

Wholesale Customer Agencies Joint Board Meeting Summary

San Juan Water District

May 18, 2011

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1. Welcome, Introductions, and Opening Remarks

Boards with a quorum opened their meetings, including: San Juan, Orangevale and Citrus Heights. Boards in attendance without a quorum included Fair Oaks, Sacramento Suburban, and Folsom. All present Board Members and staff introduced themselves.

Meeting facilitator Dorian Fougères, Center for Collaborative Policy, CSUS, explained that the joint meeting is being held to foster communication between the wholesale customer agencies, per the Executive Committee’s mission. Mr. Fougères reviewed the meeting agenda, including various updates and briefing items for the Boards to discuss. Updates will be focused on providing information so that the Boards have a common understanding of the issues affecting customers. Where applicable, Mr. Fougères will work with the agencies to identify next steps. Mr. Fougères mentioned that in addition to the meeting being recorded there will be a meeting summary available.

2. Update Regarding Wholesale Dry Year Water Supply

Tom Gray, General Manager, Fair Oaks Water District, provided some background on the issue, explaining that SJWD wholesale has anticipated using groundwater provided by the wholesale customer agencies in dry years and in emergencies. Wholesale customer agencies have constructed wells, conducted routine well maintenance, and have provided groundwater when surface water supplies have been reduced due to water treatment plant maintenance, without any compensation. As the need becomes greater, agencies will rely more on this water source, and it may not always be reliable.

Mr. Gray explained that a water shortage management plan and a draft agreement were put together among the agencies in 2008 for dry years, however, the effort stalled as it was not a priority at the time. He would like to revive this agreement and make it a priority again.

Bob Churchill, Citrus Heights Water District, added since the agreement was drafted a few years ago it may need some additional work to update. He suggested that the wholesale customer agencies reconvene the work group to revisit the agreement and the appendices, and offered to lead this effort.

ACTION ITEM: Bob Churchill to lead effort to revise draft wholesale dry year water supply agreement.

Rob Roscoe, General Manager with Sacramento Suburban Water District, explained that Sacramento Suburban has a potential project to further the groundwater supply. The Water District inherited large conjunctive use facilities, ground water plan and pumping allowances beyond the need of their customers.

Shauna Lorance, General Manager, San Juan Water District, explained that she is exploring this option with Mr. Roscoe. They are looking into getting the necessary permits. She explained the value of this project is to have backup for dry years and in emergencies (and in some years if the wholesale customer agencies have met all their needs it could look outside and sell water to other agencies). This also is a less expensive option for emergency supplies than creating a redundant supply.

Mr. Roscoe reiterated that the priority is to meet the needs of the agencies within the basin before selling water to outside agencies, however opportunities exist outside of the basin to sell water in dry years, such as to the Bay Area.

Other Districts agreed that SJWD should make ensuring emergency supply a priority.

Board Member Ken Miller, San Juan Water District, asked Mr. Gray what he meant by “not being compensated”. Mr. Gray clarified that wholesale customer agencies, such as Fair Oaks and Citrus Heights, turn on their wells whenever they have been asked to do so; for example, whenever San Juan facilities, such as treatment plants, are undergoing maintenance. Financial compensation has never been requested, but he wanted to flag it as something that in the case of an emergency or shortage, when they might have to pump water for an extended period of time, could become very expensive.

3. Groundwater Contamination

Mr. Roscoe explained that there are a number of threats to the groundwater supply and the groundwater basin. He explained there are plumes within the groundwater channels and basin that threaten all the agencies (and all the basins). A number of such plumes are the result of Aerojet's operations as well as other human causes such as gas station spills and leaks. He mentioned there are many models available for suppressing contamination including the Aerojet model. Regardless of the model used, the treatment will be expensive and it will affect all the agencies at the table.

Mr. Lorange asked the group whether they felt it was appropriate to develop an integrated strategy for operating the basin.

