

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Public Hearing: Eugene Water & Electric Board Water Rights

Meeting Date: June 9, 2010
Department: Central Services
www.eugene-or.gov

Agenda Item Number: 3
Staff Contact: Brenda Wilson
Contact Telephone Number: 541-682-8441

ISSUE STATEMENT

This public hearing is to provide the Eugene City Council (council) an opportunity to hear from the public on Eugene Water & Electric Board's (EWEB) water rights issues and the proposed sale of water to the City of Veneta.

BACKGROUND

Late last year, EWEB informed the City Manager about EWEB's interest to sell water to Veneta in order to certify part of EWEB's third water right and to help ensure that the water in this water right would be available to Eugene residents in the future when needed. In mid-April, EWEB and the City of Veneta signed a water-sale contract. EWEB then submitted the contract to the Lane County Circuit Court for validation.

On May 12, 2010, the council was presented with background information on the water sale and the court process. While the council appeared to support the certification of EWEB's third water right, many questions were raised about the sale and the certification/perfection of water rights in general. Accordingly, the council directed staff to schedule (1) a joint meeting with the EWEB Board of Directors before the council takes up this issue for decision; (2) a public forum, with EWEB's involvement, in order to provide information to the public about the proposed sale of water; and (3) following that forum, a public hearing on EWEB's proposed sale of water to Veneta. In order to provide more time for the process directed by the council, EWEB filed for a 30-day extension of time in which to file an appearance in the validation case. The deadline to do so is now June 30, 2010.

A public information forum was held on June 8, 2010, in the Council Chamber. Presenting information about EWEB's water rights and the sale of water to Veneta were Brenda Wilson, Intergovernmental Relations Manager for the City of Eugene; Brad Taylor, staff engineer for EWEB; and Ric Ingham, City Manager for Veneta. After the panel presentation, the floor was opened up for questions and comments.

At least three people commented that the certification of the water right and the sale of water to Veneta were actions they would support. Gary Wildish stated he thought it was a "win-win" situation with others in the audience nodding.

Jan Wilson, attorney for the Western Environmental Law Center noted that she was representing the three interveners in the contract validation process. She asked several questions regarding EWEB's

water rights and plans for certification. She later followed up with questions about instream water rights, the protection of endangered species, and conservation efforts being undertaken by the City of Veneta.

Charles Biggs asked questions about the size and capacity of the proposed pipe, whether pumping would be required and who would pay for it. He also inquired about how much the grant would cover and what amount would be required to be paid by the citizens and whether there were limitations in the contract for the water to Veneta. He later followed up with questions about the cost of the water to Veneta, how often and by whom the rates were set and who would pay for the pipe.

A copy of the minutes will be provided to you as soon as we receive them from the City Recorder's office.

RELATED CITY POLICIES

Section 44 of the Eugene Charter sets out the Eugene Water & Electric Board functions. It states, in part:

“(1) The power of the city to generate, collect, and distribute electricity, steam, and other kinds of physical energy is hereby vested in the Eugene Water & Electric Board (the Board).

* * *

“(3) The board shall maintain and operate the water utility and the electric utility of the city, subject to control by the council of extension of water service.”

COUNCIL OPTIONS

No action is required at this time; however, options will be provided at the time of City Council deliberations and action scheduled for June 28, 2010.

CITY MANAGER'S RECOMMENDATION

As this is the public hearing for this item, no recommendation is suggested at this time. A recommendation will be provided for the City Council deliberations and action scheduled for June 28, 2010.

SUGGESTED MOTION

None at this time. A suggested motion will be provided at the time of City Council deliberations and action scheduled for June 28, 2010.

