Commission): Teresa Alvarado and Matthew Swanson. Ms. Alvarado is a former Valley Water employee and was Deputy Administrative Officer for Communications from 2011 to 2016. Since leaving Valley Water, Ms. Alvarado has served as the San Jose Director of SPUR, and had previously worked with the Hispanic Foundation of Silicon Valley and Pacific Gas and Electric Company. Ms. Alvarado is a Democrat.

Also appointed to the Commission on August 13 was Matthew Swanson of Turlock. Since 1998, Swanson has been president and chief executive officer of Associated Feed, a family-owned company providing both conventional and organic livestock feed products. Swanson is a Republican. Both Alvarado and Swanson must be confirmed by the California Senate and compensation for the position is $100 per diem.

The Commission currently has six members and three vacancies. Since 2018, the Commission has lost three members: Joe Del Bosque of Los Banos, Catherine Keig of Pasadena, and David Orth of Clovis. With one vacancy still unfilled, an additional appointment from the Governor may be forthcoming.
The California Water Commission advises the Department of Water Resources, approves rules and regulations, and monitors the construction and operation of the State Water Project. In 2014, Proposition 1 gave the Commission responsibility for the distribution of funds allocated to the Water Storage Investment Program, and in 2018 the Commission approved conditional funding amounts for eight projects including $485 million for Valley Water's Pacheco Reservoir Expansion Project.

For further information, please contact Rachael Gibson at (408) 630-2884.

4. Negotiations Under the Water Infrastructure Improvements for the Nation Act (WIIN Act)

As the Board is aware, the WIIN Act allows for Central Valley Project (CVP) contractors to request amendment of their CVP water service contracts with the U.S. Bureau of Reclamation (Reclamation) to achieve an unlimited contract term. In other words, no renewals would be needed and Valley Water would be ensured continued water service from the CVP indefinitely. In order to achieve this amendment, contractors have to promptly pay down their allocated portion of CVP capital costs. Valley Water's pay-off amount is expected to be about $7 million, which will be repaid either in lump sum or over three years from the date of execution of the amendment. Fortunately, Valley Water's outstanding capital balance of over $200 million for the San Felipe Division facilities will be excluded from the payments required under the WIIN Act amendment and will continue to be repaid through 2036.

For the past two months, Valley Water and legal counsel, along with representatives of the majority of CVP contractors, have been participating in negotiations with Reclamation on specific contract language that will be applicable to all CVP contractors electing to execute this amendment. The terms being negotiated are primarily financial in nature and are limited only to those items required to implement the applicable provisions on the WIIN Act. A provisional agreement on all CVP-wide terms was reached on August 7, 2019. Now each CVP division, including Valley Water's San Felipe Division, will have separate public negotiations with Reclamation to arrive at division and contractor-specific terms. Valley Water has a few of those terms to negotiate, including the amount and timing of payments and how these are distinguished from previously negotiated repayment terms.

The Board will be updated once Valley Water has reached a provisional agreement on all terms.

For further information, please contact Garth Hall at (408) 630-2750.

5. Planning for Public Auction of a Surplus Property at 110 South Sunset Avenue, San Jose, CA 95116

Valley Water continues with the public sale of a surplus property located at 110 South Sunset Avenue, San Jose. The property contains a residential single family structure. The sale will be through a public auction to be held at Valley Water's Headquarters Boardroom on Tuesday, October 15, 2019, at 2 p.m.

The Current Fair Market Value Appraisal is $465,000, which will be the starting bid. Valley Water is proceeding with the following advertising plan for 30 days:

1. For Sale signs will be posted on the house for public exposure.
2. Valley Water will advertise the public auction in the San Jose Mercury News, San Jose Metro, El Observador, and Vietnamese Daily News.
3. Property sale will be listed in the Multiple Listing Service that is used by real estate brokers.

For further information, please contact Ngoc Nguyen at (408) 630-2632.

6. Valley Water’s New Well Information App

Select information on over 52,000 wells located in Santa Clara County is now available to groundwater professionals and the public though Valley Water’s new web-based, GIS tool, called the Well Information App.

