



## **Meeting Minutes DRAFT**

### **Meeting of the California Water Commission**

**Wednesday, September 18, 2013**

Department of Water Resources, Oroville Field Division

Conference Room

460 Glen Drive

Oroville, California 95966

Beginning at 10:00 a.m.

#### **1. Call to Order**

Chairman Joe Byrne called the meeting to order at 10:01 am.

#### **2. Roll Call**

Executive Officer Sue Sims called roll. Joe Byrne, Danny Curtin, Joe Del Bosque, Lu Hintz, Adán Ortega, and David Orth were present, constituting a quorum. Andy Ball, Kim Delfino, and Anthony Saracino were absent.

#### **3. Approval of August 2013 Meeting Minutes**

A motion was made and seconded to approve the August 21, 2013 meeting minutes. A vote was taken and the motion passed unanimously.

#### **4. Executive Officer's Report**

Sue Sims provided the Executive Officer's report. She stated that several efforts are underway in the legislature to change the water bond. However, no final action was taken so the bond remains as is for the November 2014 election at this point. Additional work on the bond is expected when the legislature reconvenes.

Congress has introduced its version of the Water Resources Development Act (WRDA) which will have its first committee hearing on September 19. The Commission sent a letter to the House Transportation and Infrastructure Committee and the California Congressional Delegation on September 6 identifying the need for federal support for water projects and programs in the state, and urging passage of the bill.

Several agencies, including state agencies, ACWA, and NGOs, are working on various types of Water Action Plans to prioritize the most important needs and investment strategies.

Chairman Byrne welcomed new appointees Adán Ortega and David Orth to the Commission.

Mr. Del Bosque briefed the Commission on his attendance at a joint meeting with the California State Board of Food and Agriculture on September 10. The meeting began with Department of Water Resources (DWR) Deputy Director Gary Bardini speaking about the state's work on a Water Action Plan, drought preparedness, and water transfers. Several panelists spoke on the current water situation in California and referenced the 2009 drought which impacted agriculture. The farming panel discussed the coming year conditions and potential impacts. The Bay Delta Conservation Plan (BDCP), bond, and future water storage projects were also discussed. The prospect for the potential reduction of water deliveries next year was also discussed and is an urgent concern. There is a need for improvements in how water transfers are facilitated, as they are taking too long. Mr. Del Bosque would like to take part in future discussions on these issues.

Mr. Ortega agreed with Mr. Del Bosque. He added that agricultural water is the first to be decreased when conditions are dry in the state. California needs to decide that agriculture is a strategic resource and make decisions accordingly. He noted that at the meeting the State Water Board discussed groundwater and the need to look at local solutions. Ms. Sims mentioned DWR is working on a drought plan. The Commission may wish to revisit these issues and possibly take action on this issue later this winter.

#### **5. Remarks by Invited Local Officials**

Oroville Mayor Linda Dahlmeier thanked the Water Commission for coming to Oroville. She noted that in the community there has been a long history of controversy about Oroville Dam and other State Water Project facilities. Mayor Dahlmeier has been working cooperatively with DWR and the State Water Contractors to address these issues. She discussed the relicensing of the Dam as an opportunity to set the direction of the next 50 years. There will never be enough water for everyone who wants it. Oroville is the beginning of the State Water Project and sends their water to the rest of the state. It is important to educate people, especially children, in Oroville and across the state about where water comes from and the importance of water conservation.

Chairman of the Butte County Board of Supervisors Bill Connelly also provided welcoming remarks. The county's motto is *the land of natural wealth and beauty*. Butte county has a population of 220,000, covers 1,677 square miles, and contains 37.62 square miles of surface water. The main industry is agriculture including nuts, rice, fruit, cattle, and timber. Butte County offers some of the best outdoor recreation in California including vehicle trails, hiking trails, equestrian trails, boating, fishing, and hunting. Mr. Connelly stated they are very protective of their water supply, because of the county's agricultural base.

