

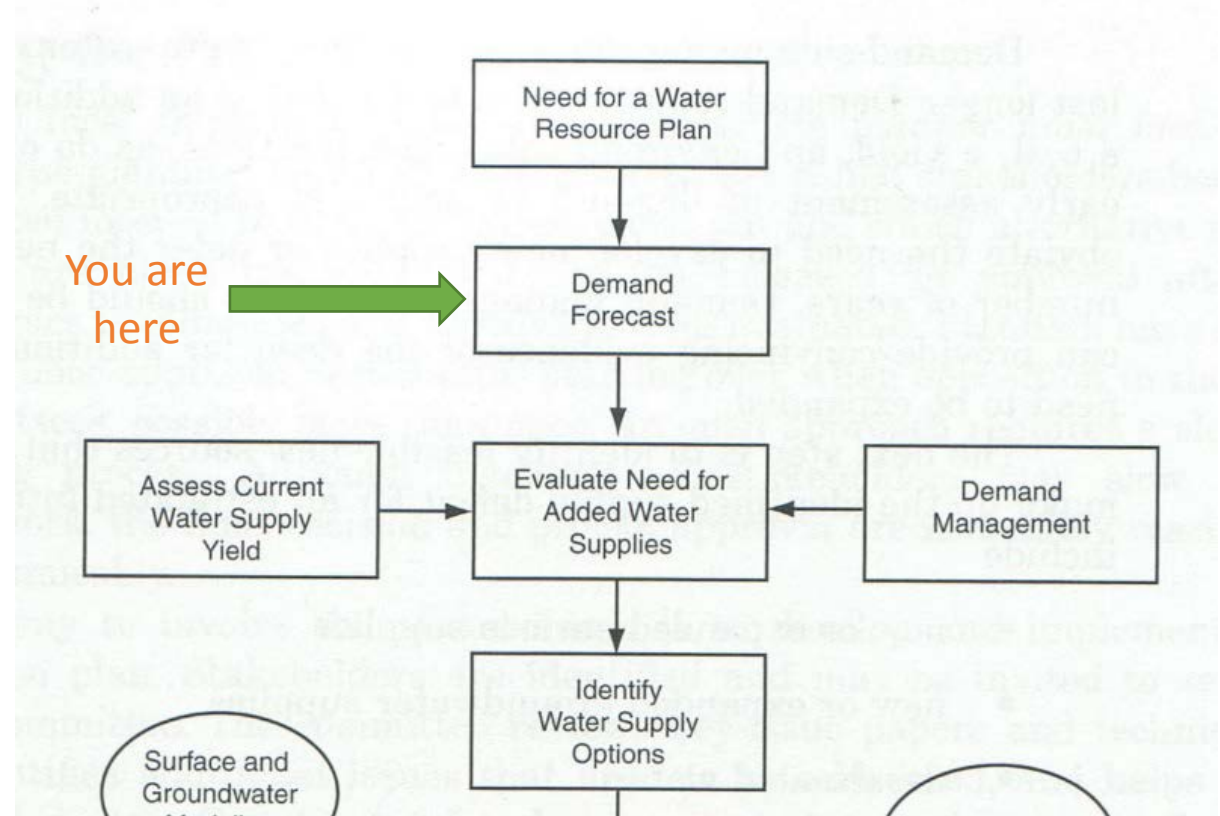
Interim Baseline Demand Forecast

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Baseline Demand Forecast Needed To:

- Assess adequacy of existing water supplies
- Determine system reliability and risk of shortfall
- Evaluate efficacy of supply and demand management alternatives