Using the Well Information App, users can obtain data on a well's type (groundwater monitoring, groundwater cleanup, water supply, cathodic protection, etc.), status (active, destroyed, abandoned, standby), location, and select information regarding the well's construction specifications, such as depth, screen interval, casing diameter, and casing material.

We anticipate groundwater professionals who need information on wells located on their clients' properties or on wells in the vicinity of contamination cases they are working to clean up will be the primary users. Of course, private well owners will also be able to use the Well Information App to obtain information related to wells on their properties.

The Well Information App will make Valley Water’s well information more readily accessible to the public and will save staff time by letting customers obtain the information themselves, rather than depending on staff to provide the information.

The Well Information App can be found via a link on our Well Permitting and Inspections web page on Valley Water’s Website or through this link: https://www.valleywater.org/contractors/doing-businesses-with-the-district/wells-well-owners/well-information-application

For further information, please contact Jerry De La Piedra at (408) 630-2257.

7. Valley Water Night with the San Jose Giants

Valley Water Night at the San Jose Giants was held on Friday, August 16. Many employees and volunteers attended the game followed by fireworks.

Highlights of the night included:
• A video on the scoreboard featuring Valley Water Board Chair Linda J. LeZotte and CEO Norma J. Camacho.
• Chair LeZotte throwing out the first pitch.
• Valley Water information booth in a prime location for fans.
• Hundreds of Valley Water hats distributed to volunteers and employees.
• Valley Water employees featured in a mid-inning game of musical chairs.

Feedback on Valley Water Night has been very positive. It was a great time getting together outside of work, while celebrating Valley Water volunteers and employees.

For further information, please contact Rick Callender at (408) 630-2017.
8. **Keegan and Kremen**  
Directors Keegan and Kremen requested staff to provide follow-up report on SB-268 R-19-0011

Director Keegan's specific request was responded to in an in-person discussion with Rachael Gibson.

During the July 23, 2019, Board meeting, Director Kremen expressed concerns about the July 10, 2019, amendments to SB 268 (Wiener) Enhanced Transparency for Local Tax Measures. The amendments were required by the Assembly Elections Committee and were negotiated by Senator Wiener, the bill author, and Assembly member Marc Berman, Chair of the Assembly Elections Committee. The amendment added the words "tax rate" to the language required on each ballot question for local tax measures. The new language now would read, "See voter guide for tax rate information."

Assemblymember Berman required these words, and without his support, the bill would have died. The large coalition of advocates supporting the bill has agreed that the amended language in SB 268, while not ideal, is far better than the current law. Consequently, the coalition's plan is to continue advocating for the bill as it makes its way through the legislative process. Currently, the bill still faces challenging votes in the Assembly Appropriations Committee, the Assembly Floor, the Senate Elections Committee, the Senate Appropriations Committee, and the Senate Floor, all before the Legislature adjourns on September 13, 2019. If the bill passes all the above votes, signature by Governor Newsom also will be needed for enactment.

For further information, please contact Rachael Gibson at (408) 630-2884.

9. **Varela**  
What has Valley Water Planned in the Event of a County-wide PG&E Interruption of Service, what is Our Contingency Plan? Please Advise and Copy Directors.  
I-19-0013

The information requested has been presented to the Board of Directors during the closed session held on August, 13, 2019. The Office of Emergency Services and Security, working in close collaboration with Water Utility Enterprise, Information Technology, Facilities, and Fleet & Equipment Management, reported on the capacity of maintaining operations at each of our sites. It has been determined that Valley Water is capable of continuing service for 3-5 days using internal resources during the type of power outage scenario proposed by PG&E. Staff continue to explore additional options to extend that timeframe.

