



This meeting is not subject to Brown Act noticing requirements. The agenda is subject to change.

Water Supply Planning Committee Members:
Robert S. Brower, Sr.
Chair
Jeanne Byrne
Ralph Rubio

Alternate:
Andrew Clarke

Staff Contact
David J. Stoldt,
General Manager

After staff reports have been distributed, if additional documents are produced by the District and provided to the Committee regarding any item on the agenda, they will be made available at 5 Harris Court, Building G, Monterey, CA during normal business hours. In addition, such documents may be posted on the District website at mpwmd.net. Documents distributed at the meeting will be made available in the same manner.

AGENDA
Water Supply Planning Committee
Of the Monterey Peninsula Water Management District

Tuesday, October 17, 2017, 3:30 pm
MPWMD Conference Room, 5 Harris Court, Bldg. G, Monterey, CA

Call to Order

Comments from Public - *The public may comment on any item within the District's jurisdiction. Please limit your comments to three minutes in length.*

Action Items – *Public comment will be received.*

1. Consider Adoption of Committee Meeting Minutes of September 19, 2017
2. Consider Adoption of Reimbursement Methodology and Amendment 2 to Cost Sharing Agreement for Pure Water Monterey

Discussion Items – *Public comment will be received.*

3. Update on Water Supply Projects
 - a. Pure Water Monterey
 - b. California American Water Desalination Project
 - c. DeepWater Desal
 - d. Local Water Projects
4. Update on Los Padres Dam Studies
5. Update on North Monterey County Drought Contingency Plan and Salinas and Carmel Rivers Basin Study

Set Next Meeting Date

Adjournment

Upon request, MPWMD will make a reasonable effort to provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. MPWMD will also make a reasonable effort to provide translation services upon request. Please send a description of the requested materials and preferred alternative format or auxiliary aid or service by 5PM on Friday, October 13, 2017. Requests should be sent to the Board Secretary, MPWMD, P.O. Box 85, Monterey, CA, 93942. You may also fax your request to the Administrative Services Division at 831-644-9560, or call 831-658-5600.

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WATER SUPPLY PLANNING COMMITTEE

ITEM: ACTION ITEM

1. CONSIDER ADOPTION OF COMMITTEE MEETING MINUTES OF SEPTEMBER 19, 2017

Meeting Date: October 17, 2017

**From: David J. Stoldt,
General Manager**

Prepared By: Arlene Tavani

CEQA Compliance: This action does not constitute a project as defined by the California Environmental Quality Act Guidelines Section 15378.

SUMMARY: Attached as **Exhibit 1-A** are draft minutes of the September 19, 2017 Water Supply Planning Committee meeting.

RECOMMENDATION: The Committee should adopt the minutes by motion.

EXHIBIT

1-A Draft Minutes of the September 19, 2017 Water Supply Planning Committee Meeting



EXHIBIT 1-A

DRAFT MINUTES
Water Supply Planning Committee of the
Monterey Peninsula Water Management District
September 19, 2017

Call to Order The meeting was called to order at 8:10 am in the MPWMD conference room.

Committee members present: Robert S. Brower, Sr. - Committee Chair (by telephone)
 Jeanne Byrne
 Ralph Rubio

Committee members absent: None

Staff members present: David Stoldt, General Manager
 Larry Hampson, Planning & Engineering Division Manager
 Maureen Hamilton, Water Resources Engineer
 Jonathan Lear, Senior Hydrologist
 Arlene Tavani, Executive Assistant

District Counsel present David Laredo

Comments from the Public: George Riley stated that the California Public Utilities Commission (CPUC) will be biased towards the Monterey Peninsula Water Supply Project, because the commission is in a unique position as lead agency for preparation of the EIR. He expressed concern that the close relationship between the CPUC and California American Water could mean that the CPUC will not be responsive to other interests.

Action Items

- 1. Consider Adoption of Committee Meeting Minutes of August 8, 2017**
On a motion by Brower and second of Byrne, minutes of the August 8, 2017 committee meeting were approved on a vote of 2 – 1 by Byrne and Brower. Rubio abstained as he was not present at the August 8, 2017 meeting.

- 2. Provide Direction re Testimony for Hearings before the California Public Utilities Commission re Application of California American Water to CPUC (No. 12-04-019) – Monterey Peninsula Water Supply Project**
General Manager Stoldt reviewed issues that would be considered at upcoming hearings before the CPUC: Demand, Supply, Costs, Project Financing, Downsizing, Settlement Agreements, and Community Values. He asked for comments from the committee on some of those issues. Direction provided by the committee is listed below.