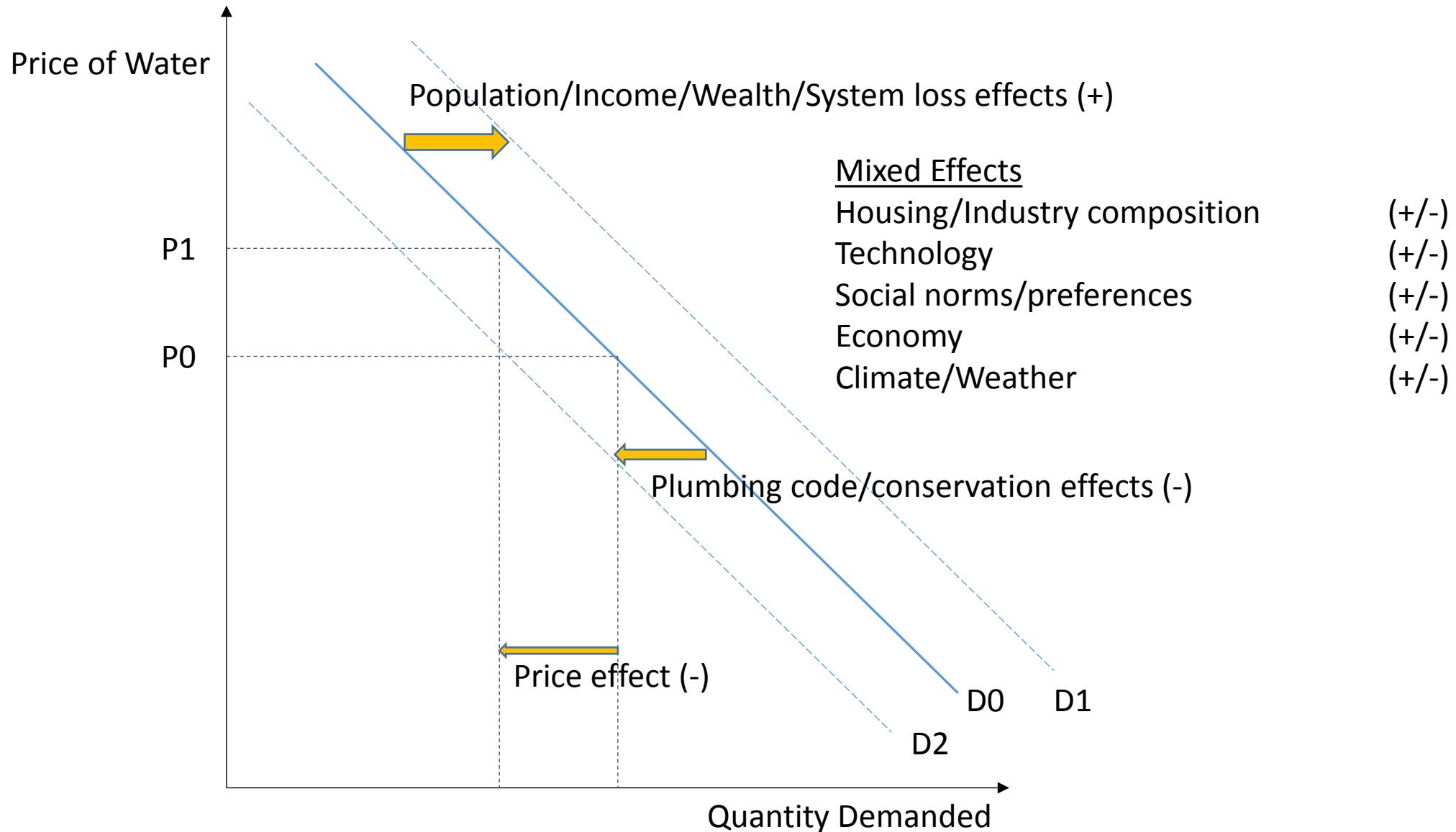


Baseline Demand Forecast Accounts For:

- Future projected growth in population and economy
- Improvements in water use efficiency due to plumbing codes, appliance standards, and City's existing conservation program
- Effect of water rates and income growth
- Impact of current drought
- Other smaller adjustments

Represents interim estimate of future demand under status quo given normal weather and no curtailments or other restrictions on water use