For further information, please contact Tina Yoke at (408) 630-2385.
BOARD MEMBER REQUESTS
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<tr>
<th>Request</th>
<th>Request Date</th>
<th>Director</th>
<th>BAO/Chief</th>
<th>Staff</th>
<th>Description</th>
<th>20 Days Due Date</th>
<th>Expected Completion Date</th>
<th>Disposition</th>
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<td>I-19-0013</td>
<td>07/16/19</td>
<td>Varela</td>
<td>Yoke</td>
<td>Gordon</td>
<td>What has Valley Water planned in the event of a county-wide PG&amp;E interruption of service, what is our contingency plan? Please advise and copy Directors.</td>
<td>08/05/19</td>
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<td>R-19-0011</td>
<td>07/23/19</td>
<td>Keegan</td>
<td>Kremen</td>
<td>Callender</td>
<td>Gibson</td>
<td>Directors Keegan and Kremen requested staff to provide followup report on SB-268</td>
<td>08/14/19</td>
<td></td>
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Enclosed is the report of FY 2018-2019 Quarter 4 performance, which, per Board policy, is monitored by reporting on the Board Appointed Officer’s (BAO) Ends Policy Outcome Measures. This report is one of the ways that the Board monitors the degree to which the Board policies are being met by the Chief Executive Officer.

This report summarizes the status of 108 Outcome Measures, grouped by each Board Ends Policy Objective. Overall, in Quarter 4, 81% of the Ends Outcome Measures (88 of 108) are on target or were met; 11% have been or will be adjusted (12 of 108).

Specifically, seven percent (8 of 108) are not on target for the reasons below:

**OM-2.1.1.e.** At least 95% of countywide water supply wells meet primary drinking water standards.  
Elevated nitrate in South County (primarily domestic wells) resulted in 84% of wells tested meeting primary standards (this increases to 99% if nitrate is not included). Action Plan: Continue to implement the free domestic well testing and nitrate treatment system rebate programs for domestic wells; continue efforts to work with regulatory and land use agencies to address this long-term issue.

**OM-2.1.1.g.** At least 90% of wells in both the shallow and principal aquifer zones have stable or decreasing concentrations of nitrate, chloride, and total dissolved solids.  
This measure is not met for chloride as 82% of wells have stable or decreasing concentrations. The measure is met for nitrate and total dissolved solids. Action Plan: Implement activities identified in the Salt and Nutrient Management Plans; continue collaborating with regulatory and land use agencies to address salt loading.

**OM-2.2.1.a.** 100% of annual maintenance work plans completed for all transmission and distribution facilities.  
For FY19, there were 86 annual maintenance work plan projects for the raw water transmission and distribution system. 25 of 86 (29%) projects were completed. 50 projects (58%) were rescheduled to future years. Most were re-scheduled because the facility could not be taken out of operation for maintenance. An additional 11 (13%) were cancelled because they were found to be more appropriately categorized and tracked as preventive or routine maintenance.
OM-2.3.1.b. 100% of annual maintenance work plans completed for all facilities.

Q4 completion rate 68%. Due to plant conditions, some items will be carried over to Q1 & Q2 FY20. Expected completion estimated to be >50%.

OM-3.1.2.b. 100% of levees inspected and maintained annually.

Approximately 98% of levees were inspected and maintained in FY19. To help better achieve these measures in the future, the unit: (1) has undertaken an improvement process to streamline and prioritize inspections; and (2) is in the process of hiring a temporary Engineering Technician and will be hiring (replacing) one permanent Engineering Technician vacancy to assist with inspections and AVW responses.

OM-3.1.2.e. 100% of maintenance projects comply with the Stream Maintenance Program permit best management practices.

A violation occurred on February 7, 2019, when VFO Contractors knocked down a hummingbird nest when they cut down a tree. Appropriate agencies were notified and corrective action was taken. We modified our biological survey process to shorten the time between survey and work.

OM-3.2.1.a. 90% of Water Resource Protection Ordinance violations are resolved.

69 cases were opened 4/1/19 – 6/30/19; 20 (29%) were resolved within the quarter; 49 (71%) remained open at the end of Q4; and 44 of the remaining open cases are part of the Calabazas Creek Erosion project. Timeline for the resolution of these cases are coordinated with the Capital Unit. The remaining 5 cases have a compliance date past the end of Q4.

