

**COUNTY OF SONOMA
AGENDA ITEM
SUMMARY REPORT**

Clerk of the Board Use Only
Meeting Date **Held Until**

Agenda Item No: **Agenda Item No:**

Department:
 Sonoma County Water Agency

() 4/5 Vote Required

Contact: Pam Jeane **Phone:** (707) 521-1864 **Board Date:** 04-28-09

Deadline for Board Action:

AGENDA SHORT TITLE:
 Water Transmission System Temporary Impairment

REQUESTED BOARD ACTION(S):
 Resolution declaring the water transmission system temporarily impaired; and

Authorizing the General Manager/Chief Engineer to negotiate a Memorandum of Understanding Regarding Water Transmission System Capacity Allocation During the Temporary Impairment.

CURRENT FISCAL YEAR FINANCIAL IMPACT

EXPENDITURES		ADD'L FUNDS REQUIRING BOARD APPROVAL	
Estimated Cost	\$ -0-	Contingencies	\$
		(Fund Name:)	
Amount Budgeted	\$ -0-	Unanticipated Revenue	\$
		(Source:)	
Other Avail Approp	\$	Other Transfer(s)	\$
(Explain below)		(Source:)	
Additional Requested:	\$ _____ -0-	Add'l Funds Requested:	\$ _____ -0-

Explanation (if required):

Prior Board Action(s):

- 06-20-06: Resolution No. 06-0599 among other things, approving and authorizing the Chair to execute the MOU Regarding Water Transmission System Capacity Allocation During Temporary Impairment and filing a notice for same.
- 01-04-05: Resolution No. 05-0007 finding and declaring that the capacity of the water transmission system is temporarily impaired, and directing the General Manager/Chief Engineer to continue negotiations of a new MOU Regarding Water Transmission System Capacity Allocation During the Temporary Impairment
- 02-27-01: Resolution No. 01-0235 approving the MOU for Regarding Water Transmission System Capacity Allocation During Temporary Impairment
- 12-07-99: Resolution No. 99-1564 establishing the reliable water production capacity as a result of the temporary impairment of the Agency's transmission system

Alternatives - Results of Non-Approval:

Background:

The Sonoma County Water Agency (Agency) operates a water transmission system pursuant to the Restructured Agreement for Water Supply (Restructured Agreement). Under the Restructured Agreement, each year before April 30th, the Agency must set water rates for the next fiscal year (July 1-June 30). Rates are set on a per-acre-foot basis. In setting rates, the Restructured Agreement requires the Agency to assume that the amount of water that will be sold during the next fiscal year will be equal to the lesser of (1) the amount sold in the prior 12 months or (2) the average annual amount sold in the prior 36 months. If the Agency wishes to assume a lesser amount of deliveries, it must obtain the approval of the Water Advisory Committee.

Because many of the Agency's water transmission costs are fixed costs, assuming a lesser amount for deliveries results in higher water rates. Conversely, if Agency deliveries during a given fiscal year are less than assumed for rate-setting purposes, then the amount of revenue collected by the Agency is insufficient to meet transmission system costs.

For Fiscal Year 09-10, the Agency expects that its water deliveries will be significantly less than during previous years. This is primarily because flow restrictions in Dry Creek mandated by the National Marine Fisheries Service (NMFS) will limit the amount of water the Agency can release from Warm Springs Dam for use by the transmission system. The Agency estimates that its transmission system deliveries will be approximately 54,500 acre-feet during Fiscal Year 09-10. As noted above, reducing the assumed deliveries results in higher rates. In addition, because the Agency must comply with the terms of the Biological Opinion issued by NMFS in September 2008, the Agency faces additional costs in FY 09-10.

Agency staff has had a number of meetings with its water contractors concerning FY 09-10 water rates. The water contractors object to setting water rates at the level the Agency deems necessary to fully operate the transmission system. In order to permit the Agency to operate and maintain the transmission system in a prudent manner given the constraints requested on its budget by the water contractors, it is necessary to temporarily shut down certain transmission system facilities. By doing so, the Agency will be able to save enough money to ensure that it can keep the remaining transmission system facilities operating in a state of good repair, and meet its obligations under the Biological Opinion.

The Agency proposes to shut down the following facilities during FY 09-10:

- Collector Wells Nos. 1, 2, and 5
- The Russian River Well Field
- The Ely and Kastania Booster Pump Stations
- The Wilfred Road Booster Pump Station

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Continued...

Attachments: Resolution (R1)

On File With Clerk:

CLERK OF THE BOARD USE ONLY

Board Action (If other than "Requested")

Vote:

Background (continued):

The effect of the shutdown of these facilities will be to limit the pumping capacity of the Agency's Russian River water production facilities to approximately 53 million gallons per day (average day peak month capacity). It should be noted that the Agency's ability to meet short term peak demands greater than 53 million gallons per day (mgd) due to hot weather or other circumstances will also be limited.

The Restructured Agreement contains provisions specifying how transmission system supplies are allocated in the event of a temporary impairment of the transmission system. Agency staff recommends that the Board approve the shutdown of the facilities described above, and declare the transmission system to be temporarily impaired and limited to a capacity of approximately 53 mgd as a result of the budgetary constraints requested on the Agency in its FY 09-10 budget.

The preferred method of allocating available capacity is through a consensus agreement and voluntary curtailments in deliveries, however the Agency pursuant to Section 3.5 of the Restructured Agreement will implement an allocation if consensus is not achieved.

REQUESTED BOARD ACTION(S):

Resolution declaring the water transmission system temporarily impaired; and

Authorizing the General Manager/Chief Engineer to negotiate a Memorandum of Understanding Regarding Water Transmission System Capacity Allocation During the Temporary Impairment.