Graphical Depiction of Demand Drivers



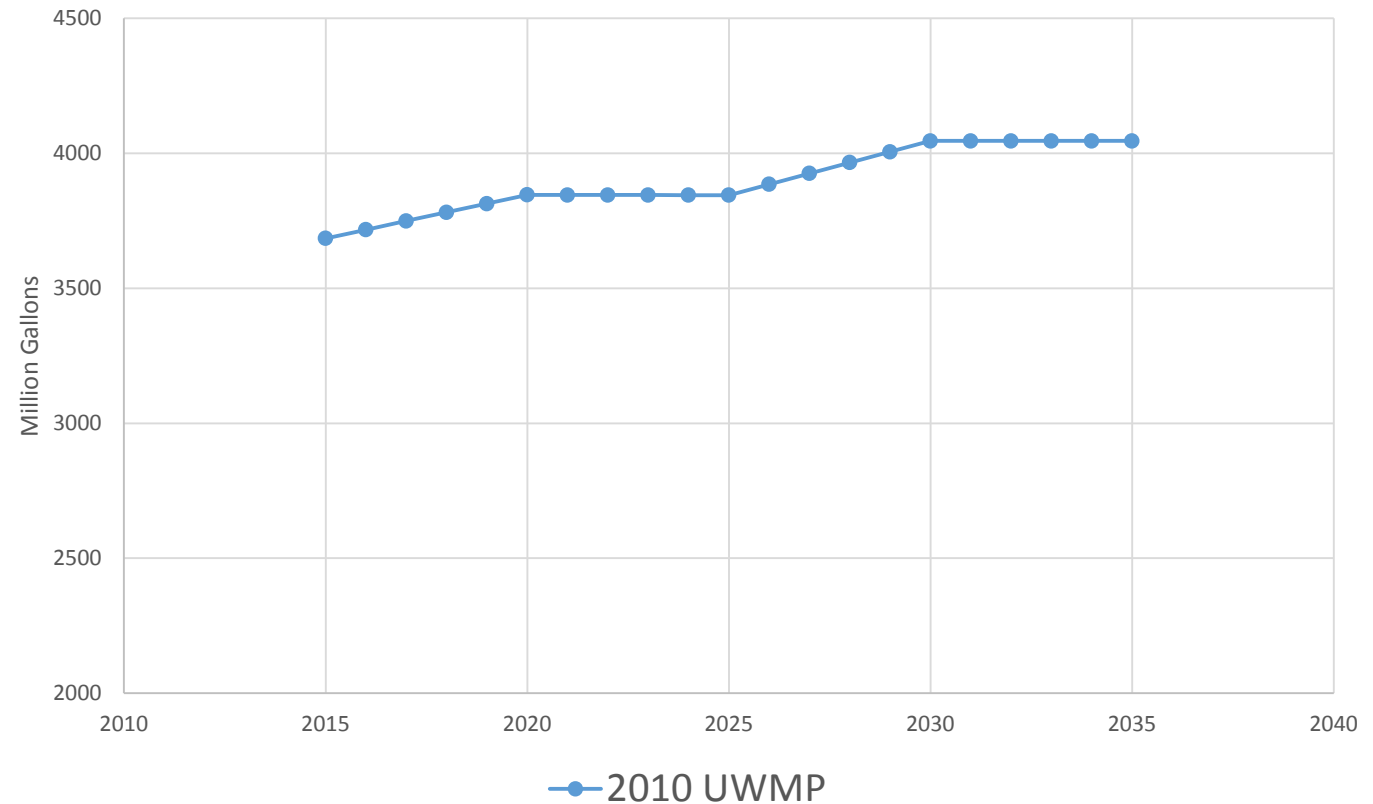
This is an INTERIM forecast

- Intended to bridge gap between City's current forecast from 2010 UWMP and development of new demand models and projections
- Goal: Use readily available information and professional judgment to make defensible adjustments to 2010 forecast to address most significant concerns with current forecast

Starting Point: 2010 UWMP Demand Forecast

- Growth Projections
 - General Plan 2030 buildout analysis
 - AMBAG population forecast
 - UCSC Water Supply Assessment (SOI Amendment EIR)
- Baseline use/service
 - Inside/outside city 2007/08 weather normalized average use by customer category