OM-4.2.2.a. Agreements with responsible partner agencies are in place for appropriate public access to District facilities.

An agreement with the City of San Jose for the Joint Use Agreement for Coyote Creek Trail, expired in the summer of 2018 and Valley Water and City staff are coordinating on updating and renewing the agreement.

These performance areas are monitored quarterly by Watersheds and Water Utility Enterprise and their status is reported to the CEO.

As part of the Board’s desire to govern transparently and effectively, the Board’s role is to serve as the initiator of policy and delegator of authority to its BAO’s.

The organization’s performance toward accomplishing the Board’s Ends policy goals and objectives is the responsibility of the Board Appointed Officers. Through the BAOs’ interpretation of these policies, Outcome Measures are derived and implemented through the budget process and guide development of project and individual staff work plans. These plans specify operational activities to be implemented to achieve the Board’s direction for the organization.

The BAOs analyze and monitor organizational performance through operational Quarterly Management Reviews and report results to the Board through Quarterly Performance Reports, as required by Board-BAO Linkage Policy 5.4:
All policies which instruct the BAOs will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at any time by any method, but will ordinarily depend on a routine schedule. Frequency = Quarterly.

The performance of the Outcome Measures are regularly monitored to ensure that they are achieved and meet customer expectations and are used to monitor the CEO’s performance.

The alignment of the Board policies, BAO Interpretations, and the Budget Process supports a cycle of continual improvement. The outcomes from monitoring either reinforce existing Board policy or facilitate recommended policy changes for Board consideration.

Please contact me if you have comments or questions about this report.

Norma J. Camacho
Chief Executive Officer
<table>
<thead>
<tr>
<th></th>
<th>E-2.1.1</th>
<th>Aggressively protect groundwater from the threat of contamination and maintain and develop groundwater to optimize reliability and to minimize land subsidence and salt water intrusion.</th>
<th>Overall Outcome Measure Status(^1)</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>E-2.1.1</td>
<td>On target: 75% (6 of 8) [Adjusted: 0%] [Not on Target: 25% (2 of 8)]</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>E-2.1.2</td>
<td>Protect, maintain, and develop local surface water.</td>
<td>On target: 38% (3 of 8) [Adjusted: 63% (5 of 8)] [Not on Target: 0%]</td>
</tr>
<tr>
<td>3</td>
<td>E-2.1.3</td>
<td>Protect, maintain, and develop imported water.</td>
<td>On target: 100% (1 of 1) [Adjusted: 0%] [Not on Target: 0%]</td>
</tr>
<tr>
<td>4</td>
<td>E-2.1.4</td>
<td>Protect, maintain, and develop recycled water.</td>
<td>On target: 0% [Adjusted: 100% (1 of 1)] [Not on Target: 0%]</td>
</tr>
<tr>
<td>5</td>
<td>E-2.1.5</td>
<td>Maximize water use efficiency, water conservation, and demand management opportunities.</td>
<td>On target: 100% (2 of 2) [Adjusted: 0%] [Not on Target: 0%]</td>
</tr>
<tr>
<td>6</td>
<td>E-2.1.6</td>
<td>Prepare for and respond effectively to water utility emergencies.</td>
<td>On target: 100% (2 of 2) [Adjusted: 0%] [Not on Target: 0%]</td>
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<tr>
<td>7</td>
<td>E-2.2.1</td>
<td>Raw water transmission and distribution assets are managed to ensure efficiency and reliability.</td>
<td>On target: 0% [Adjusted: 67% (2 of 3)] [Not on Target: 33% (1 of 3)]</td>
</tr>
<tr>
<td>8</td>
<td>E-2.3.1</td>
<td>Meet or exceed all applicable water quality regulatory standards.</td>
<td>On target: 67% (2 of 3) [Adjusted: 0%] [Not on Target: 33% (1 of 3)]</td>
</tr>
</tbody>
</table>

