



# STRATEGIC PLAN

## 2023





**Placer County Water Agency**

# **STRATEGIC PLAN**

**March 16, 2023**

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The purpose of this document is to confirm strategic visions of the Board of Directors and to direct staff on key issue areas that impact the Agency's business units, its customers, and the citizens of Placer County.

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# Water Supply Reliability



**Background:** The greatest threats to water supply reliability in PCWA's service area are legislative and regulatory action that diminish the Agency's ability to provide water to our customers. Further, increasing hydrologic variability will require regional collaboration to build infrastructure that captures, stores, and conveys water resources across jurisdictional boundaries.

**Strategic Goal:** Protect and ensure reliability of water supplies for the future of Placer County, while maintaining local control, defend against unnecessary restrictions on beneficial use of water, and maximizing resilience to drought and climate change.

## **Policy Direction:**

### a. Middle Fork Project (MFP) Water Supplies

- Maintain local control of and defend MFP water supplies
- Reaffirm PCWA's commitment to the Water Forum and to the co-equal goals through the current re-negotiation of the Water Forum Agreement
- Obtain State Water Resources Control Board (SWRCB) approval to put MFP consumptive water rights to full beneficial use and expand place of use to meet Water Forum commitments in the long-term
- Maintain viability of annual water transfers to meet Water Forum commitments in the short-term
- Engage with regional partners in joint implementation of the Voluntary Settlement Agreement for the Delta Water Quality Control Plan

### b. Drum Spaulding Water Supplies



**Priority for 2023:** Represent PCWA in the PG&E divestiture of the Drum Spaulding hydroelectric system

**Business Case:** In 2022, PG&E began partial divestiture of its generation assets to raise equity for capital investment. These assets include the Drum Spaulding hydroelectric system that has been providing water to Placer County for more than a century. Today this water supply represents more than 50% of PCWA's portfolio. Protecting this resource for permanent use in Placer County is necessary for PCWA to satisfy its mission of serving current and future water needs of our citizens.



- Advocate for operation and maintenance by PG&E to reliably meet water deliveries to the PCWA service area
  - Advocate for continued delivery of water to PCWA pursuant to our water supply contracts in the ongoing FERC re-licensing process
- c. Central Valley Project (CVP) Water Supplies
- Expand existing contract Place of Use to include all western Placer County
  - Pursue additional Point of Diversion under PCWA's CVP contract to include the Sacramento River (RiverArc) to serve western Placer County
  - Engage with regional partners in joint defense of re-initiation of consultation of the CVP biological opinion
- d. Regional Water Supply Planning



**Priority for 2023:** Advocate and plan for drought and climate change resilience under the leadership and collaboration of regional partnerships and projects (e.g. Sites Reservoir, RiverArc and the Water Bank)

**Business Case:** The Sites Reservoir project is complete with environmental review and will be undergoing design and permitting. Project funding is being generated, notably through a recently authorized federal loan. It is anticipated that this project will be complete by 2030. The Water Bank is nearing completion of environmental review. An implementation and governance committee has been launched. Several projects that make up the Water Bank have been funded and additional funding is being sought. The RiverArc project is being considered by the City of Sacramento as a potential priority over its own Sacramento River intake and treatment plant expansion. The project partners are eagerly supportive of this proposal and seeking funding to defray the project cost. All three of these regional projects are at critical points that warrant focus.





# Drinking Water System Sustainability



**Background:** The Agency has purchased, consolidated, and built water systems throughout the county at various times in its history. As inherited by PCWA, these water systems vary significantly in age, initial construction quality, and standard of care. With limited funds, it is important to identify weaknesses before failures occur, which cause customer outages and excessive repair costs. In addition, many rural areas of the county do not have access to safe and reliable drinking water.

**Strategic Goal:** Maintain a high standard of service in terms of water quality, reliability, and value with cost-effective infrastructure plans.

## **Policy Direction:**

### a. Serving Existing Customers

- Target a standard of care that renews or replaces infrastructure prior to end of life
- Invest in the best condition assessment and asset management practices available to prioritize projects
- Ensure adequacy of renewal and replacement and reserve funds to support the target standard of care

### b. Serving New Customers



**Priority for 2023:** Time construction of Ophir Water Treatment Plant (WTP), as well as other large investments in capacity, to take greatest advantage of market prices, borrowing costs, and partnerships, resulting in an optimal funding plan for PCWA

**Business Case:** The estimated year of needing Ophir WTP online is about 2030 for both PCWA and the City of Lincoln. The City has also expressed desire for funding partnership agreement that earmarks their available water connection charge funds for this purpose. Having a funding partnership solidified in a written agreement would help both entities cooperatively strategize the best time to begin construction. This strategy is advisable given the currently dynamic economic conditions. In pursuing this outcome, it is also appropriate to update the temporary Nevada Irrigation District water supply agreement so that the City can have a clear understanding of the water supply and cost they will have for Ophir WTP.