Brower made a motion that the testimony should express support for construction of a 6.4 mgd desalination plan. The motion was seconded by Rubio and approved on a vote of 3 – 0 by Brower, Rubio and Byrne.

The committee expressed support for the following assertions: (a) water consumption has been reduced over time; (b) Cal-Am should operate a 6.4 mgd desalination plant at 80% capacity to ensure that 20% is available for health and safety needs of the community – this reflects an operational safety factor, not a growth factor; (c) must plan for legal lots-of-record or there is a risk that lot owners could claim a “taking” of property rights; (d) the Pebble Beach Company has an entitlement of 320 acre-feet of water which must be provided for; (e) support expansion of Pure Water Monterey if progress on the desalination project is stalled; (f) reductions in water production due to the Seaside Basin Adjudication contribute to the need for the 6.4 mgd desalination plant; and (g) the Monterey Peninsula suffers from “water poverty.”

The following comments were presented to the committee during discussion of this item. (1) **David Chardavoyne**, General Manager of the Monterey County Water Resources Agency, stated that Cal-Am proposes to operate the 6.4 mgd desalination plant at 95%. The standard is for a utility to operate at 80% so that 20% is available if there is a breakdown in the system. (2) **George Riley** stated that local ratepayers recognize that desalination can provide much needed additional water supply. However, they are opposed to the high cost of the project. He noted that there is no opposition to importing water from outside the District such as from Moss Landing.

Discussion Items

3. Update on Water Supply Projects

- a. Pure Water Monterey – No report
- b. California American Water Desalination Project – No report
- c. DeepWater Desal – There had been no public announcement about a rumored partnership with a Spanish investment firm. The draft EIR for the project should be completed in early 2018.
- d. Local Water Projects – (1) The City of Monterey had not submitted invoices for preparation of the Monterey Regional Water Recovery Study. (2) Development of the Stormwater Resource Plan for Carmel Valley and the Monterey Peninsula should be completed by July 2018. (3) The Pacific Grove Stormwater and Dry Weather Flow Reuse Project should begin operation in October 2017. The goal was to obtain final permits within 45 days of operation.

4. Update on Los Padres Dam Studies

Larry Hampson reported that consultants are working on fish passage and dam alternatives. Completion of the study had been delayed while consultants waited for government agencies to provide requested information.

Set Next Meeting Date: The next meeting was set for 3:30 pm on October 17, 2017

Adjournment: The meeting was adjourned at 9:30 am.

WATER SUPPLY PLANNING COMMITTEE

ACTION ITEM

2. CONSIDER ADOPTION OF REIMBURSEMENT METHODOLOGY AND AMENDMENT 2 TO COST SHARING AGREEMENT FOR PURE WATER MONTEREY

Meeting Date:	October 17, 2017	Budgeted:	N/A
From:	David J. Stoldt General Manager	Program/ Line Item No.:	N/A
Prepared By:	David J. Stoldt	Cost Estimate:	N/A

General Counsel Approval: N/A

Committee Recommendation: N/A

CEQA Compliance: Action does not constitute a project as defined by the California Environmental Quality Act Guidelines section 15378.

SUMMARY: In May 2013, the Monterey Peninsula Water Management District (District) entered into a Cost Sharing Agreement (Agreement) with Monterey One Water (MOW, at the time Monterey Regional Water Pollution Control Agency) to fund the Groundwater Replenishment (GWR) Project planning and development costs, also referred to as pre-construction costs.

In April of 2017, MOW's State Revolving Fund Loan was approved to support the payment of GWR/Pure Water Monterey (PWM) project costs, providing the opportunity to reimburse pre-construction costs from the State Revolving Fund loan.

To formalize this action, as well as incorporate additional terms to support the continued relationship between the parties, a second Amendment to the Cost Sharing Agreement is needed.

MOW's Budget and Personnel Committee (BPC) met to discuss the amendment at its September 8, 2017 meeting, at which time the BPC directed MOW staff to pursue reimbursement of MOW funds; however, they suggested that consideration be given to the District waiving reimbursement of their costs, for reasons described under "BACKGROUND" below.

At the District's September 11, 2017 Administrative Committee meeting, the Committee approved the proposed form of amendment, as well as an alternate version, where the District would not participate in funding the debt service reserve fund and the initial reimbursement proportions would be different.

The District's full board approved either of both versions on consent at its September 18, 2017 meeting.