\(^1\) There are 108 Outcome Measures monitored by the Board Appointed Officers. Each Ends Policy Objective is monitored by 1 or more Outcome Measures; the results of which are reported as a percentage in the Outcome Measure Status column.
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<tr>
<th>Board Ends Policy Objective</th>
<th>Overall Outcome Measure Status¹</th>
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<tbody>
<tr>
<td>9 E-2.3.2</td>
<td>Maintaining effective relationships with the retailer and other stakeholders to ensure high quality, reliable drinking water. On target: 100% (2 of 2) Adjusted: 0% Not on Target: 0%</td>
</tr>
<tr>
<td>10 E-3.1.1.</td>
<td>Protecting parcels from flooding by applying an integrated watershed management approach that balances environmental quality and protection from flooding. On target: 79% (11 of 14) Adjusted: 21% (3 of 14) Not on Target: 0%</td>
</tr>
<tr>
<td>11 E-3.1.2.</td>
<td>Preserving flood conveyance capacity and structural integrity of stream banks, while minimizing impacts on the environment and protecting habitat values. On target: 78% (7 of 9) Adjusted: 0% Not on Target: 22% (2 of 9)</td>
</tr>
<tr>
<td>12 E-3.2.1.</td>
<td>Promoting the preservation of flood plain functions. On target: 75% (3 of 4) Adjusted: 0% Not on Target: 25% (1 of 4)</td>
</tr>
<tr>
<td>13 E-3.2.2.</td>
<td>Reducing flood risks through public engagement. On target: 100% (4 of 4) Adjusted: 0% Not on Target: 0%</td>
</tr>
<tr>
<td>14 E-3.2.3.</td>
<td>Preparing and responding effectively to flood emergencies countywide to protect life and property. On target: 100% (10 of 10) Adjusted: 0% Not on Target: 0%</td>
</tr>
<tr>
<td>15 E-4.1.1.</td>
<td>Preserving creeks, bay, and ecosystems through environmental stewardship. On target: 100% (13 of 13) Adjusted: 0% Not on Target: 0%</td>
</tr>
<tr>
<td>16 E-4.1.2.</td>
<td>Improving watersheds, streams, and natural resources. On target: 92% (11 of 12) Adjusted: 8% (1 of 12) Not on Target: 0%</td>
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</table>

¹There are 108 Outcome Measures monitored by the Board Appointed Officers. Each Ends Policy Objective is monitored by 1 or more Outcome Measures; the results of which are reported as a percentage in the Outcome Measure Status column.
<table>
<thead>
<tr>
<th>Number</th>
<th>Objective Code</th>
<th>Objective Description</th>
<th>Overall Outcome Measure Status</th>
</tr>
</thead>
</table>
| 17     | E-4.1.3.       | Promote the protection of creeks, bay, and other aquatic ecosystems from threats of pollution and degradation. | On target: 100% (4 of 4)  
Adjusted: 0%  
Not on Target: 0% |
| 18     | E-4.1.4.       | Engage and educate the community in the protection of water quality and stream stewardship. | On target: 100% (3 of 3)  
Adjusted: 0%  
Not on Target: 0% |
| 19     | E-4.1.5.       | Prepare and respond to emergencies that threaten local waterways.                    | On target: 100% (1 of 1)  
Adjusted: 0%  
Not on Target: 0% |
| 20     | E-4.1.6.       | To the extent within practicable control of the District, adopt a strategy to restore the salmonid fishery on identified salmonid streams within fifteen years of strategy adoption by creating suitable accessible spawning and rearing habitats. | Outcome Measure for this Objective pending board review. |
| 21     | E-4.2.1.       | Support healthy communities by providing access to additional trails, parks, and open space along creeks and in the watersheds. | On target: 100% (1 of 1)  
Adjusted: 0%  
Not on Target: 0% |
| 22     | E-4.2.2.       | Support healthy communities by providing appropriate public access to District facilities. | On target: 0%  
Adjusted: 0%  
Not on Target: 100% (1 of 1) |
| 23     | E-4.3.1.       | Reduce greenhouse gas emissions to achieve carbon neutrality by 2020.                | On target: 100% (2 of 2)  
Adjusted: 0%  
Not on Target: 0% |