Santa Cruz Water System Demand Forecasts



Adjustments Made to 2010 UWMP Forecast

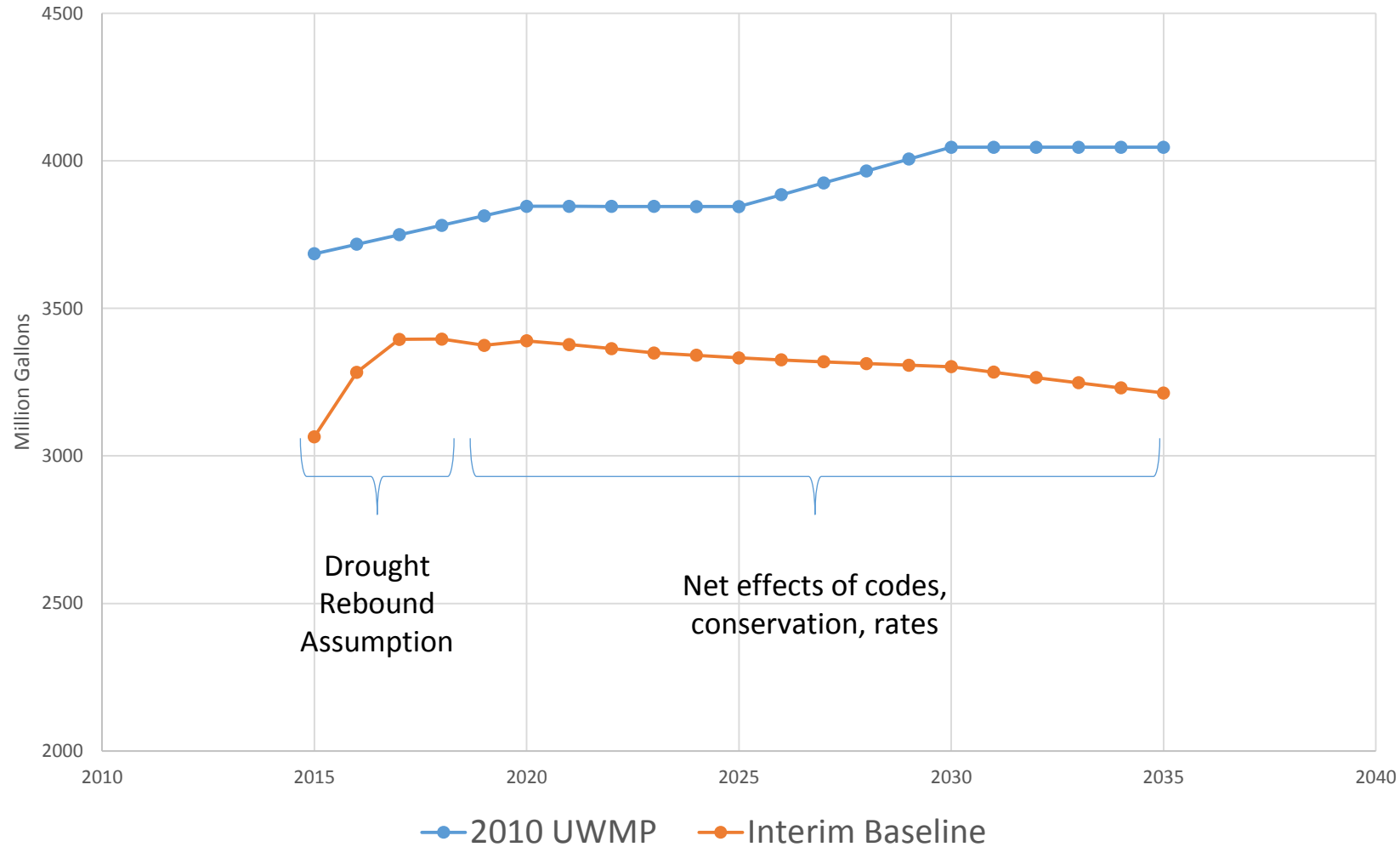
- Plumbing code/appliance standards
- Existing conservation program (Program A)
- In-City commercial growth
- Water rate increases
- Income growth
- North coast ag
- Drought rebound

Magnitude of Adjustments

	Plumb.	Scaled	Com	North	Price/			
	Code	PRGM A	Growth	Coast	Income	Drought	Misc/	Total
Year	Adj	Savings	Adj	Adj	Adj	Adj	Losses	Adjustment
2015	-1%	-1%	0%	-1%	-1%	-12%	-1%	-17%
2016	-1%	-1%	0%	-1%	-1%	-5%	-1%	-12%
2017	-2%	-2%	-1%	-1%	-2%	-2%	-1%	-9%
2018	-2%	-2%	-1%	-1%	-3%	-1%	-1%	-10%
2019	-2%	-2%	-1%	-1%	-4%	0%	-1%	-12%
2020	-2%	-3%	-1%	-1%	-5%	0%	-1%	-12%
2025	-4%	-3%	-1%	-1%	-5%	0%	1%	-13%
2030	-6%	-3%	-1%	-1%	-6%	0%	-1%	-18%
2035	-6%	-3%	-1%	-1%	-8%	0%	-2%	-21%