At MOW's September 25, 2017 full board meeting, the reimbursement proposals were discussed and staff was directed to develop a series of talking points to be conveyed to the District by the

MOW board Chair, in support of the District giving consideration to waiving reimbursement of their costs. Such talking points are summarized under “BACKGROUND” below.

Both parties’ board Chairs and general managers met on October 4, 2017, at which time the District strongly expressed that it does not agree to waive its reimbursement. The District also provided its own talking points in response to MOW, which are summarized under “BACKGROUND” below.

As a result of the discussion between the parties on October 4th, the board Chairs and general managers agree that the revised proposal (**Exhibit 2-A**) hereto represents a compromise which (i) is fair to both parties, (ii) provides for potential future reimbursement of pre-construction costs in a manner that bring both parties closer to proportional reimbursement, and (iii) leave the door open for a future contribution by the District to help reduce the wholesale cost of product water.

RECOMMENDATION: The General Manager recommends the Committee recommend the Board approve Amendment 2 to the Cost Sharing Agreement with MOW for the Pure Water Monterey Project.

BACKGROUND: Under the Cost Sharing Agreement adopted in May 2013, beginning with Fiscal Year 2013-14, MOW agreed to fund 25% of all costs listed in Section II (A)(1, 2) of the Agreement, while the District agreed to pay for 75% of the specified costs. In July 2016, the parties entered into Amendment 1 to the Cost Sharing Agreement to increase the number of fully-funded MOW positions covered and support the costs associated with the line of credit.

After approval of MOW’s State Revolving Fund Loan in April of this year, project costs through February 28, 2017 concluded the pre-construction costs covered by the Cost Sharing Agreement. All eligible costs incurred after that period were paid by MOW and subject to reimbursement by the State.

Staff of MOW and the District agreed to apply for \$8.2 million in initial reimbursements from the State Revolving Fund loan, in concept with the reimbursement shared equally between the organizations. The Agency’s \$4.1 million share of the reimbursements was earmarked to replenish and increase reserve balances.

At the September 8, 2017 MOW BPC meeting, there were still on-going discussions between both parties. Staff was initially considering a recommendation for an equal distribution of the \$8.2 million initial reimbursement, an equivalent contribution to establish the PWM debt service fund, and that any future distributions be based on the proportional share of costs or a true-up to that level. As stated above, at the BPC meeting, MOW staff was directed to pursue reimbursement of MOW funds, and to suggest that the District give consideration to waiving reimbursement of their costs.

MOW Talking Points: On October 3, 2017, MOW provided to the District several talking points for giving consideration to waiving its reimbursement. The points are summarized below:

- There was no provision in the original Cost Sharing Agreement, or Amendment 1, to reimburse the District for their contributions.
- The District levies a fee, its Water Supply Charge, to support alternative water projects.
- MOW needs to stabilize its financial status, especially as it has capital improvement needs system-wide separate from PWM. MOW has no way to replenish reserves without such reimbursement or raising rates.
- MOW's funds were originally set aside to support wastewater projects, and were 'lent' to PWM while deferring needed wastewater investment.
- The District has supported other projects where its investments are similar to a grant.
- The District's boundaries and California American Water Company (Cal-Am) service area are very close to overlapping, and if the District allocates its reimbursement back to the project the wholesale cost of water to ratepayers will be reduced.
- The District has already pledged to support PWM costs that may be in excess of the Cal-Am revenues. By extension, "buying down" the initial cost of water will help keep costs closer to the already approved \$1,720 per acre-foot "soft cap" on the initial cost of water approved by the California Public Utilities Commission (CPUC.)
- The Agency's preliminary numbers indicate that MOW's proportional investment is approximately 37.1% or \$7.2 million, with the District contributing 62.9% or \$12.3 million. This amount is subject to reconciliation by both entities and could be adjusted based on any additional costs outside of MOW's accounting records or any disputed costs.

District Talking Points: On October 4, 2017, the District provided to MOW several talking points for giving consideration to waiving its reimbursement. The points are summarized below:

- The District rejected waiving reimbursement.
- While there was no provision for reimbursement in the Cost Sharing Agreement, the District asserts that both parties knew this was the intent since 2013 and that the District adopted its own "reimbursement resolution" in December 2012 and repeatedly urged MOW's general manager at that time to do the same. In 2015, MOW asked the District for a copy of its reimbursement resolution, again signaling knowledge that reimbursement was the intent.
- Both agencies are reimbursing monies taken from ratepayers. The District's Water Supply Charge is simply a water rate charge with limited purposes. Further, with the recent reinstatement of the District's User Fee, its Water Supply Charge will be forced to sunset in whole or in part, so the District lacks any extra resources to stabilize our financial status.

