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REPORT TO THE CITY COUNCIL

June 9, 2016

FROM: THOMAS C. ESQUEDA, Director
Department of Public Utilities

SUBJECT

RESOLUTION - Authorizing payment to the U.S. Bureau of Reclamation for the purchase of Tier 1 and Tier 2 Unreleased Restoration Flows from Millerton Lake.

RECOMMENDATION

The Administration recommends the City Council authorize payment to the U.S. Bureau of Reclamation (Bureau) to purchase Tier 1 and Tier 2 Unreleased Restoration Flows (URFs) from Millerton Lake.

EXECUTIVE SUMMARY

The City relies on both groundwater and surface water to meet daily water supply needs of approximately 130,000 water accountholders. During calendar years 2013, 2014, and 2015, the City delivered 47.8, 42.5, and 36.4 billion gallons of water to the community, respectively.

For Water Year 2016-2017, the Bureau's San Joaquin River Restoration Program (SJRRP) Administrator announced the availability of additional water supply from Millerton Lake through URFs. Each year the SJRRP Administrator determines the water supply required for the SJRRP, and if all of the water allocated to the SJRRP is not required, the SJRRP Administrator may issue a declaration

announcing that URFs may be released to Friant Division Contractors from Millerton Lake.

This Resolution is required by the Bureau for the City to accept URFs. The Administration recommends that the Fresno City Council adopt the attached Resolution to take delivery of Tier 1 and Tier 2 Unreleased Restoration Flows from Millerton Lake for a purchase price of \$60 per AF for Tier 1 and \$133 per AF for Tier 2. All of these types of water supply are incorporated into the City's 9D contract which has been approved previously by the Fresno City Council. This is a time-sensitive action for the City.

BACKGROUND

On December 22, 2010, the City entered into a contract (9D Contract) with the Bureau providing for a Class 1 allocation of Central Valley Project (CVP) Water (Project Water) from Millerton Lake. In accordance with the 9D Contract, on an annual basis the USBR shall make available for delivery to the City 60,000 acre-feet of Class 1 water for municipal and industrial purposes, subject to the terms and conditions of the 9D Contract and regional hydrologic conditions. The Bureau's water year for Millerton Lake operations runs from March 1st to February 28th each year.

On or about February 20th of each year, the 9D Contract requires the Bureau to announce an initial declaration of Project Water to be made available to the City and other Friant Division Contractors. The annual declaration can be adjusted during the year depending upon CVP operational conditions and regional hydrologic conditions. Once the annual declaration is made, the 9D Contract requires the City to submit to the Bureau a written schedule defining when the City will take delivery of surface water from Millerton Lake. The 9D Contract requires the City to submit its delivery schedule by March 1st of each year. The Bureau has made 0% allocations for water years 2014-2015 and 2015-2016 to the City of Fresno and other Friant Division Contractors.

One of the features of the City's 9D Contract is the ability for the City to purchase additional types of water supply from Millerton Lake when such additional types of water supply are available. Additional types of water supply referenced in the City's 9D contract include: 215 Releases (non-storable flood flows); Uncontrolled Season Releases (i.e. preemptive flood-releases); Recirculated Water Flows; and Unreleased Stream Restoration Flows (the URFs at issue). While all of these types of water supply are incorporated into the City's 9D contract which has been approved by the Fresno City Council, the Bureau requests that Council adopt a resolution of intent to make payment for these additional types of water supply from Millerton Lake when they are available.

On February 4, 2016, Council adopted a Resolution to purchase 215 Water if such water supply was made available during water year 2016-2017. This agenda item is to adopt a similar resolution to purchase Unreleased Stream Restoration Flows from Millerton Lake.