Mr. Curtin asked if the potential for capturing water would improve if federal forests were managed properly. Supervisor Connelly said mismanagement of forests dates back prior to the establishment of California. Forests should be thinned, and underbrush kept down to increase

water flow. The county is currently working on the exact number, but estimated the potential for millions of gallons of inflow into the Feather River with proper management. He also mentioned the closure of lumber mills in recent decades has negatively impacted the local economy.

Mr. Curtin stated there is a nexus between water and other industries including energy and forestry, and the Commission should look at these areas.

Supervisor Connelly noted that relief is needed from frivolous lawsuits. The county has made agreements with stakeholders including environmental groups, only to be sued by other environmental groups.

Mr. Del Bosque asked about the value of recreation from Oroville Dam. Supervisor Connelly said that the value of recreation does not offset the costs the county incurs because of the State Water Project facilities, and offered to provide the Commission a full written report of this economic analysis. The county has a negative cash flow of \$5.7 million annually associated with the Dam. When the Dam was built, there were promises of recreation opportunities, more visitors, campgrounds, and lodges that were never built. Mayor Dahlmeier mentioned that the California Department of Fish and Wildlife has banned salmon fishing on the Feather River in the city of Oroville, another major potential revenue source. She also discussed a proposal to create a "Salmon Preservior" which will need approval from the National Marine Fisheries Service (NMFS).

#### **6. Briefing on State Water Project (SWP) Organizational Structure**

Carl Torgersen, DWR Deputy Director of the SWP, updated the Commission on the SWP's organizational structure. Mr. Torgersen noted the SWP has faced issues with equipment availability. One of the key factors was that trades and crafts employees were underpaid. Recently, the State negotiated salary increases averaging about 30% for these employees. While this provides relief in the short term, DWR does not want to lose sight of the sustainability of the SWP in the future. For example, employees who operate and manage the SWP should be excluded from future State furloughs as they are funded by the State Water Contractors. DWR is continuing to look at other organizational or governance structures to address ongoing issues in the future.

DWR was originally established by the legislature as a State agency despite its role as a water and power utility. The SWP accounts for 50% of DWR staff. Future challenges include constraints that stem from being part of the State government such as contracting requirements, labor negotiations, and civil service classifications. For example, SWP trades and crafts employees make up 500 employees in a bargaining unit that represents 12,000 people statewide. This makes it very difficult to negotiate for that small subset of workers in the existing collective bargaining system. The SWP needs more employees and broader skill sets in order to maintain the existing infrastructure.

DWR started a benchmarking effort with other entities several years ago, which highlighted the SWP's low compensation in comparison to other water utilities. The Public Policy Institute of California and Little Hoover Commission have written reports suggesting alternate governance structures for the SWP. Recently, Ralph Torres hired CPS Consulting to review the issues and make recommendations. Their recommendations include creating a Joint Powers Authority (JPA), where the operation of the SWP would be contracted to the JPA. They also suggested a Public Benefits Corporation or special legislative authority which would give the SWP different operating rules. The JPA appears to be the best option; however, there are issues. One significant issue that would need to be addressed is how to transfer current State employees to the JPA. The short term focus is to set a strategic plan.

Mr. Torgersen provided examples of other entities that have gone through similar transitions and can provide governance models. He emphasized that a potential JPA would not have any policy setting responsibilities; that function would need to remain with the State.

Mr. Curtin was supportive of the efforts and suggested looking to other agencies with similar financing situations to the SWP for an appropriate operational model. Mr. Ortega asked how the issues discussed today dovetail with the Bay Delta Conservation Plan (BDCP). Mr. Torgersen said that the funding issues will be similar, but current efforts are focused only on existing infrastructure.

Mr. Orth stated there are several examples of different governance models in California, including the San Luis Delta Mendota Water Authority (SLDMWA). Mr. Orth was involved in the creation of the SLDMWA and dealt with many issues similar to those facing the SWP. It would be informative to look at these examples for ways to address these challenges. Mr. Torgersen said he was familiar with the SLDMWA. One of the major differences is that when the SLDMWA was created federal employees were given the choice of working for the new SLDMWA or transferring to another location to continue working for the federal government. The SWP likely would not have the option to provide large number of employees with opportunities to remain with the state. However, they will continue to look at all of the alternatives and models.

