

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Work Session: Eugene Water & Electric Board Sale of Water to Veneta

Meeting Date: November 10, 2010
Department: City Manager's Office
www.eugene-or.gov

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

ISSUE STATEMENT

Eugene Water & Electric Board (EWEB) entered into a contract to sell water to the City of Veneta. EWEB filed a lawsuit asking the court to declare that EWEB has independent authority to enter into that contract without council approval. On October 27, 2010, the circuit court issued its decision finding that EWEB, rather than the City Council, has the authority to sell water to Veneta. The City of Veneta has asked that the council weigh in on whether the council supports the proposed sale of water to 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. 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. The joint meeting with EWEB was held on June 7, 2010; the public information forum was held on June 8, 2010; and the public hearing was held on June 14, 2010.

On June 28, 2010, this issue was brought back to the council. While the City Manager stated he believed that perfection of the third water right is in the City's interest, the City Manager recommended that the City intervene in the validation proceeding to resolve the issue of Charter authority. The council voted to postpone a decision on whether Council supports the proposed sale of water to Veneta until after the Charter authority question was resolved by the court. Accordingly, the City intervened in the validation proceeding and argued that the City Charter grants to the council, rather than EWEB, the authority to decide to sell water outside the City's limits.

On October 27, 2010, the circuit court decided that EWEB, rather than the City Council, has the authority to sell water to Veneta. No decision has been made yet on whether the City will appeal that decision.

RELATED CITY POLICIES

There are no specific City policies to be considered by the City Council at this meeting; it is a status update and informational meeting.

COUNCIL OPTIONS

No formal action is requested at this meeting. This meeting is for discussion purposes only.

CITY MANAGER’S RECOMMENDATION

The City Manager recommends that a public hearing be scheduled for the City Council regarding the sale of water to Veneta. Subsequent to that public hearing, another work session will be scheduled to consider a resolution for support of the sale of water to Veneta.

SUGGESTED MOTION

No motion is required.

ATTACHMENTS

- A. Veneta-EWEB Pipeline Project Status
- B. Veneta/EWEB Pipeline Project Overview dated April 5, 2010

FOR MORE INFORMATION

Staff Contact: Brenda Wilson
Telephone: 682-8441
Staff E-Mail: brenda.s.wilson@ci.eugene.or.us

City of Veneta
Veneta-EWEB Pipeline Project Status
October 29, 2010

This memo provides an update on the Veneta-EWEB water pipeline project and builds upon the information presented in our letter submitted in January of 2010. Since that time, the following events have highlighted the timeliness and need for completion of this project.

Groundwater Source Investigation/Water Resource Dept. Limitations

In June of 2010, GSI Water Solutions Incorporated completed an evaluation of Veneta's well field, including potential sites for additional exploration and development. Their evaluation included modeling of the location and thickness of water bearing strata in and around the Veneta UGB in an effort to predict where the City would be most likely to find water of sufficient quantity and quality to serve as additional potable supply.

The result of this study are summarized most graphically in Figure 5 of that report. These results show a higher potential for water bearing geology in the far eastern portion of the UGB and extending to the east and northeast outside of the UGB. These areas are in relatively close proximity to our most productive well (well 9), and existing transmission and treatment facilities.

Concurrent with this study, the City had applied for a water use permit from the Department of Water Resources for our newest well (well 12) located at the public works yard on Broadway Avenue. On January 8, 2010, the City received the Department's preliminary analysis and response, reprinted in relevant part below:

The Department has determined, based upon OAR 690-009, that the proposed ground water use will have the potential for substantial interference with Long Tom River and Fern Ridge Reservoir. Therefore, in accordance with OAR 690-400-0010(11)(a)(B), surface water availability must also be considered. Surface water is not available in the month of August.

Due to surface water availability considerations, the Department's preliminary determination is to recommend denial of the application. However, if the City's needs can still be met with the exclusion of use in August, you may want to consider amending the season to exclude the month of August.

This determination severely limits the usefulness of this well by essentially precluding withdrawals during the summer months when irrigation is at its peak and water is most needed. We were also informed that these restrictions would apply to any well within one mile of the Long Tom River or Fern Ridge Reservoir.

This determination essentially pushes the City out of areas where new well development is most likely to be productive, and into areas south and southeast of the UGB where groundwater quantity and quality are known to be limited. Well projections based on this scenario result in more wells with smaller yields, and larger transmission and treatment costs.

Preliminary Water Rate Analysis

The City contracted with FCS Group to analyze the rate/SDC impacts of the Department's determination on our existing CIP, along with the impacts of abandoning future groundwater development in favor of building the pipeline. These preliminary results show that elimination of the most productive areas from our groundwater development plans drastically increased the cost of development, transmission and treatment of future wells due to lower yields (more wells required to meet the same demand) and increased piping and treatment costs. The overall result of the GSI report, WRD determination, and financial analysis has increased the City's desire to construct the pipeline as our best, and perhaps only, viable long-term water supply option.