Current Water Supply Conditions

The City's surface water supply resources are stored in Pine Flat Reservoir and Millerton Lake, with total combined entitlements of 180,000 acre-feet (AF) per year during a normal-precipitation year. However, given the severity of California's ongoing four-year drought, the City's surface water entitlements from Pine Flat Reservoir and Millerton Lake have been reduced along with entitlements for all parties throughout the State. Fortunately, the rainfall precipitation for water year 2016 has been above normal, and while snowpack depths remain below normal, snowpack totals for water year 2016 are greater than during the 2015 water year. Following is a summary of the current

surface water supply conditions for the City of Fresno:

- 1) For Pine Flat Reservoir, FID estimates the City's surface water entitlements for the 2016 water year (Oct 1 to Sep 30), will be approximately 84,000 AF. This is a 70-percent entitlement, as the City's entitlement during a normal precipitation year is 120,000 AF.
- 2) For Millerton Lake, the Bureau is making water supply available to the City through three types of water supply sources - Uncontrolled Season Releases; Unreleased Stream Restoration Flows, and Class I. The sequence of declarations is presented below:
 - a. On March 25, 2016, the Bureau issued a declaration that 100,000 AF of Uncontrolled Season Release (UCS) water would be available to Friant Division Contractors on a proportionate basis at a price of \$100 per AF. An Uncontrolled Season Release is a form of flood release that is initiated by the Bureau to create capacity behind Friant Dam so as to avoid flowing water over the Friant Dam spillway at a later date. As a form of flood release, this water must be used by Friant Division Contractors by a specific date. The City coordinated with the Fresno Irrigation District (FID) to take delivery of 12,253 AF of Uncontrolled Season Releases from Friant Dam for surface water treatment and groundwater recharge.
 - b. On March 30, 2016, the SJRRP Administrator issued a declaration that 85,000 acre-feet (AF) of Tier 1 URFs would be available to Friant Division Contractors on a proportionate basis at a price of \$60 per AF. The City's proportionate share of 85,000 AF is 2,317 based on Class 1 and Class 2 water supply allocations.
 - c. On May 5, 2016, the SJRRP Administrator issued a declaration that a first block of 4,575 AF of Tier 2 URFs would be available to Friant Division Contractors on a proportionate basis at a price of \$150 per AF. The City's proportionate share of 4,575 AF is 336 AF based on Class 1 water supply allocations.
 - d. On May 11, 2016, the Bureau issued a declaration that Class 1 water supply for water year 2016-2017 would be established at 65 percent, which is equivalent to 39,000 AF for the City of Fresno. The unit price for the City's Class I allocation is \$100 per AF.

The Administration recommends that Council approve the attached Resolution to take delivery of Tier 1 and Tier 2 Unreleased Restoration Flows from Millerton Lake for a purchase price of \$60 per AF for Tier 1 and \$133 per AF for Tier 2. While all of these types of water supply are incorporated into the City's 9D contract which has been approved by Council, the Bureau requires adopting a resolution of intent to make payment for these additional types of water supply from Millerton Lake. This is a time-sensitive action for the City. The URF Contract has been reviewed and approved as to form by the City Attorney's Office.

ENVIRONMENTAL FINDINGS

Staff has performed a preliminary environmental assessment of this project and has determined that it falls within the Statutory Exemption set forth in CEQA Guideline Section 15282(u), which exempts temporary changes in the point of diversion, place of use, or purpose of use due to a transfer or exchange of water or water rights as set forth in Section 1729 of the Water Code, because the purchased water will be temporarily diverted from its standard path in the San

Joaquin River to senior water rights holders.

LOCAL PREFERENCE

Local preference was not considered because the purchase of surface water does not include a bid or award of a construction or services contract.

FISCAL IMPACT

There is no financial obligation for the General Fund for this surface water purchase. The funding source for this surface water purchase will be the Water Division Enterprise Fund. For Fiscal Year 2016, the Water Division allocated \$5 million in the appropriated budget for water supply purchases such as this purchase of URFs, Uncontrolled Season, and Recirculated Water.

Attachment:
Resolution