- During the course of the project we have severely tapped our reserves due, exacerbated by several unanticipated mid-year budget increases for the project. The District's FY2017-18 budget and its economic stability depends on some level of reimbursement.
- The District recognizes that there is, in fact, a wastewater component to the project, so some wastewater revenues can be used for the purpose.
- This is not analogous to the District's grant funding. The District does sponsor grants for local water projects, but for large capital projects, such costs would be reimbursed and added to the capital costs and repaid on an ongoing basis from wholesale water sales, back stopped by the District's rates and charges. For example, the District adopted a reimbursement resolution for the costs expended on DeepWater Desal.
- It is too soon to ask the District to help "buy-down" the cost of water. The parties have always known that this should be a 2-step process. That is, reimburse both parties' pre-construction costs now. Then, once the cost of water relative to the CPUC soft cost cap is determined, the District will give consideration to making a contribution to reduce the cost of water. The cost of water is merely a prediction at this time. Until construction nears completion in a year, it is not clear whether the cost of water will be below or above the soft cap. At this time, MOW cannot show that the District's contribution would bring the cost of water below the soft cap of \$1720 per AF. Until that discussion is ripe, there is no reason to waive reimbursement. Further, there are alternate ways to reduce the cost of water, a capital contribution, an annual subsidy over a period of time, or changes in the year-1 cost assumptions, hence until the order of magnitude is known, it is premature to undertake either method now.
- MOW states that it has contributed over \$7.2 million in pre-construction costs, but the costs actually subject to the Cost Sharing Agreement incurred by MOW were \$6.5 million and those contributed by the District were \$12.7 million. MOW included additional costs outside the Cost Sharing Agreement in its total. The District has not charged its labor, legal expenses, or other administrative charges to the project under the Cost Sharing Agreement and suggests that for the purpose of reconciling the current issue regarding reimbursement that the parties only use the costs subject to the Cost Sharing Agreement unless and until the District is fully reimbursed, if ever.
- All reimbursement under agreement between the parties should be subject to any legal and Internal Revenue Service regulations governing reimbursement resolutions.

Proposed Revised Amendment 2: After having met to discuss the matter, the parties propose the attached revised Amendment 2 to the Cost Sharing Agreement (**Exhibit 2-A.**)

Key provisions are listed below:

Planning and Development Costs Definition

Amends the existing planning and development costs definition.

Add Reimbursement of Planning and Development Costs

Adds a new section to address the planning and development costs reimbursed through the State Revolving Fund (SRF) Loan. This section provides for a 50%-50% initial reimbursement share for each agency and addresses how subsequent reimbursements would be shared between the two agencies, targeting a goal of bringing both parties back in line with proportional reimbursement after subsequent reimbursements.

Add Unreimbursed Construction Period Costs

Adds a new section to address project-related costs that are not allowed to be paid through the SRF loan between March 1, 2017 to June 30, 2019. The State is disallowing certain costs that are not associated with the project design and construction. Such costs include public outreach, regulatory proceedings, groundwater modeling, geochemical monitoring, and regulatory proceedings. This section would provide a mechanism of continued cost sharing on unreimbursed costs.

Add Financing of GWR Unreimbursed Construction Period Costs

Adds a section to state that the District shall pay seventy-five percent (75%) of the Unreimbursed Construction Period costs and MOW shall pay twenty-five percent (25%) of such costs.

Add Debt Service Reserve Fund

Adds a section to address funding the debt service reserve fund. Unlike earlier proposals, there is no shared funding agreement at this time and MOW retains the right to address alternative approaches for the funding of the reserve at the in-service date in the future.

Amending Term

Amends the existing term of the Agreement to remain in effect until June 30, 2019. An extension could occur at the agreement of the parties.

EXHIBITS

2-A Proposed Amendment 2 to MRWPCA-MPWMD Groundwater Replenishment Project Cost Sharing Agreement

EXHIBIT 2-A
AMENDMENT 2
to
MRWPCA-MPWMD GROUNDWATER REPLENISHMENT PROJECT
COST SHARING AGREEMENT

This Amendment is entered into as of October __, 2017 (**Effective Date**), by and between the Monterey Regional Water Pollution Control Agency, a joint powers authority (“MRWPCA”) and the Monterey Peninsula Water Management District, a California special act district (“MPWMD”), collectively the “Parties”, based upon the following facts, intentions and understandings of the Parties.