Mr. Ortega also addressed the issue of an aging workforce, and asked if Mr. Torgersen was addressing these issues. Mr. Torgersen said that the SWP has been very aggressive in promoting their apprentice program. However, once the apprentices complete the program, they often leave the SWP for better paying jobs with other organizations. The recent compensation increase should help. Also, the SWP plans to open its job exams to a broader group of applicants.

Mr. Byrne asked if the main issue with a JPA was transferring employees. Mr. Torgersen said that it was. He noted the CPS said that functionally a JPA was the best option. He also noted that in the

short term, it will take about five years for the SWP to reach 90% Operational Availability. Longer term, DWR will be developing a sustainability plan involving different operating rules. This will ultimately require some sort of legislation.

Mr. Ortega brought up issues with taste and odor issues with SWP water. He said that if the Delta tunnels are built, the water will become clearer and could increase algal blooms. He asked if there were other costs associated with lack of staffing. Mr. Torgersen said there are, including water quality cost, energy was just the easiest to measure.

**7. Update on SWP Facilities and Operations, including Thermalito Pumping-Generating Plant**

David Roose, Chief of the SWP Operations Control Office, and Attilio Zasso, Chief of the SWP Operations Office, updated the Commission on the status of the Thermalito Pumping-Generating Plant following a fire which occurred on November 22, 2012. The Plant sustained damage to the control room and cable gallery. DWR has implemented a three-step root cause analysis that includes an investigative analysis, a forensic analysis, and documentation of the fire investigations and lessons learned report. These were completed in August. Lessons learned will be applied to all SWP plants. Because so much evidence was incinerated by the fire, the cause could not be determined conclusively, although investigators did find a suspect circuit.

There are currently 100 personnel on-site involved in plant clean up. Significant amounts of debris and wastewater have been removed from the plant. It is anticipated plant clean up will be completed by the end of September. The next phase will consist of disassembly, cleaning, and inspection of the generating units. Clean-up is expected to cost \$67 million. That does not include restoration work.

A plant assessment was completed with the assistance of a contractor. The estimated cost to restore the plant to its pre-fire condition is \$74 million to \$100 million. DWR entered in to a value engineering analysis: a business case analysis to determine what should be done with the plant. A draft report is due out in October 2013, however the recommendation appears favorable for fully restoring the plant.

Moving forward, the SWP will begin two projects. The first is the SWP Fire Systems Enhancement and Implementation Plan. The plan will review and rank lessons learned from the fire, address fire risks in other plants, and modernize fire systems statewide to meet current fire codes. The second project is the SWP Fire Systems Design and Construction.

Mr. Ortega asked what agency is responsible for ensuring that facilities are up to fire code. He asked if/how SWP facilities were inspected leading up to this. Mr. Roose stated that the California State Fire Marshall is responsible for reviewing all plans and upgrades and ensuring they meet fire code. Fire codes are not specific for hydropower facilities so there is some gray area concerning

codes. He also noted that all plants met fire codes when they were built; however, fire codes change and updates to the fire prevention systems are not required unless major modifications are made to the plant.

Mr. Orth asked the generation capacity of the Thermalito plant. Mr. Roose stated the value of energy generated at Thermalito would have been \$7-12 million this year.

#### **8. Briefing on Oroville FERC Relicensing Process and Community Relations Activities**

Ralph Torres of the SWP provided an overview of the Oroville facilities and an update on the status of the Federal Energy Regulatory Commission (FERC) relicensing process and settlement agreement. The original license was affective February 1, 1957 and expired in 2007. Mr. Torres showed the FERC boundaries for the project, and noted that the low flow channel that runs through the city is not included in the FERC boundary.