- Mr. Gray explained that Fair Oaks Water District is in a different situation as their contamination involves only one chemical so it is easier to treat. They established their own model (rather than using Aerojet's), which has been successful.
- Ms. Lorange mentioned that San Juan does have access to Roseville's model as well if any agencies would like to use that.
- Mr. Churchill spoke for Citrus Heights, remarking that although his agency has been removed from the issue he understands that it could become a problem for them.
- Sharon Wilcox, with Orange Vale Water Company, affirmed that this is a concern, and that recent analyses showed contamination in their wells for the first time ever.
- Randy Marx, with Fair Oaks Water District, stated that they needed a strategy for contamination.
- Folsom Water District representatives mentioned that changing Aerojet's policy will require a federal policy change.
- Board Member Ken Miller, with San Juan, mentioned that Aerojet is a superfund site. He suggested that this subject be deferred to the Sacramento Groundwater Association (SGA), of which San Juan Water District is a dues-paying member.
- Mr. Roscoe pointed out that while Aerojet is a superfund site, if abandoned it would make the clean up much slower. He added that SGA has a subcommittee on contamination which met with Aerojet, CalEPA, as well as the Department of Toxic Substances Control recently. There is an ongoing effort, but if the group wants more done it will be up to them to ensure that SGA prioritizes this issue.
- Mike Schaefer, OVWC) cautioned that not all the agencies rely on groundwater and therefore their Boards will have a different idea on the priority for this issue.

The group discussed the next steps. The majority of the group felt that this work needs to be done by the SGA, although they need to clarify their concerns to SGA and make sure their

desires are known. They did not want to duplicate the efforts with the SGA. One member expressed the need to prioritize research.

4. Discussion and Direction regarding State Legislation and Delta Issues

Ms. Lorance explained that through San Juan Wholesale she monitors new policies and legislation. She reviewed a few of the key items:

- Bay Delta Conservation Plan: while she has not been very involved, she explained that what is likely going to come out of the plan is a high flow requirement for environmental benefits.
- The draft Delta Plan (from the Delta Stewardship Council) lists Folsom Reservoir as an emergency first responder and will likely require a higher flow standard as well.
- Additionally there will be fee bills introduced that could double the cost of wholesale water.

She asked the Boards how involved they would like to be in tracking such legislation. She asked if they would be interested in crafting policy statements on behalf of the wholesale customer agencies, as she only speaks for San Juan Wholesale.

- Mr. Sarkovich expressed his belief that ACWA and RWA represent the agencies, and we do not need to put additional resources into this effort.
- Members expressed concern that this is outside of the scope for agencies at the table without water rights.
- Mr. Roscoe cautioned that if the wholesale customer agencies do not have a unified voice, that their individual opinions would be marginalized, given their small scale relative to districts in Los Angeles and other parts of the state.
- Representatives from Citrus Heights agreed and mentioned that they need to stand up for the interests of the Northern part of the state.
- **ACTION ITEM:** Each agency agreed to reach out to their local elected officials, and to ensure that they are aware of the issues and where the Boards stand.

ACTION ITEM: Shauna Lorance, SJWD, to send around draft SJWD policy statements and principles for the other wholesale customer agencies to review. Those agencies that would like to support such principles will work with SJWD to revise them as necessary.

5. Update on Project Cost Accounting

Ms. Lorance explained the San Juan Wholesale Board clarified its policy guideline on how to deal with wholesale capital projects. Upstream of, and including Hinkle Reservoir these costs would be evenly shared by wholesale customer agencies, while downstream of Hinkle these would be allocated according to the portion of capacity used by those facilities.

Misha Sarkovich Fair Oaks Water District Board of Directors stated that Fair Oaks is opposed to the concept outlined. He mentioned that his Board is seeking a legal opinion. For example, he mentioned, one such capital improvement project is the Fair Oaks 40 pipeline retrofit, where Fair Oaks would have to pay several million dollars. Mr. Gray summarized that on behalf of the Fair Oaks Board they request there be more discussion, they feel there needs to be more analysis done to demark that line. He suggested that Fair Oaks works this out with San Juan directly as the item does not affect everyone at the table, and that the current discussion should focus on the larger principle.

Mr. Roscoe stated that Sacramento Suburban is concerned about the Fair Oaks pipeline as it is old, and if it did fail it would discharge into the American River, which could kill the fish. He added that this would likely lead to fines for San Juan which would affect all the users.

