



County of Sonoma Agenda Item Summary Report

Clerk of the Board
575 Administration Drive
Santa Rosa, CA 95403

Agenda Item Number: 7
(This Section for use by Clerk of the Board Only.)

To: Board of Supervisors and Board of Directors of Sonoma County Water Agency

Board Agenda Date: November 13, 2018

Vote Requirement: Majority

Department or Agency Name(s): Board Ad Hoc Committee for the Potter Valley Project

Staff Name and Phone Number:

James Gore (707) 565-3757
Lynda Hopkins (707) 565-2241

Supervisorial District(s):

All

Title: Resolution in Support of a Two-Basin Solution for the Future of the Potter Valley Project

Recommended Actions:

Adopt a Concurrent Resolution Supporting a Two-Basin Solution for the Future of the Potter Valley Project

Executive Summary:

Pacific Gas & Electric's (PG&E) Potter Valley Project (PVP or Project) is a hydroelectric facility that diverts Eel River water through a tunnel to a powerhouse in the Russian River watershed. After producing power, water is discharged from the powerhouse to the East Fork of the Russian River and then flows into Lake Mendocino. The current license for the Project issued by the Federal Energy Regulatory Commission (FERC) will expire in 2022, and PG&E must file for a new license by April 14, 2020. On May 10, 2018, PG&E sent a letter to the Eel-Russian River Commission publicly announcing its intention to auction the Project. PG&E has also announced its intention to continue with the relicensing while seeking a new owner for the Project. The Board Ad Hoc Committee for the Potter Valley Project recommends the Board of Supervisors and the Board of Directors of the Sonoma County Water Agency (Sonoma Water) adopt a concurrent resolution supporting a Two-Basin Solution for the future of the Project that protects fisheries and water supplies in both the Eel and Russian River Watersheds.

Discussion:

The Potter Valley Project, owned by PG&E, was constructed on the main stem of the Eel River in Mendocino County between 1905 and 1922 to generate hydroelectric power. The operation of the Project serves as an inter-basin transfer of water from the upper main stem of the Eel River basin in Lake County to the Russian River basin in Mendocino County. The Potter Valley Project began operation in 1908 with the completion of Cape Horn Dam, and then in 1922 Scott Dam was completed, forming Lake Pillsbury.

The Potter Valley Project diverts water from the Eel River through a tunnel into Potter Valley, located in the Russian River Watershed, to produce hydroelectric power. After generating power, the water that is not used by Potter Valley Irrigation District and other water rights holders flows down the East Fork Russian River into Lake Mendocino. Since the completion of Coyote Valley Dam in 1959, the water released from the Potter Valley Project has been impounded and stored in Lake Mendocino, providing water supply for multiple beneficial uses along the Russian River in Mendocino and Sonoma Counties to the Pacific Ocean.

The current PVP license expires in 2022. On April 6, 2017, PG&E began the relicensing process by filing a Notice of Intent (“NOI”) and Pre-Application Document (“PAD”). On May 10, 2018, PG&E sent a letter to the Eel-Russian River Commission publicly announcing its intention to auction the Project. PG&E has also announced its intention to continue with the relicensing while seeking a new owner for the Project. PG&E must file its application for a new license by April 14, 2020.

In 2017, Congressman Jared Huffman convened an ad hoc committee of interested parties to work toward a Two-Basin Solution for the future of the Project that addresses issues and concerns in both the Eel River and Russian River watersheds. The County of Sonoma and Sonoma Water have been participating in the ad hoc committee convened by Congressman Huffman, and have been working with regional stakeholders, including PG&E, to plan for the future of the Project that protects fisheries and water supply in both the Eel and Russian River Watersheds.

The Board Ad Hoc Committee recommends the Board of Supervisors and the Board of Directors of the Sonoma County Water Agency adopt a concurrent resolution affirming (1) the Boards’ support for the concept of a Two-Basin Solution; (2) the Boards’ support for a future of the Potter Valley Project that protects fisheries and water supplies in both the Eel and Russian River watersheds; (3) that the Potter Valley Project is a project of regional importance, and in order to achieve a Two-Basin Solution regional stakeholders will need to work together to implement a regional solution; and (4) that the County of Sonoma and the Sonoma County Water Agency are willing to work with regional partners and stakeholders in furtherance of a Two-Basin Solution.