**Priority for 2023:** Ensure connection fees are adequate to fund expansion of capacity when needed and without financial burden to existing customers

**Business Case:** Customer connection fees are established by means of a Water Connection Charge (WCC) program, which considers existing and future capacity, absorption, debt issuance and a Capital Improvement Program (CIP) needed to serve the area for the program duration. Agency staff aims to update this Water Connection Charge Study ever 5 years, or considerable changes to past assumptions. With the last study for lower Zone 6 completed in 2017, a new WCC Study is underway to analyze Capital Improvement Program (CIP) Costs for planned improvements and analyze expenditures and debt issuance to further evaluate the Agency's Water Connection Charges (WCC's) across wholesale and retail customers. Retail demands will further be analyzed to evaluate the assessment of Units of Capacity for various lot size categories identified in the Rules and Regulations.

- Actively seek funding to extend service to unserved and under-served areas through the County-Wide Master Plan.

#### c. Water System Consolidations



**Priority for 2023:** Be responsive to consolidation requests by existing water systems & seek state and federal funding

**Business Case:** The Agency has ten active grant funding applications, for consolidation projects, in development with the State Water Resources Control Board. These projects are in various stages of planning, design, or construction preparation and will need Agency support to get to executed funding agreements. Potential funding from the State is on the order of tens of millions of dollars, with additional funding available as an incentive to consolidating entities (like PCWA). Therefore, it is imperative to secure and leverage these funds while they are available, especially considering that the fiscal climate could change soon. These monies will significantly bolster the resources already provided by the Agency and their partners to implement infrastructure associated with consolidations. The Agency will also continue to provide technical assistance and support to entities that want to consider or investigate potential consolidation as an option. The Agency remains committed to goal of ensuring that the residents of Placer County have access to safe, reliable, and affordable drinking water.



# Canal System Sustainability



**Background:** A majority of PCWA's 170 miles of canal infrastructure is very old and operating at or near capacity. These canals traverse wooded lands in the foothills, where they are vulnerable to fire and landslides. The water delivered from these canals supports a variety of agriculture in western Placer County, as well as being the conveyance to many water treatment plants.

**Strategic Goal:** Preserve the canal system for agricultural sustainability and other beneficial uses of water, and to protect delivery to water treatment plants.

## **Policy Direction:**

### a. Infrastructure



**Priority for 2023:** Develop rules and regulations to manage encroachments and operate the canals efficiently, obtain necessary access rights, and ensure cost recovery of handling unique customer matters

**Business Case:** Modification of existing rules and regulations and the creation of a customer agreement will provide for more efficient and effective operations and administrative efforts provided by staff. In addition, changes can strengthen staff's ability to manage encroachments and/or obtain necessary access to maintain the untreated conveyance system. Funding identified in 2023 budget will help launch a right of way program to improve access, remove hazardous trees, and further perfect our easements necessary to effectively maintain and operate the system.

- Follow the same direction as given for the drinking water system for standard of care, asset management, and funding
- Invest in bolstering the canal system by elimination of failure points, such as wooden flumes, poor pipeline materials, unstable soils, and tree hazards
- Develop an outreach program to educate customers regarding canal systems, water use efficiency, access, and encroachments
- Implement the Auburn Ravine fish passage permit requirements and seek funding if screen improvements are required

### b. Beneficial Use of Water

- Conduct voluntary annual surveys of canal customers to help quantify how water is being used beneficially and to comply with the Water Forum commitment
- Target efficiency and reliability gains through investment in new ideas and technologies on both the Agency and customer side of delivery points
- Invest in minimizing water loss through canal lining, conversion of open canal to pipeline, and automation of flow control
- Where economically justifiable, improve canal system capacity to serve new customers



# Power System Sustainability



**Background:** The Middle Fork Project (MFP) was completed in 1967, and while upgrades and reinvestments have been made over the past decade, major segments of infrastructure are now over 60 years old. In addition, California's energy market is transitioning to a carbon-free generating network, potentially creating financial incentives for hydropower and other carbon-free generating resources.

**Strategic Goal:** Optimize the sale of energy and energy-related products, while maintaining a standard of care that ensures power-generating reliability while assuring water supply for the people of Placer County.

## **Policy Direction:**

### a. Infrastructure



**Priority for 2023:** Advocate for adequate Middle Fork Project Finance Authority reserves to maintain financial sustainability and meet unforeseen circumstances

**Business Case:** The Middle Fork Project (MFP) Finance Authority holds the reserves for the MFP. Over the past 18 months PCWA staff, in collaboration with county staff, have been working on a risk financing study to understand the potential resource needs of the MFP based on the associated risks of this \$2 billion replacement value asset. At the January 19, 2023, MFP Finance Authority Board meeting, staff presented a final draft Risk Financing Study Report and received informal Board member concurring guidance of the October 20, 2022, Board meeting to manage the probability to a low risk, which would equate to reserves of \$124 million or more. This spring, additional work on insurance and insurance options will continue, however, during 2023, the Finance Authority Treasurer will be recommending to the Finance Authority Board that reserves should be increased to \$124 million or more.