Section II. A. 1 is amended to read as follows:

1.(a) Planning and Development Costs Defined

This Agreement is by its terms limited to sharing of costs of planning and development of the GWR Project, incurred beginning April 1, 2012 and incurred through the period ending February 28, 2017. Such costs are also referred to as “Pre-Construction Costs.” Examples of those costs include:

1. CEQA
2. Feasibility Review
3. Facilities Planning
4. Monitoring Well Construction and Testing
5. Pilot Treatment and Pilot Injection
6. Public Outreach
7. Line of Credit Issuance Costs, Interests, and Related Fees
8. Design and Engineering
9. Legal Expenses Related to Activities Above

1.(b) Financing of GWR Project Planning and Development Costs

The Parties estimate that the costs described in Section 1.(a), immediately above, will total \$6,957,352 as shown in the budget in Appendix A. Beginning FY2013-14, MPWMD shall pay seventy-five percent (75%) of such costs, and MRWPCA shall pay twenty-five percent (25%) of such costs. Seventy-five percent (75%) of full employee costs (salary and benefits) incurred by MRWPCA for up to two (2) of its employees' allocable time committed to tasks falling within the components described in Section 1.(a), immediately above, shall be paid (reimbursed) by MPWMD. Prior to FY2013-14, such costs are shared fifty percent (50%) by each Party. Other employee costs incurred by either Party and allocable to the GWR Project will be reimbursed from the proceeds of

the permanent financing pursuant to any reimbursement resolution adopted by MPWMD or MRWPCA.

1.(c) Reimbursement of Planning and Development Costs

- i. Initial Reimbursement: The parties agree that the Agency will request an initial reimbursement from the State Revolving Fund (SRF) Loan in the amount of \$8,219,742 (Initial Reimbursement.) It is expected that this reimbursement will occur in more than one payment by the State. The amounts received from all payments of this Initial Reimbursement will be divided equally between the MRWPCA and MPWMD.
- ii. Periodic Subsequent Reimbursement: Periodic subsequent reimbursements of Planning and Development Costs shall be divided between MRWPCA and MPWMD in a manner to achieve proportional reimbursement by each party when all Planning and Development Costs have been fully reimbursed, pursuant to the formula described in Appendix B hereto.
- iii. If the actual amount received from the State is reduced by costs that are disallowed by the SRF Loan, the parties agree to equally share in any reimbursement reductions or request additional disbursements up to the amount listed within this section.
- iv. Total reimbursements of Planning and Development Costs received by the Parties shall not exceed the following (*NOTE: Subject to final reconciliation by the parties*):

MRWPCA: \$6,533,333

MPWMD: \$12,713,805

MRWPCA may not seek additional reimbursement of its pre-construction costs incurred outside of this Agreement unless and until the District is fully reimbursed the amount shown above.

1.(d) Unreimbursed Construction Period Costs Defined

From March 1, 2017 through June 30, 2019, there may occur project related costs that are not allowed to be capitalized to the project and paid or reimbursed by State Revolving Fund Loans. Examples of those costs include, among others:

- 1. Public Outreach
- 2. Geochemical Water Quality Modeling
- 3. Groundwater Basin Modeling
- 4. Facility Expansion Design and Engineering
- 5. Regulatory Proceedings

1.(e) Financing of GWR Unreimbursed Construction Period Costs

MPWMD shall pay seventy-five percent (75%) of such costs, and MRWPCA shall pay twenty-five percent (25%) of such costs.

Section II. A. 2 is amended to read as follows:

2. (This section deleted by Amendment 2)

Section II. F. is amended to read as follows:

14. Term

This Agreement shall remain in force and effect until June 30, 2019. The term of this Agreement may be extended with the mutual agreement of the Parties.

WHEREFORE, this Amendment 2 to the Cost Sharing Agreement was executed by the parties on the date first above written.

MRWPCA

MONTEREY REGIONAL WATER POLLUTION
CONTROL AGENCY,

By: _____
Rudy Fischer, Board Chair
MRWPCA Board of Directors

MPWMD

MONTEREY PENINSULA WATER MANAGEMENT
DISTRICT,

By: _____
Robert S. Brower, Chair
MPWMD Board of Directors

APPENDIX B

Calculation of Subsequent Reimbursements

Pursuant to Section 1.(c)ii of the Agreement, Subsequent Reimbursements will be calculated according to the formula (Formula) below.