1 There are 108 Outcome Measures monitored by the Board Appointed Officers. Each Ends Policy Objective is monitored by 1 or more Outcome Measures; the results of which are reported as a percentage in the Outcome Measure Status column.
TO: Board of Directors

FROM: Nina Hawk

SUBJECT: Update on the San Luis Transmission Project

DATE: August 21, 2019

During construction of the Central Valley Project (CVP), the U.S. Bureau of Reclamation (Reclamation) entered into a long-term contract with Pacific Gas and Electric Company (PG&E) to provide electric transmission service to the San Luis Unit of the CVP, which serves south of Delta water contractors, including Valley Water. This contract expired in 2016 and the San Luis Unit now receives transmission service through the California Independent System Operator (CAISO) and is subject to CAISO's Transmission Access Charges, which are projected to increase significantly over time.

In recognition of the expiring contract, Reclamation, the Western Area Power Administration (WAPA), and the San Luis and Delta-Mendota Water Authority (SLDMWA) began evaluating the construction of a new transmission line in 2010. At about the same time, Duke American Transmission Company (DATC) submitted a request to CAISO to build a transmission line along this same corridor. In recognition of the potential for a mutually beneficial arrangement, the parties began discussions to jointly develop the San Luis Transmission Project (SLTP) under a public-private partnership model.

The arrangement currently being considered is that the transmission line would be built, owned, and operated by WAPA, while DATC would provide project funding. SLDMWA would not be a party to any agreement among these entities, but has been engaged because its member agencies will ultimately be responsible for a significant share of project costs. Valley Water staff has also participated in the planning for the SLTP, including the preparation of environmental documents, negotiations with DATC, and review of the economic analysis.

Additional information about the project and its potential benefits is included in Attachment 1.

Nina Hawk
Chief Operating Officer
Water Utility Enterprise

Attachment 1: San Luis Transmission Project Fact Sheet
Western Area Power Administration (WAPA) in partnership with Duke-American Transmission Co. (DATC) is proposing to build and operate the San Luis Transmission Project – a new 85-mile, 230-kilovolt electric transmission line that will continue to provide the electricity necessary for the economical and reliable delivery of federal water supplies to Central Valley and Bay Area residents, businesses and farms. It will run from WAPAs Tracy Substation in the north to the Sen Luis, O’Neill and Dos Amigos substations in the south.

**Benefits**

- **Provide cost certainty:** Limits cost increases for water customers and provides long-term cost certainty
- **Enhance reliability:** Strengthens the transmission corridor between Tracy and Los Banos areas and enhances delivery of energy and water supplies
- **Enable renewable energy:** Strategically positions the San Joaquin Valley for expansion of renewable energy projects; expands transmission access and flexibility to help the state meet its renewable energy and greenhouse gas reduction goals
- **Strengthen the transmission grid:** Enhances energy transmission, improves transmission system reliability in the entire San Joaquin Valley and prevents catastrophic outages
- **Use an existing corridor:** Relies on effective use of an existing transmission corridor to minimize costs and farm and environmental impacts

**Background and need**

WAPA is a federal agency, one of four power marketing administrations within the U.S. Department of Energy, whose role is to market and deliver clean, renewable, reliable, cost-based federal hydroelectric power from multi-use water projects. As a wholesale power provider, WAPA delivers power from 56 power plants operated by the Bureau of Reclamation (Reclamation), U.S. Army Corps of Engineers and other federal entities, including the Central Valley Project in California.

WAPA is required by law to provide reliable, electric transmission service to Reclamation and its customers. WAPAs previous transmission contract with Pacific Gas & Electric for delivery of San Luis Unit power at the federal Central Valley Project (CVP) expired in 2016, and Reclamation requested that WAPA develop a new transmission service arrangement to replace the expiring contract.