2010 UWMP vs Interim Baseline

Santa Cruz Water System Demand Forecasts



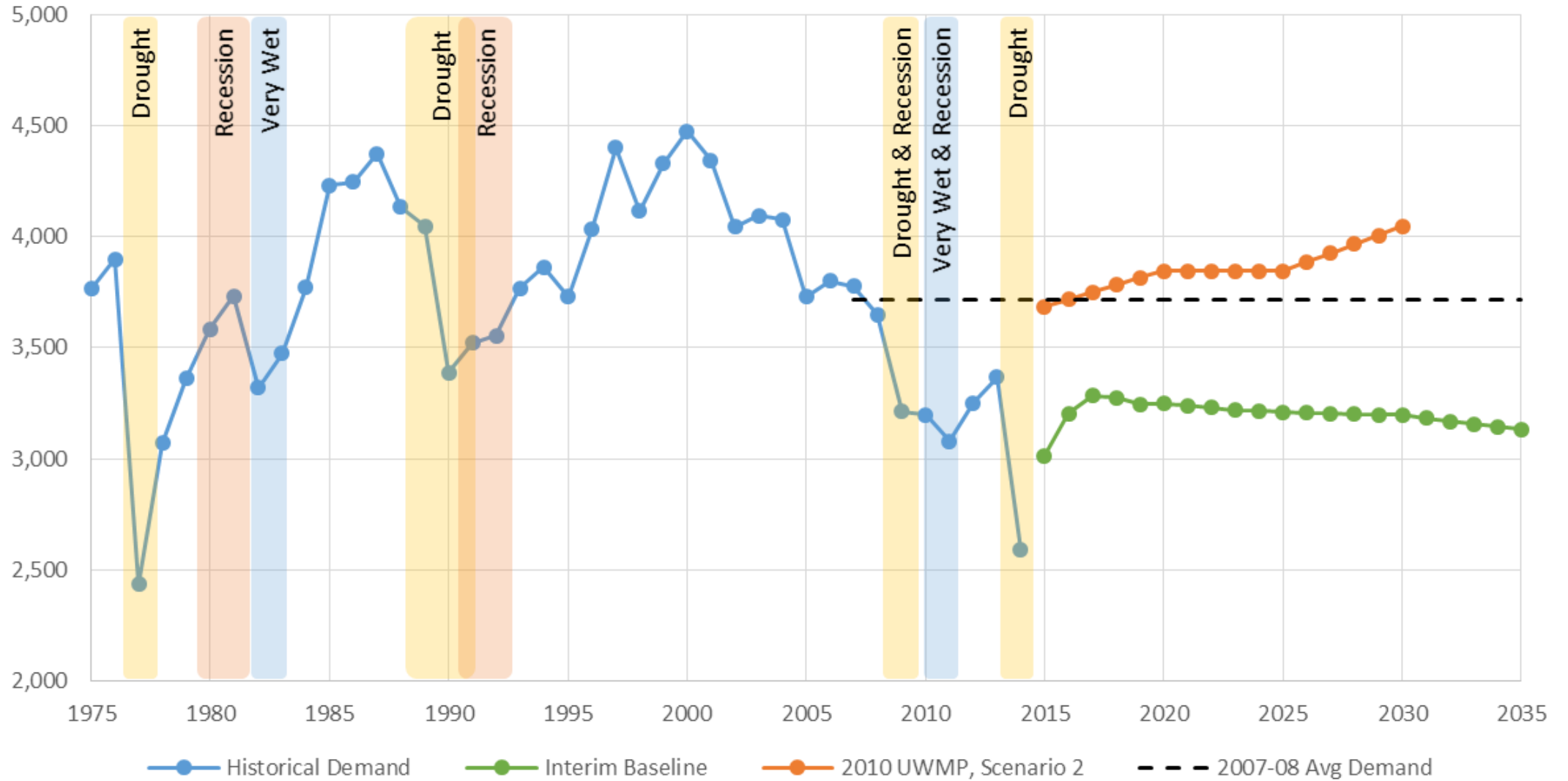
2010 UWMP vs Interim Baseline (MGY)

Year	2010 UWMP	Interim Baseline	% Diff
2015	3685	3065	-17%
2020	3846	3390	-12%
2025	3845	3332	-13%
2030	4046	3302	-18%
2035	4046	3213	-21%

Basis/Sources for Adjustments

Adjustment	Basis/Source
Code/conservation savings	DSS model preliminary estimates
In-City Comm. Growth	Reduced from 6 MGY/Y to 3 MGY/Y. Has average about 2 MGY/Y in past 10 yrs
North Coast Ag	Not a treated water demand. Handled separately in Confluence Model. Removed from forecast
Rate Increase	<ol style="list-style-type: none"> 1. Projected 10%/yr rate increases through 2020. Assume 4.4%/yr avg thereafter (based on CPI Water Sewer Trash Service Index) 2. Price elasticity assumptions based on CUWCC guidelines and recent empirical studies of CA urban water districts
Income Growth	<ol style="list-style-type: none"> 1. Caltrans per capita income forecast for Santa Cruz County 2. Income elasticity assumptions based on recent empirical studies of CA urban water districts
Drought Rebound	Differentiated by customer category. Non-residential irrigation assumed to recover over two-year period. Residential demand over five-year period. Predicated on drought not continuing.

City of Santa Cruz Historic and Projected Water Production (million gallons)



Questions/Discussion