- Maintain a standard of care for MFP infrastructure that ensures high reliability using best asset management practices
- Continue to enhance power-generating infrastructure to be responsive to market conditions
- Support the ancillary use of MFP reservoirs for regional flood protection if compatible with PCWA interests
- Develop partnerships and funding alliances that equitably distribute the cost to manage forest land in our watershed based on regional and statewide benefits

### b. Energy Marketing

- Advocate for legislation and regulation that recognizes hydropower as a renewable energy source that contributes to a carbon-free economy
- Optimize energy production value while meeting all regulatory requirements

## High Customer Confidence



**Background:** The Agency's most frequent interfaces with customers are bills, new service connections, water-wise house calls, and our messaging intended to inform them of PCWA's various initiatives in water, energy, and stewardship. As communications technology advances and preferences change, our challenge will be to stay current with the most effective options to interact with our customers.

**Strategic Goal:** Preserve, grow, and enhance confidence in PCWA as a water purveyor and as a steward of our natural resources.

### Policy Direction:



**Priority for 2023:** Use multiple platforms for customer engagement (e.g. social media and postcards) to adapt to broad customer needs and result in positive customer experiences

**Business Case:** The Agency uses a variety of methods to communicate to its customers and to other members of the public. For example, the Agency may issue a news release to communicate to customers on matters related to projects, financial decisions, or regulatory impacts to Agency operations. The actions we take to keep our customers informed not only foster trust with our communities, but also expand the credibility of our Agency at a statewide and federal level. Through participation in local and regional surveys and focus groups, we can engage our customers to learn their preferences and interests, level of satisfaction, and gauge how specific agency decisions have influenced our customers. Communication with our customers is an ongoing priority. As we continue to engage our customers and educate our communities on the actions at PCWA, it will increase the recognition of our brand and the trust of our customers.

- Prioritize communications on these topics: infrastructure, workforce, bill payment options, water quality, water efficiency rebates, and watershed stewardship
- Implement customer surveys and other outreach to better understand customer needs
- Deploy technology, including a new Enterprise Resource Planning system, to increase the use of electronic billing and payment, while enhancing customer convenience



# Agency Financial Health



**Background:** Agency financial resources are derived from enterprise funds that vary year to year based on hydrology, water, and energy sales. Additionally, the Agency strives to evenly spread the cost of maintenance of infrastructure over time, but periodically, there are failures and other circumstances that result in extraordinary funding needs.

**Strategic Goal:** Ensure the Agency's financial health through adequate resources and ample reserves to operate and maintain water, power, and stewardship functions, while practicing cost control and risk management.

**Policy Direction:**

- Prioritize funding of the renewal and replacement program to target deferred maintenance and to enhance water system reliability
- Prioritize resources/appropriations for Federal Energy Regulatory Commission License Implementation projects
- Strive to achieve funding of reserve targets commensurate with risk and resource needs in water and agency wide
- Budget annual operations with restraint and consideration for rates, monitor costs considering inflationary trends
- Maintain best-in-class posture and a strong credit rating for future borrowing and seek strategic debt issuances for over-all financial health
- Keep financial policies up to date and adaptable to changing conditions



## Dynamic Workforce



**Background:** The Agency competes for a limited pool of managers, professionals, and specialized labor with other public and private utilities in northern California. Furthermore, as baby boomers retire, there are fewer workers to replace retirees in positions that require specific, specialized skill sets.

**Strategic Goal:** Attract and retain a high-performing workforce that will thrive in our culture, which encourages employees to fully utilize their talents to optimize their potential at PCWA, while preserving a safe and efficient workplace.

**Policy Direction:**

- Participate in student-focused programs, such as career days, job shadowing, and paid internships
- Recruit highly skilled ambitious employees with our collaborative culture, workplace qualities, and a compensation package that reasonably aligns with the regional labor market
- Proactively plan for employee succession with internal employee development programs that foster career growth, upward mobility, and leadership
- Reevaluate staffing needs as hiring opportunities arise to increase operational efficiencies, considering how technology is changing workload and workflow
- Foster a workplace environment where safety is the highest priority, job site hazards are reduced or eliminated, and the health and safety of employees is recognized as paramount



# Information Technologies



**Background:** Technology can be useful as a tool to reduce labor costs, increase productivity, and provide more reliable and cost-effective service for our customers. However, technology costs can be high, both to implement and to maintain, so the Agency must balance new technology initiatives with limited funding.

**Strategic Goal:** Provide secure, reliable, sustainable, flexible, and effective IT/OT infrastructure that has a high return on investment to support and protect the operational objectives of PCWA.

## **Policy Direction:**

### a. Workflow Efficiency

- Use technology as a workforce multiplier to optimize staff productivity and efficiency
- Adequately train employees with new technologies so they embrace changes and innovations within their workflow
- Deploy industry-standard technology for systems supporting workflow efficiency

### b. Cybersecurity

- Make cybersecurity a critical priority of the agency, its employees, and IT infrastructure, including employee culture and training
- Deploy leading-edge proven technology for systems supporting cybersecurity
- Deploy defense in depth strategies to provide multiple layers of cybersecurity

### c. Disaster Recovery and Business Continuity

- Ensure readiness to continue Agency operations with minimal disruption in the event of disaster
- Deploy leading edge technology to ensure critical infrastructure does not become obsolete