Prior Board Actions:

None

Strategic Plan Alignment

Goal 2: Economic and Environmental Stewardship

Fiscal Summary			
Expenditures	FY 18-19 Adopted	FY 19-20 Projected	FY 20-21 Projected
Budgeted Expenses	-0-	-0-	-0-
Additional Appropriation Requested	-0-		
Total Expenditures	-0-	-0-	-0-
Funding Sources			
General Fund/WA GF	-0-	-0-	-0-
State/Federal	-0-	-0-	-0-
Fees/Other	-0-	-0-	-0-
Use of Fund Balance	-0-	-0-	-0-
Contingencies	-0-	-0-	-0-
Total Sources	-0-	-0-	-0-
Narrative Explanation of Fiscal Impacts:			
N/A			
Staffing Impacts			
Position Title (Payroll Classification)	Monthly Salary Range (A – I Step)	Additions (Number)	Deletions (Number)
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
Narrative Explanation of Staffing Impacts (If Required):			
N/A			
Attachments:			
Resolution			
Related Items "On File" with the Clerk of the Board:			
N/A			



County of Sonoma

State of California

Date: November 13, 2018

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4/5 Vote Required

Concurrent Resolution Of The Board Of Supervisors Of The County Of Sonoma, State Of California, And The Board Of Directors Of The Sonoma County Water Agency Regarding The Future Of The Potter Valley Project

Whereas, the Potter Valley Project owned by Pacific Gas & Electric (PG&E) was constructed on the main stem of the Eel River in Mendocino County between 1905 and 1922 to generate hydroelectric power, and through its operation serves as an inter-basin transfer of water from the upper main stem of the Eel River basin in Lake County to the Russian River basin in Mendocino County; and

Whereas, the Potter Valley Project began operation in 1908 with the completion of Cape Horn Dam which impounded water in Van Arsdale reservoir, initially operating only as a 'run of the river' diversion. This was changed in 1922 when Scott Dam was completed, thereby forming Lake Pillsbury, which allowed winter rains and snow melt to be impounded and stored for release in the late spring, summer and fall, creating a year round source of water supply to the Eel and Russian River watersheds; and

Whereas, releases of stored water from Lake Pillsbury assure that releases below Cape Horn Dam exceed naturally occurring flow rates, thereby benefiting fisheries in the Eel River as well as other downstream beneficial uses; and

Whereas, the Potter Valley Project diverts water from the Eel River through a tunnel into Potter Valley, located in the Russian River watershed, to produce hydroelectric power. After generating power, the water that is not used by Potter Valley Irrigation District and other water rights holders flows down the East Fork Russian River into Lake Mendocino; and

Whereas, since the completion of Coyote Valley Dam in 1959, the water released from the Potter Valley Project has been impounded and stored in Lake Mendocino, providing water supply for multiple beneficial uses along the Russian River in Mendocino and Sonoma Counties to the Pacific Ocean.

Whereas, stored water from both Lake Pillsbury and Lake Mendocino support beneficial uses that are critical to the environmental and economic well-being of the counties of Humboldt, Lake, Mendocino, Sonoma and Marin. In addition to generating power, this stored water also provides water supply for irrigation of crops, domestic, municipal and industrial water supplies, recreational and environmental benefits, including fisheries for Humboldt, Lake, Mendocino, Sonoma and Marin Counties, groundwater recharge and water for riparian vegetation; and

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Whereas, the Potter Valley Project provides the water supply for communities all along the Russian River in Mendocino and Sonoma Counties, including Ukiah, Hopland, Cloverdale, Geyserville and Healdsburg, thereby supporting the agricultural economy, the quality of life, and the health of the Russian River's aquatic resources, including three species of salmonids listed as endangered or threatened, and has provided environmental benefits in the Russian River that are required under the federal Endangered Species Act; and