Definitions:

“PSR” = “Periodic Subsequent Reimbursement”: Total amount, at any time subsequent to the Initial Reimbursement, of Planning and Development Costs reimbursed with SRF funds, subject to a single, periodic subsequent reimbursement request. There may be one, two, or several Periodic Subsequent Reimbursements.

“PSR_{PCA}” = “Periodic Subsequent MRWPCA Reimbursement”: The amount of any Periodic Subsequent Reimbursement allocable to MRWPCA pursuant to the Formula below.

“PSR_{WMD}” = “Periodic Subsequent MPWMD Reimbursement”: The amount of any Periodic Subsequent Reimbursement allocable to MPWMD pursuant to the Formula below.

“RTD_{PCA}” = “MRWPCA Reimbursements To Date”: At the time of any Periodic Subsequent Reimbursement received, the total of all reimbursements previously received to date by MRWPCA, including the portion of the Initial Reimbursement received by MRWPCA pursuant to Section 1.(c)i of the Agreement.

“RTD_{WMD}” = “MPWMD Reimbursements To Date”: At the time of any Periodic Subsequent Reimbursement received, the total of all reimbursements previously received to date by MPWMD, including the portion of the Initial Reimbursement received by MPWMD pursuant to Section 1.(c)i of the Agreement.

“TOT_{PCA}” = “Total MRWPCA Reimbursement”: The amount shown for MRWPCA pursuant to Section 1.(c)iv of the Agreement, equal to \$6,533,333

“TOT_{WMD}” = “Total MPWMD Reimbursement”: The amount shown for MPWMD pursuant to Section 1.(c)iv of the Agreement equal to \$12,713,805

Formula:

$$\text{PSR}_{\text{PCA}} = \frac{(\text{TOT}_{\text{PCA}} - \text{RTD}_{\text{PCA}})}{(\text{TOT}_{\text{PCA}} + \text{TOT}_{\text{WMD}}) - (\text{RTD}_{\text{PCA}} + \text{RTD}_{\text{WMD}})} \times \text{PSR}$$

$$\text{PSR}_{\text{WMD}} = \frac{(\text{TOT}_{\text{WMD}} - \text{RTD}_{\text{WMD}})}{(\text{TOT}_{\text{PCA}} + \text{TOT}_{\text{WMD}}) - (\text{RTD}_{\text{PCA}} + \text{RTD}_{\text{WMD}})} \times \text{PSR}$$

Example 1: One future remaining periodic reimbursement request of \$11,047,139

$$\text{PSR}_{\text{PCA}} = \frac{(\$6,533,333 - \$4,100,000)}{(\$19,247,138) - (\$8,200,000)} \times \$11,047,139 = \$2,433,333$$

$$\text{PSR}_{\text{WMD}} = \frac{(\$12,713,805 - \$4,100,000)}{(\$19,247,138) - (\$8,200,000)} \times \$11,047,139 = \$8,613,805$$

Example 2: Two future remaining periodic reimbursement requests of \$6,000,000 and then \$5,047,139

First, the \$6,000,000 reimbursement request:

$$\text{PSR}_{\text{PCA}} = \frac{(\$6,533,333 - \$4,100,000)}{(\$19,247,138) - (\$8,200,000)} \times \$6,000,000 = \$1,321,609$$

$$\text{PSR}_{\text{WMD}} = \frac{(\$12,713,805 - \$4,100,000)}{(\$19,247,138) - (\$8,200,000)} \times \$6,000,000 = \$4,678,391$$

Then later, the \$5,047,139 reimbursement request:

$$\text{PSR}_{\text{PCA}} = \frac{(\$6,533,333 - \$5,421,609)}{(\$19,247,138) - (\$14,200,000)} \times \$5,047,139 = \$1,111,724$$

$$\text{PSR}_{\text{WMD}} = \frac{(\$12,713,805 - \$8,778,391)}{(\$19,247,138) - (\$14,200,000)} \times \$5,047,139 = \$3,935,414$$

In this example, after the two periodic subsequent reimbursements, the totals for each entity are:

MRWPCA:	\$6,533,333	33.94%
MPWMD:	\$12,713,805	66.06%

If the second periodic subsequent reimbursement is never executed, the totals for each entity are:

MRWPCA:	\$5,421,609	38.18%
MPWMD:	\$8,778,391	61.82%

If no periodic subsequent reimbursements are ever executed, the totals for each entity are:

MRWPCA:	\$4,100,000	50.00%
MPWMD:	\$4,100,000	50.00%

Hence, the District takes the primary risk of the failure to in the future receive reimbursement that is in proportion to its relative investment compared to MOW.