ATTACHMENTS

- A. Fact Sheet
- B. Frequently Asked Questions Sheet

FOR MORE INFORMATION

Staff Contact: Brenda Wilson

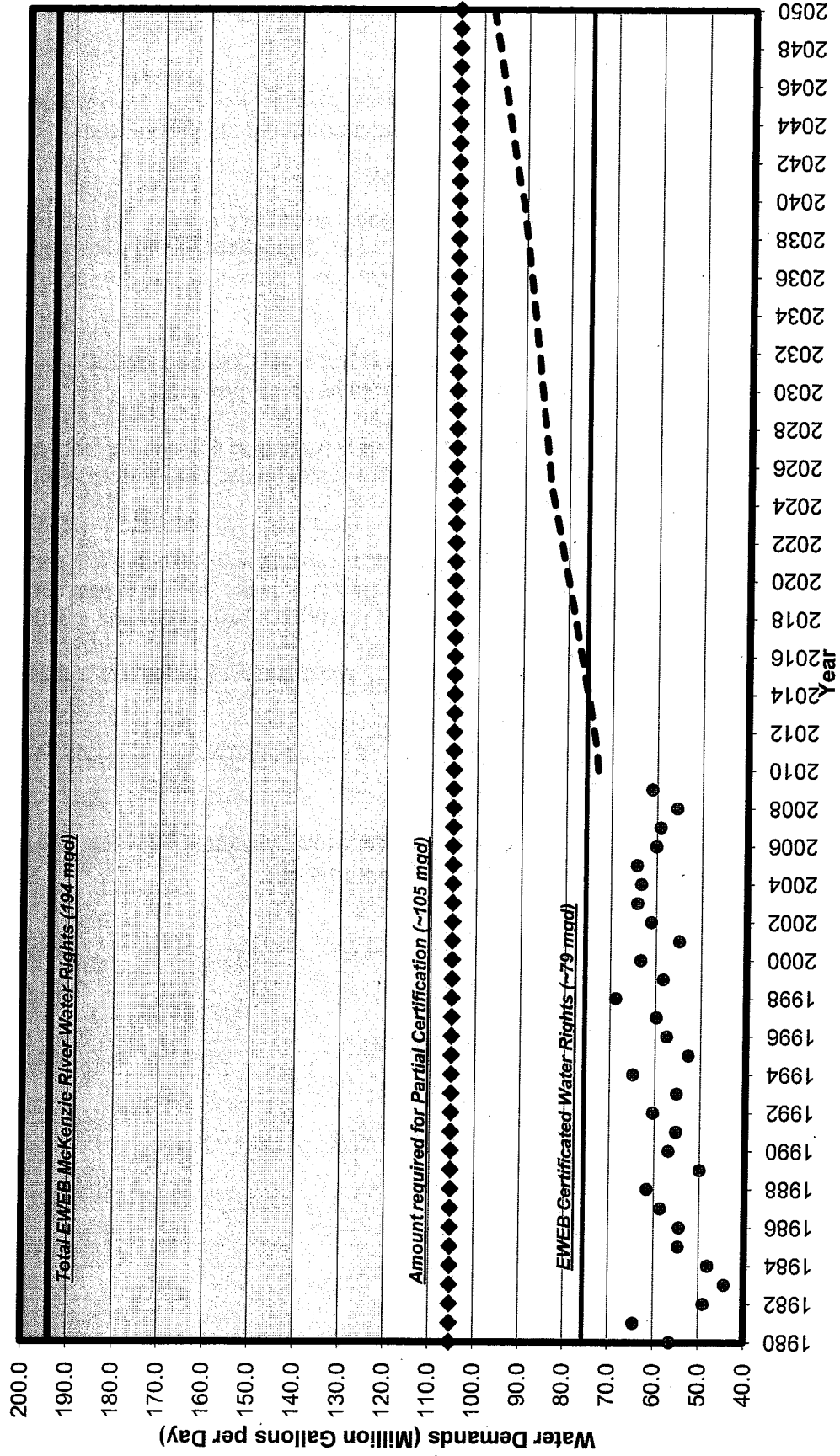
Telephone: 541-682-8441

Staff E-Mail: brenda.s.wilson@ci.eugene.or.us

Quick Facts

- ❖ In an average year, EWEB delivers 10.4 billion gallons of water to retail and wholesale customers (10-year average, 2000-2009). This volume amounts to about 1 percent of the river's water flow in an average water year.
- ❖ The Veneta surplus water sales contract requires an initial purchase of 8 million gallons per month, which equates to 263,014 gallons per day. Annualized, initial water deliveries Veneta would equal 96 million gallons per year – less than 1 percent of yearly total production of 10.4 billion gallons.
- ❖ Veneta's initial water needs (263,014 gallons/day) would increase EWEB's intake of McKenzie River water by 0.02 percent – two one-hundredths of one percent.
- ❖ On a typical January day, the McKenzie River is running at 4,220 cubic feet per second (31,565 gallons per second) at EWEB's Hayden Bridge water intake. EWEB diverts about 1.05 percent of that water on an average January day.
- ❖ On a typical August day, the McKenzie River is running at 2,320 cubic feet per second (17,354 gallons per second) at EWEB's Hayden Bridge water intake. EWEB diverts about 3.5 percent of that water on an average August day. August is EWEB's highest demand month of the year.
- ❖ Veneta's water needs on a typical August day would equal 15 seconds of water flow in the McKenzie (out of 86,400 second in a day).
- ❖ Existing wholesale water deliveries average 797.9 million gallons per year, or 7.7 percent of the yearly total of 10.4 billion gallons.
- ❖ When EWEB begins delivering water to Veneta, total wholesale water deliveries would represent 8.6 percent of the 10.4 billion gallons delivered annually.

Securing EWEB Water Rights





Frequently Asked Questions Veneta wholesale water supply agreement

Q: Why does EWEB want to sell water to Veneta?

A: Two of the three water rights EWEB holds for the McKenzie are perfected, meaning EWEB and its citizen-owners hold those rights in perpetuity. The utility must demonstrate to state water authorities that it can put the volume granted under the third water right to beneficial use within a reasonable time frame. The predicted population growth and water usage within the city in the next 50 years will leave EWEB short of certifying that third right. Selling surplus water to wholesale customers such as Veneta will help EWEB obtain “partial certification” for the third water right. Such a certification would preserve EWEB’s ability to access 25 percent of the water granted under the permit.