**About the project**

WAPA is the federal lead agency for the San Luis Transmission Project, developing the project for Reclamation and its San Luis Unit of the CVP. The San Luis & Delta-Mendota Water Authority (SLDMWA), which serves many of the federal water contractors, is the state lead agency for the transmission line project.

The project has completed all necessary environmental review and compliance under the National Environmental Policy Act and California Environmental Quality Act. A preferred route for the project has been determined and design of the transmission facilities is nearly complete.

Construction of the proposed transmission line is the least-cost and most reliable long-term option for local water agencies as well as California electric users generally. Specifically, the proposed transmission line will enhance delivery of low-cost WAPA power for use by San Joaquin Valley and Bay Area water agencies and farms. The project is expected to provide long-term power supply reliability and cost certainty for all SLDMWA and other CVP water customers. More than 45 water and leading farm groups support development of the transmission line.
Public-private partnership
The San Luis Transmission Project is benefiting from partnerships with public agencies and private organizations working to ensure the San Joaquin Valley, a region that the nation relies on to provide food for millions, continues to thrive. Together, the Department of Interior, WAPA, SDLMWHA, Reclamation and DATC are collaborating to develop and realize this project – and do it in a cost-effective way.

DATC is a private transmission developer working with the public stakeholders on the SLTP project. DATC is equally owned by Duke Energy, the largest utility in the nation, and American Transmission Co., a national leader in transmission development. Collectively DATC partners own and operate more than 41,000 miles of transmission lines. As a transmission-only utility, DATC provides valuable insights into meeting transmission infrastructure needs.

Public-private partnerships can provide notable advantages in infrastructure projects, and can be especially useful in critical, regionally significant projects, such as the San Luis Transmission Project. In this project, DATC would provide project execution expertise. Public stakeholders would benefit from DATC’s transmission expertise while also securing a predictable, reliable transmission connection to support the water and power needs of the Central Valley.

DATC’s expertise can help maximize efficiencies in the project and drive down costs. By maximizing the line capacity, others could benefit from the project, such as utilities in the area serving end users and renewable energy developers. Reclamation, WAPA, SDLMWHA and DATC are working together to identify ways to design and build the line that provide for additional capacity above what WAPA requires, and do it in an efficient and cost-effective manner.

The partners are in the process of negotiating a funding agreement in principle for the project that will allow for the use of 400 megawatts of capacity by the water customers with approximately 200 MW of additional capacity available. DATC will soon begin marketing the additional capacity.

Project partners

San Luis & Delta-Mendota Water Authority: A California joint powers agency responsible for operation and maintenance of the South of Delta Central Valley Project facilities. It represents 28 federal and exchange irrigation, M&I and wetland water service contractors within the western San Joaquin Valley, San Benito and Santa Clara counties. [www.sldmwa.org](http://www.sldmwa.org)

Bureau of Reclamation: A federal agency under the U.S. Department of the Interior. It is the largest wholesale water supplier in the country and the nation’s second largest producer of hydroelectric power. In its Mid-Pacific Region, Reclamation owns, operates and manages the dams, power plants and canals of the Central Valley Project. [www.usbr.gov](http://www.usbr.gov)

Western Area Power Administration: A power marketing administration within the U.S. Department of Energy responsible for marketing and transmitting more than 25,000 gigawatt-hours of clean, renewable hydropower annually from 56 federal hydroelectric powerplants owned and operated by the Bureau of Reclamation, U.S. Army Corps of Engineers and International Boundary and Water Commission in 15 western and central states. WAPA authorizes construction of transmission or may act independently to build transmission in the region. [www.wapa.gov](http://www.wapa.gov)

Duke-American Transmission Co.: A transmission developer equally owned by Duke Energy and American Transmission Co. Duke Energy’s regulated utilities serve customers in six states in the Southeast and Midwest. ATC is the nation’s first transmission-only utility. It owns and operates more than 9,600 miles of transmission lines and 554 substations in the Midwest. [www.datcllc.com](http://www.datcllc.com)
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