

# STAFF REPORT

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To: SJWD Board of Directors  
SSWD Board of Directors

From: Shauna Lorance, SJWD General Manager  
Robert Roscoe, SSWD General Manager

Date: March 18, 2013

Subject: Joint Discussion of Water Management Opportunities

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## RECOMMENDED ACTION

The 2x2 Committee has recommended continued evaluation of the 3 alternatives for joint water management. Staff recommends that the Boards direct staffs to expend the effort necessary for a Phase 1 evaluation of the impacts and any potential fatal flaws associated with each alternative and develop a list of questions that the Boards would need to answer before considering possible future action.

## BACKGROUND

San Juan Water District (SJWD) and Sacramento Suburban Water District (SSWD) have a long history of working collaboratively on projects of mutual benefit. With the actions related to the Bay Delta Conservation Plan, Operational Criteria and Plan (OCAP) Biological Opinion Recommended and Prudent Actions, and the State Water Resources Control Board (SWRCB) flow proceedings, as well as multiple others, the need to implement a conjunctive use plan to fully utilize SJWD's surface water supplies became apparent. With SSWD's groundwater facilities and transmission pipelines, and SJWD's treatment plant and surface water supplies, the SJWD/SSWD 2x2 Committee and staffs identified possible opportunities in collaborative water management.

An ad hoc committee with two directors from each agency was formed at the request of SSWD. The committee has met six times since September 2011 to discuss water management opportunities. In January, the committee decided it was time to update both Boards on the committee's progress and to obtain direction on whether to proceed with further analysis of the committee's two recommended action alternatives. The March 21, 2013 Joint Board Workshop was scheduled for these purposes.

## CURRENT STATUS

The committee initially considered five alternatives to cooperatively manage the use of surface and groundwater supplies:

1. No Action
2. Utilize Central Valley Project (CVP) water outside SJWD service area without changing the service area
3. Modify SJWD CVP water service area to include SSWD

4. Utilize SJWD water rights in SSWD and use CVP water in SJWD service area, without consolidation
5. Utilize SJWD water rights in SSWD and use CVP water in SJWD service area, with consolidation

## **Analysis of Alternatives**

### 1. No action

#### Pros:

- Easy to accomplish
- No additional staff effort or financial resources necessary
- Would not require change in Board of Directors

#### Cons:

- Could lose access to existing surface water supply if it is not used
- Existing surface water supplies will not be used to sustain/supplement groundwater supplies for dry year supply
- Surface water supply would not be available to region if groundwater contamination moves into existing wells
- Surface water supply would not be available if future regulations require well head treatment on multiple groundwater wells

### 2. Utilize CVP water outside SJWD service area without changing the service area

#### Pros:

- Allow management of surface and groundwater
- Would not require change in Board of Directors

#### Cons:

- Limited opportunities because of legal and institutional barriers
- Would require environmental review
- Could be costly and time-consuming due to regulatory barriers and objections
- Unlikely to be successful

### 3. Modify SJWD CVP water service area to include SSWD

#### Pros:

- Allow management of surface and groundwater
- Would not require change in Board of Directors

#### Cons:

- Would require environmental review

- Could be costly and time-consuming due to regulatory barriers and objections
- May not be successful

4. Utilize SJWD water rights in SSWD and use CVP water in SJWD service area, without consolidation

Pros:

- Allow management of surface and groundwater
- Would not require change in Board of Directors

Cons:

- Agreement with SSWD would require CEQA review
- Could be costly and time-consuming due to regulatory barriers and objections
- May not be successful
- SJWD probably not interested in agreement to use water rights outside boundaries

5. Utilize SJWD water rights in SSWD and use CVP water in SJWD service area, with consolidation

Pros:

- Allow management of surface and groundwater
- Would provide ease of management of surface and groundwater due to single agency (no agreements necessary)
- Would provide more ability to secure water supply reliability and preservation due to benefit of larger agency Increased political strength and visibility
- More efficient use of staff resources to pursue water supply reliability and policy goals
- Could use SJWD water rights in SSWD without any additional approval as will be part of SJWD and no agreement necessary. Would allow use of full CVP entitlement in existing CVP place of use in SJWD
- Increased dry year water supply reliability for SJWD

Cons:

- Would require consolidation of Board of Directors and operations
- Possible customer concerns
- Would cost money to study and implement
- Could be protested or result in litigation

May require environmental review (consolidation and/or expansion in CVP place of use)  
The committee has narrowed down the number of alternatives to the following three:

- A. No Action (#1 above)
- B. Modify SJWD CVP water service area to include SSWD (#3 above)
- C. Utilize SJWD water rights in SSWD and use CVP water in SJWD service area, with consolidation (#5 above)

There has not been any formal analysis of the committee's three recommended alternatives. Attached as Exhibit 1 to this staff report is a brief overview of each of the alternatives.

Staff will provide a presentation with summary statistics of each district, vicinity maps showing service area boundaries and water right place of use boundaries, and options for future action, if any.