Q: If EWEB does sell water to Veneta, do the rights to that water also transfer to Veneta?

A: No, EWEB is the permit holder and the water right would still belong to EWEB.

Q: Will this agreement raise my rates?

A: No. Treating and delivering water comes with high fixed overhead costs. Spreading those costs over a wider retail and wholesale base helps lower per capita costs and minimizes the magnitude of future rate increases. The cost differential to treat and deliver 60 million gallons a day versus 55 million gallons a day is marginal. The economies of scale EWEB has achieved in delivering wholesale water to utilities and water districts reduces per capita costs for all customers. Under the contract, the city of Veneta would be responsible for funding and building the 10-mile interconnection between its system and EWEB’s water system – primarily using county roads.

Q: What happens to Eugene residents if there is a water shortage?

A: In times of water shortage or drought, city of Eugene customers would have first priority to the water. The contract requires Veneta to maintain its existing wells as a secondary source of water in case of an EWEB water shortage or curtailment.

A: Why is EWEB now deciding to sell surplus water?

Q: The utility has been supplying surplus wholesale water to districts and utilities for several decades. Current wholesale customers include River Road and Santa Clara water districts, and the Willamette Water Co., and amount to about 8 percent of total sales. The utility has been working toward finding ways to perfect the third water right since 2004. Veneta’s need for water fits well with EWEB’s need to perfect the third water right and guarantee supply for future Eugene residents.

Q: Where does EWEB get its water?

A: The utility’s sole source of water comes from the McKenzie River. McKenzie River water is exceptionally pure and cold because of its spring-driven source high in the Cascades.

Q: How will climate change affect water supply in the future?

A: Overall, the McKenzie River is less subject to climate change than many neighboring river systems because of its spring-driven source and the large volume of water stored in that system. Most climate change scenarios indicate that the McKenzie River will be subject to lower late summer flows due to shifts in snowfall patterns. The research indicates total volumes of water into the McKenzie system will be roughly equivalent for various climate change scenarios, however the timing of the recharge to the spring system will change.



Q: How much water does Veneta use per day now?

A: The projections for 2010 usage outlined in Veneta's Water Master Plan are as follows:

- Average daily demand is 0.90 million gallons a day
- Peak season demand is 1.1 million gallons a day
- Maximum daily demand is 2.3 million gallons a day
- Peak hour demand is 2.9 million gallons a day

Maximum daily use for Veneta during the hot summer months is 2.2 million gallons a day (mgd), while the city's wells can produce just 1.69 mgd. Right now, Veneta can't meet demand on its maximum use days without drawing down its storage reservoirs. Because those reservoirs are meant for emergencies, such as a fire, additional capacity is needed. Veneta estimates that by 2030, it will need 4.3 mgd.

Q: If this deal didn't go through, what is Veneta's "Plan B"?

A: Veneta's adopted 2009 Water Master Plan projected that they would continue to rely upon groundwater sources (wells) to meet Veneta's immediate needs through 2020. However, the plan noted that groundwater development alone was not likely sufficient to meet Veneta's long term needs.

Q: Could Veneta draw water from Fern Ridge Reservoir or the Long Tom?

A: Fern Ridge Reservoir is operated by the United States Army Corps of Engineers (CORP) as a flood control basin. Municipal water supply is not an approved use for this body of water. Even if it was, the quality of this water is poor due to high summer water temperatures combined with nutrient rich influents from local feeder streams. This quality of water is very difficult to treat and the product water often contains undesirable taste or odor.

Aside from having no available water for appropriation, the Long Tom River is a poor quality source of water. The Long Tom experiences low flows during the period of highest water demand for the City of Veneta. It was estimated in the Veneta Master Water Plan that during periods of low flows, the City of Veneta would need to appropriate approximately 65% of the water in the Long Tom to meet peak demand. That amount of water is not available in this water source even if Veneta could purchase a water right from another water right holder.

Q: What happens if the third water right is not certificated?

A: Failure to certify a water right permit or make reasonable progress toward certification can result in the loss of the permit – and the right to use any of the water under that permit in the future. That amount of water would then be available 'on the market' for re-appropriation to other public or private entities who apply for a permit from the State.

In order to move toward certification, municipal water rights applicants are required to prepare a plan that identifies when they expect to be using the full quantity of water allowed under each permit, and must describe the methods and assumptions used in determining those date(s). Under Oregon law, a municipal water right permit may be partially perfected for not less than 25 percent of the permitted total allowed under the right, and a certificate can then be issued. This allows for a municipal water supplier to plan for increased capacity over time. Certification is the only way to obtain conclusive evidence of the priority and extent of the appropriation of a water right.