Whereas, between 1922 and 2006, diversions from the Eel River into the Russian River through the Potter Valley Project averaged over 150,000 acre-feet per year. Since 2006, Eel River diversions have averaged 72,000 acre-feet per year, and diversions in several years were much lower than this average due to the 2011-2017 drought and PG&E's need to reduce flows through the Potter Valley Project while it was completing major repairs; and

Whereas, the amount of water flowing from the Potter Valley Project into Lake Mendocino has dropped by almost 60% since 2006; Potter Valley Project diversions are even more critical for water supplies and migrating fish in the Russian River watershed; and

Whereas, in 2013, the State Water Resources Control Board required the Sonoma County Water Agency to undertake a water supply reliability study of Lake Mendocino. The study report, issued in 2015, evaluated the long-term reliability of Lake Mendocino to meet water supply and environmental water demands. The study report found that Lake Mendocino's water supply reliability has decreased in recent years as a result of the changed operation of the Potter Valley Project; and

Whereas, the study report also found that future growth projections for the areas that rely on Lake Mendocino for their water supplies are for modest growth through 2045. Even with only modest growth, Lake Mendocino's water supply reliability is expected to continue to further decline, both under scenarios that assume historical climate conditions, and under scenarios that assume potential changes to climate; and

Whereas, the study report discusses a scenario evaluating the effect of no Potter Valley Project diversions (with current demand conditions and historic climate conditions). Under this scenario, Lake Mendocino would go dry for at least some period during more than 60 percent of the years; and

Whereas, further analysis finds that if Lake Mendocino were to go dry with this frequency, there would be severe impacts to downstream water users, ecosystems and groundwater aquifers, including:

- During the fall, the Russian River would operate under the driest conditions for instream flow requirements between 55-66% of the time between September and December;
- Lower lake levels would put at risk the water supplies for communities in Mendocino County and upper Sonoma County (along the Russian River above Healdsburg) and could affect the water supplies for the rest of Sonoma County and Marin County. Hundreds of thousands of people could be impacted;
- Lower lake levels would reduce the amount of Russian River water available to irrigate thousands of acres of vineyards and other crops and

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for recreation. Reductions in irrigation supplies could lead to additional groundwater pumping and lower groundwater levels;

- Lower lake levels would reduce the number of years during which cold-water releases could be made for the fall Chinook salmon migration – significantly affecting spawning habitat for this threatened species and overall water quality in the Russian River; and
- Without the Potter Valley Project diversions, releases of stored water from Lake Sonoma would need to increase to provide water supplies for lower Russian River entities and to meet minimum instream flow requirements in the lower Russian River. Additional releases would draw down Lake Sonoma’s reserves, making it less reliable during droughts.

Whereas, the National Marine Fisheries Service (NMFS) issued the Russian River Biological Opinion on September 24, 2008. This opinion was a culmination of more than a decade of consultation between the Sonoma County Water Agency, the Army Corps of Engineers, and NMFS regarding the impact of the Water Agency’s and Corps’ water supply and flood control activities on three fish species listed under the federal Endangered Species Act: Central California Coast steelhead, Central California Coast coho salmon, and California Coastal Chinook salmon; and

Whereas, the Sonoma County Water Agency and its contractors have expended tens of millions of dollars in complying with the Russian River Biological Opinion; and

Whereas, the Sonoma County Water Agency has partnered with the National Oceanic and Atmospheric Administration, the U.S. Army Corps of Engineers, the Bodega Marine Laboratory, the U.S. Geological Survey, the University of California Cooperative Extension, the Gold Ridge Resource Conservation District, the California Department of Fish & Wildlife, the Sonoma County Farm Bureau, the Mendocino County Farm Bureau and Scripps for the Habitat Blueprint Project on the Russian River; and

Whereas, the goals of Habitat Blueprint are: (1) rebuilding endangered coho and threatened steelhead stocks to sustainable levels through habitat protection and restoration; (2) improving frost, rainfall, and river forecasts in the Russian River watershed through improved data collection and modeling; and (3) increasing community resiliency to flooding damage through improved planning and water management strategies; and

Whereas, the partners for Habit Blueprint have collectively invested several millions of dollars in achieving the goals for Habitat Blueprint in the Russian River; and