#### **Financial Considerations**

Work to date has been completed entirely by the staffs and board members of the agencies. Each agency has spent approximately the same amount of time, and legal costs are being split 50/50 between the two agencies. To date both agencies have supported their own costs, which have been relatively minor.

There is also enough in-house expertise to complete the Phase 1 impact and fatal flaw analysis that would permit the SJWD and SSWD Boards to determine whether additional resources are warranted to study any available options. Assuming the Phase 1 analysis can be performed on a schedule that does not require an extraordinary effort using existing staff and legal counsel resources, the budget impacts should be relatively minor.

## Exhibit 1

### Overview of Alternatives Recommended for Further Consideration by Ad Hoc 2x2 Committee

#### NO ACTION ALTERNATIVE

##### Background

The no action alternative would consist of maintaining the status quo.

SJWD would continue to:

1. Utilize surface water supplies
2. Consider building facilities to inject surface water into groundwater
3. Determine most appropriate way to provide groundwater to wholesale agencies in case of shortages or emergency where surface water was not available; including:
  - a. Pump back from SSWD (through contract with SSWD)
  - b. Direct groundwater pumping into Cooperative Transmission Pipeline

SSWD would continue to:

1. Utilize groundwater supplies
2. When available, utilize Placer County Water Agency surface water from Folsom Reservoir and City of Sacramento surface water from the lower American River in a conjunctive manner.

##### Costs

SJWD

1. Lost opportunity costs associated with:
  - a. Limited dry year water transfers
  - b. Reduced water supply reliability
  - c. Limited state legislative impacts
2. Potential real future costs
  - a. Construction of new injection wells
  - b. Construction of groundwater supply wells
  - c. Reduction in CVP contract supplies without documented use
  - d. Continued lack of redundancy in water supply

SSWD

1. Lost opportunity costs associated with:
  - a. Reduced groundwater recharge
  - b. Limited dry year water transfers
  - c. Limited state legislative impacts

2. Potential real future costs
  - a. Groundwater contamination treatment
  - b. Groundwater treatment for future MCLs
  - c. Continued sole reliance on groundwater in dry years

## **Benefits**

### **SJWD**

1. Staff time and resources not spent on evaluation of alternatives

### **SSWD**

1. Staff time and resources not spent on evaluation of alternatives

## **MODIFY SJWD CVP WATER SERVICE AREA TO INCLUDE SSWD**

### **Background**

Modifying SJWD CVP water service area to include SSWD would require the written consent of the Bureau of Reclamation Contracting Officer. Detailed analysis would be required to determine whether the proposed change is likely to:

1. Result in the use of project water contrary to the terms of the CVP contract
2. Impair the ability of the contractor to pay for project water
3. Have an impact on any Project water rights applications, permits or licenses

In addition, the Contracting Officer must comply with the National Environmental Policy Act (NEPA) and Endangered Species Act (ESA). The contractor will be responsible for all costs.

SJWD would revise operations to:

1. Continue to provide surface water to wholesale service area
2. Provide CVP water to SSWD for the purpose of in-lieu groundwater storage

SSWD would revise operations to:

1. Accept CVP surface water into its service area when available and advantageous

### **Costs**

#### **SJWD & SSWD**

1. Funding for USBR work, including NEPA and ESA work, and CEQA
2. May be challenged
3. Potential for significant “rework” as biological opinions and Delta issues evolve
4. May not be successful

### **Benefits**

#### **SJWD**

1. Better management of surface and limited groundwater supplies
2. Allow storage of CVP water in groundwater basin to more fully utilize CVP contract entitlement

3. Provide more reliable dry year water supply through increased conjunctive use opportunities
4. Would not require change in Board of Directors or independence of Districts

#### SSWD

1. Better management of limited surface and groundwater supplies
2. Provide more reliable water supply through increased use of surface water supplies
3. Would not require change in Board of Directors or independence of Districts

### **CONSOLIDATE SJWD AND SSWD RETAIL SERVICE AREAS**

#### **Background**

SJWD and SSWD would consolidate retail service areas and SJWD wholesale boundaries would be expanded to include the SSWD area. This would allow coordinated usage of surface and groundwater seamlessly as one agency. Must be structured to not impact existing obligations to any SJWD wholesale entity or either District's retail ratepayers.

#### **Costs**

1. Fatal flaw analysis, consolidation study, environmental review, LAFCO fees, and implementation costs.
2. Would require redrawing Board of Director districts and possible voting change proceedings
3. Public information and public outreach
4. Possible special legislation

#### **Benefits**

1. Direct, single source management of surface water and groundwater
2. Ability to utilize SJWD water rights in SSWD
3. Better utilization of staff
4. Increased political influence
5. Potential economics of scale
6. More secure, long-term water supply reliability for all ratepayers
  - a. More certain ability to manage puts and takes from the North American River groundwater basin to ensure long term basin sustainability
  - b. Increased ability to respond to potential contamination risks either to groundwater or to surface water in Folsom Lake
  - c. Increased dry year supply reliability
7. Opportunities for future groundwater substitution transfers, water banking and exchange opportunities