Mr. Miller added that the risk does not justify leaving the pipeline unrepaired. He emphasized that the San Juan Board has the final responsibility and authority for making a decision, and assured Fair Oaks that it will be handled in the proper fashion. Mr. Sarkovich commented that he never questioned the validity of the project and that Fair Oaks is not holding up the project. He added that this is a disagreement over who will pay. He welcomed the opportunity to sit down with San Juan to work this out.

Keith Durkin, SJWD, added that this guideline is not a new principle; there just have not been a lot of cases. Bob Walters, San Juan Water District, suggested that rather than focusing on one aspect of this system, they focus on the principle itself. He explained that if there is a break he would expect that those using it would have to pay for the repairs based on their use. Walter Sadler representing Folsom commented that he thought the demarcation line made sense.

ACTION ITEM: SJWD and FOWD to continue their conversation about the Fair Oaks 40 offline.

6. Discussion of Whether Opportunities for Consolidation Exist

Ms. Lorance explained that San Juan is always looking for functional consolidation opportunities (such as sharing lobbying or any other administrative cost); she and the General Managers of the respective agencies talk about such opportunities often. She explained that for instance, California Forward is recommending consolidations of cities, counties and special districts in

which the funding from special districts would go to city and counties. She added that she sits on a roundtable for ACWA where they will discuss this as well. She added that ACWA strongly supports voluntary consolidation; other than when there are public health issues, they do not support forced consolidations. In the long-term the issue would not go away.

One member asked if Ms. Lorance is talking about possible mergers. Ted Costa, San Juan Water District, remarked that he had added this to the agenda as he wants agency consolidation to be on the table and something for everyone to consider. He does not necessarily think the agencies need to lose their identity but consolidating functions creates efficiencies.

Neil Schild, SSWD agreed that he thinks there are things to be gained from it. He suggested forming a committee to look more closely at consolidation opportunities. He mentioned what he would be most concerned about are forced mergers which could create disparity.

Mr. Roscoe added that with 14 water purveyors in Sacramento County north of the American River the opportunities that exist are amazing and it would benefit the rate payer. He mentioned that collectively they need to have a voice on this.

Ms. Lorance added that being a group of small agencies makes them less effective on statewide issues, especially compared to those agencies in southern California. She explained that this is not necessarily something that has to be done now, but the agencies should begin to consider it as part of the planning for where they want to be 20 years from now.

Representatives from Folsom Water District commented that this is the direction they feel the agencies have to go in the future to ensure a common voice.

Mr. Gray commented that he agrees and thinks that the general managers should continue to look into functional consolidation.

Mr. Churchill mentioned that Citrus Heights serves 64 thousand people in a multi-county and multi-city service area. He explained that this worked as it was formed, and it works now, but he is unsure whether it will work in the future.

7. Closing Remarks

The Board with quorums closed their meetings.

8. Attendance

1. Paul Bartkiewicz, attorney for San Juan Water District
2. Russell Castilone, Orange Vale Water Company

3. Charlotte Chorneau, Center for Collaborative Policy, CSUS
4. Bob Churchill, Citrus Heights Water District
5. Ted Costa, San Juan Water District
6. Craig Davis, Orange Vale Water Company
7. Joe Dion, Citrus Heights Water District
8. Keith Durkin, San Juan Water District
9. Kyle Ericson, City of Folsom
10. Dorian Fougères, Center for Collaborative Policy, CSUS
11. Tom Gray, Fair Oaks Water District
12. David Kane, Citrus Heights Water District
13. Shauna Lorange, San Juan Water District
14. Randy Marx, Fair Oaks Water District
15. Ken Miller, San Juan Water District
16. Mary Morris, San Juan Water District
17. Rob Roscoe, Sacramento Suburban Water District
18. Charles Rose, Citrus Heights Water District
19. Walter Sadler, City of Folsom
20. Victor Salle, Orange Vale Water Company
21. Misha Sarkovich, Fair Oaks Water District
22. Michael Schaefer, Orange Vale Water Company
23. Neil Schild, Sacramento Suburban Water District
24. David Simpson, Orange Vale Water Company
25. Kevin Thomas, Sacramento Suburban Water District
26. Pam Tobin, San Juan Water District
27. Bob Walters, San Juan Water District
28. Sharon Wilcox, Orange Vale Water Company