He discussed the complexity of relicensing. This project is unique because it goes through the city of Oroville. The relicensing process began in 1998. There were two options of relicensing available; traditional or alternative. DWR chose the alternative process in order to collaborate with the community and stakeholders. The process began with plenary workgroup meetings; scoping began in 2000-2002. The next phase was to begin protection, mitigation and enhancement features to become part of the settlement agreement (SA). The SA was reached with a majority of the stakeholders. The SA is submitted to FERC so they can understand what license conditions should be based on. The license application was filed in 2005. Negotiations were completed and the Settlement Agreement was signed in 2006. FERC completed the Environmental Impact Statement which was issued in 2007. DWR is responsible for the Environmental Impact Report which was completed in 2008. The US Fish and Wildlife Service also issued a biological opinion. As part of this, an agreement was reached on a Habitat Expansion Plan. NOAA Fisheries issued a draft biological opinion in 2008. In 2010 the State Board completed their Water Quality Certification. The Oroville Facilities are operating under an annual license from FERC that is renewed every year. FERC is waiting for NOAA to issue a final biological opinion before the new 50-year license can be finalized.

There were 53 signatories to the Final SA including state, federal, and local agencies, NGOs, a local Native American Tribe, and 24 State Water Contractors. The total cost is expected to be \$1 billion and includes funding for land use and management, recreation, local projects, cultural resources, and the environment.

Several outstanding issues remain. During the design and construction of the dam, Native American ancestral remains had to be removed from the area. DWR has been trying to return them to the appropriate tribal interests, but where to return the remains is still under discussion.

Another ongoing issue is cold water availability. Rice growers in the area have senior water rights. However, requirements that the Oroville Facilities maintain colder water for fisheries means that the rice growers receive colder water. The growers claim this is detrimental to their rice harvest. DWR completed a study quantifying how much rice yield has been lost, and has made equivalent payments to the rice farmers.

DWR teamed with PGE to find an alternative to fish passage. They agreed to find new habitat for salmon in other areas. That plan is currently under review by NOAA fisheries.

Litigation was filed by Butte County challenging DWR's CEQA documentation for the FERC license. The court ruled in DWR's favor in June 2012; however, that has been appealed.

Mr. Hintz asked if many of the costs of relicensing were up-front costs. Mr. Torres said they were and there were concerns about the timeline for implementation of the license requirements. The community asked for, and DWR agreed to implement, interim projects during the relicensing process. The largest project was River Bend Park. DWR provided funding and construction management for the park.

Mr. Ortega noted that there is pending legislation to make the San Gabriel Forest a national recreation area and he suggested DWR look at that with regards to relicensing of the Southern California power facilities.

Barbara from AquAlliance, a non-governmental organization based in Butte County, stated that Butte County is not a signatory to the Settlement Agreement and is part of the litigation. She asked what security ensures that projects listed in the plan will actually be implemented. Mr. Torres stated if projects are listed in the license, then they are required by FERC. If they are not implemented on schedule, DWR will be fined. He assured her that DWR will implement all items in the FERC license.

#### **9. Consideration of Items for Next California Water Commission Meeting**

Items for the next meeting include review of the staff draft of the regulations and guidelines for the quantification of public benefits for water storage projects, the revised Agricultural Water Measurement Regulations, an update on eminent domain proceedings in the Delta, and an update on the State Water Action Plan.

#### **10. Public Comments**

Barbara from AquAlliance commented on Mr. Carl Hauge's presentation to the Commission in September 2011 on groundwater and conjunctive management. A slide stated that "Aquifers are empty." She stated that is not a popular sentiment in the Sacramento Valley. She asked that the

Commission might weigh-in and express the importance of updating Bulletin 118. The section on overdraft of groundwater basins has not been updated since 1980.

Mr. Orth noted that the California Water Plan Update 2013 will have a comprehensive section on groundwater including an analysis on groundwater management plans and information on estimated changes in groundwater storage throughout much of the state.

Mr. Ortega also stated that the impacts of water quality regulations will be included in the California Water Plan. He suggested that the Commission should review this section of the plan.

Mr. Byrne adjourned the meeting at 12:36 pm.