Whereas, if the diversions from the Potter Valley Project were to cease, the investments and gains made in the Russian River watershed pursuant to the Russian River Biological Opinion and Habitat Blueprint would be placed at risk; and

Whereas, the County of Sonoma and the Sonoma County Water Agency have provided long term support for integrated regional water management planning, which supported the creation of the North Coast Resource Partnership, and most recently, the Russian River Confluence; and

Whereas, NMFS issued a Biological Opinion for the Potter Valley Project License Amendment on November 26, 2002, identifying impacts to the Eel River and Eel River fisheries, including anadromous

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fish species listed as threatened under the federal Endangered Species Act, due to the Potter Valley Project. Additionally, the Biological Opinion also identified other impacts on Eel River fisheries including logging, roads, commercial fishing, illegal diversions, droughts and floods; and

Whereas, the Hydropower License for the Potter Valley Project (P-77) is regulated by the Federal Energy Regulatory Commission (FERC); and

Whereas, in 1983, FERC issued a license for the Potter Valley Project which expires on April 14, 2022. The relicensing process began in April 2017, when PG&E filed its Notice of Intent and Preliminary Application Document with FERC, the initial step in the relicensing process; and

Whereas, as part of the relicensing process, FERC will evaluate the environmental impacts of relicensing the Potter Valley Project and will consider reasonable alternatives to PG&E's proposed actions. The environmental analysis will result in the preparation of an Environmental Impact Statement, that will describe and evaluate the probable effects, including an assessment of the site-specific and cumulative effects, if any, of the proposed action and alternatives; and

Whereas, FERC expanded the geographic scope of its analysis of the environmental impacts of Project relicensing to include the potential impacts of relicensing on storage levels in Lake Mendocino and the resources of the Russian River from Lake Mendocino to the Pacific Ocean, including anadromous fish species listed as threatened and endangered species under the federal Endangered Species Act, and the potential impacts of Potter Valley Project relicensing on agricultural and municipal water users that rely on Russian River water supplies; and

Whereas, Congressman Jared Huffman convened an ad hoc committee of interested parties in 2017 to work toward a Two-Basin Solution that addresses issues and concerns in the Eel River and Russian River watersheds; and

Whereas, PG&E announced, on May 10, 2018, its intent to auction the Potter Valley Project; and

Whereas, PG&E on September 6, 2018, began the auction process for soliciting proposals from parties interested in purchasing its Potter Valley Project; and

Whereas, PG&E is using a "request for offers" type of auction process that is intended to meet the needs of both seller and buyer – and considers other factors in addition to price; and

Whereas, depending on how many proposals are received and need to be evaluated, PG&E expects to select proposals and begin formal negotiations with a buyer by mid-2019. The sale and transfer of the Potter Valley Project could be completed within one-and-a-half to two years; and

Whereas, approval by FERC and the California Public Utilities Commission will be needed prior to transfer of ownership; and

Whereas, PG&E is in the second year of the minimum five-year process of obtaining a new operating license from FERC for the Potter Valley Project, and PG&E will continue to own, operate and relicense the Potter Valley Project throughout the auction process.

Now, Therefore, Be It Resolved, that the County of Sonoma and the Sonoma County Water

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Agency support the concept of a Two-Basin Solution proposed by Congressman Jared Huffman.

Be It Further Resolved, that the County of Sonoma and the Sonoma County Water Agency support a future for the Potter Valley Project that protects fisheries and water supplies in both the Eel River and Russian River watersheds.

Be It Further Resolved, that the Potter Valley Project is a project of regional importance, and in order to achieve the Two-Basin Solution regional stakeholders will need to work together to implement a regional solution.

Be It Further Resolved, the County of Sonoma and the Sonoma County Water Agency are willing to work with regional partners and stakeholders in furtherance of a Two-Basin Solution.

**Sonoma County
Board of
Supervisors:**

Gorin:

Rabbitt:

Zane:

Hopkins:

Gore:

Ayes:

Noes:

Absent:

Abstain:

So Ordered.

**Board of
Directors of the
Sonoma County
Water Agency:**

Gorin:

Rabbitt:

Zane:

Hopkins:

Gore:

Ayes:

Noes:

Absent:

Abstain:

So Ordered.