USDA Grant/Loan Approval

On August 10, 2010, the City received notification from USDA that our application for funding was approved. The funds are a combination of \$13,033,000 in loans and \$2,649,000 in grants. These funds must be expended by August 2015, a five(5) year time limitation.

**Veneta/EWEB Pipeline
Project Overview
April 5, 2010**

The City and EWEB have been in talks over the last two years regarding the potential for EWEB to supply water to Veneta in an arrangement similar to EWEB's existing wholesale contracts with various water districts. In February 2008, EWEB produced a report entitled A Concept of Regionalization: Water Sales to the City of Veneta, which explored, in some detail, the logistics of building a 24" diameter pipeline from the current western terminus of EWEB's system at Terry Street, to the Veneta water treatment facility on East Broadway.

This work was conducted concurrent with the City's update of its Water Master Plan which was adopted in May 2009. This plan examined several potential water sources for the City, including continued groundwater exploration. This study concluded that groundwater development alone was not likely sufficient to meet the City's long term needs for a population of almost 10,000 residents in 2030. Unlike communities along the Willamette River, Veneta is located at the foot of the coast range, an area composed largely of fractured silt and sandstones, rather than layers of alluvial material which readily and reliably transmit large volumes of high quality groundwater. These siltstones, known as the Tyee formation, are extremely difficult to extract water from. Mineral deposits vary greatly from place to place and drastically affect water quality, and it's very difficult to predict the location of productive well sites due to the fractured nature of the rock. This all adds up to a water exploration program that is both extremely expensive in terms of exploration and development and unpredictable as to quality and quantity. Even though the City has developed three new wells and a satellite treatment facility since 2005, there have been instances in recent years where peak demand has outstripped production. Fire capacity and redundancy for emergency purposes has been less than desirable, a situation that greatly concerns City staff and elected officials if our community is to return to the level of self-sufficiency we experienced in the early 80s and 90s.

All indications are that the highest potential for productive wells lies east of the Veneta UGB. Expansion of well fields into this area may present additional problems related to potential impacts on both surface waters such as Coyote Creek, and on existing residential and agricultural wells. Water right restrictions on local surface waters, including the federal storage at Fern Ridge Reservoir, make use of that water unlikely at best, and other options such as new impoundments have political and environmental costs that are simply too high to consider.

The City essentially has two options; continue developing groundwater sources within and adjacent to the UGB as our sole supply, or connect to EWEB to supply the majority of our demand. Both the City and EWEB feel that it is important to retain our existing system to provide redundancy in case of emergency, and depending on the structure of relationship, to supply peak demand as well. Veneta's projected peak month demand in

2030 is around 2.7 million gallons per day (mgd). This 2030 peak demand represents less than 4% of EWEB's current 80.5 mgd. capacity. The pipeline is being designed to pump up to four mgd. Initial service levels would have the pipeline supplying 150 million gallons per year to Veneta.

Late in 2009, USDA-Rural Development (RD) representatives contacted the City, relaying the fact that significant funding, both in the form of grants and loans, have become available through the American Recovery and Reinvestment Act (ARRA), and that RD was looking for large infrastructure projects to disperse the funds as quickly as possible. They were very interested in the pipeline project in particular, and encouraged the City to submit a Preliminary Engineering Report (PER) by early February 2010. The City has contracted with Murray, Smith and Associates to complete the PER which includes very detailed engineering, environmental, and cost analysis of the proposed pipeline and potential alternatives. The PER and related reports were completed and submitted by the February 1, 2010 deadline. If awarded, the City will be working through various aspects of the project including purchase contracts, rate studies, and full construction design through the fall of 2010.

We believe that partnership with EWEB represents the best route to achieving water security at the lowest cost for the City over the long term. DLCD and Lane County have voiced no opposition to the project and this partnership provides a regional solution to a regional problem that will benefit both EWEB and the City of Veneta for years to come. It should be noted that this proposed partnership is not expected to alter the City's UGB or growth rate as described in the recently adopted 2030 Coordinated Population Projection, nor is it expected to result in significant changes to the City's adopted Comprehensive Plan beyond those necessary to incorporate the pipeline into the Utilities Element and Public Facilities Plan. Our long range vision remains the same, to provide a secure supply of water to our residents and businesses at the lowest possible cost.

Summary Points

- ◆ **10 mile pipeline from EWEB facility at Terry Street to Veneta Water Treatment Plant on E. Broadway**
- ◆ **Project is the culmination of two years of discussions with EWEB**
- ◆ **Hydrological and geological conditions limit groundwater availability for Veneta. Access to Federal storage reservoirs requires years of Federal action**
- ◆ **ARRA funds present a unique opportunity to obtain grants, drastically lowering the cost of the project**
- ◆ **Project will not increase growth, but will provide water security for years to come**