

# City of Sacramento

## Legislation Text

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**File #:** 2019-01226, **Version:** 1

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**Title:**

**Temporary Wholesale Water Sale for Demonstration of Groundwater Recharge**

File ID: 2019-01226

**Location:** Citywide

**Recommendation:**

Pass a Motion authorizing the City Manager or the City Manager's designee to negotiate and approve a temporary one-year change in the wholesale water rate charged to Sacramento Suburban Water District pursuant to City of Sacramento Contract No. 2004-013 for a demonstration of groundwater recharge potential within the City of Sacramento's American River Place of Use.

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**Presenter:** None

**Attachments:**

- 1-Description/Analysis
- 2-Regional Water Reliability Plan
- 3-2004-013 Wholesale Water Supply Agreement

**Description/Analysis**

**Issue Detail:** Regional water planning has identified that disparities in the pricing of wholesale water between various groundwater agencies is a disincentive to the balanced management of groundwater and surface water resources.

Sacramento Suburban Water District (SSWD) is partially within the City of Sacramento's (City) surface water right place of use, but preferentially utilizes its own groundwater resources over surface water to maintain lower costs to its customers.

Temporarily modifying the City's current wholesale pricing of water for SSWD will facilitate the desired outcome of a demonstration of groundwater recharge potential, through SSWD, utilizing surface water, in lieu of extracting groundwater. The modified rate does not subsidize SSWD but temporarily reduces the price of surface water while maintaining cost recovery of all direct costs of treating water. Increased groundwater recharge will benefit the region as whole and specifically the City as a user of groundwater.

Staff recommends that council authorize the City Manager or City Manager's designee to negotiate and approve a lower wholesale water rate with Sacramento Suburban for a one-year term. All other terms of the wholesale water agreement will remain in force.

**Policy Considerations:** This action furthers General Plan Policy U 2.1.1 (Exercise and Protect Water Rights) and U 2.1.2 (Increase water supply sustainability) by incentivizing the delivery of City surface water during non-drought conditions, thereby allowing a recharge of groundwater resources shared by multiple beneficial users.

**Economic Impacts:** None.

**Environmental Considerations:** This report concerns administrative activities that will not have a significant effect on the environment and does not constitute a "project" as defined by California Environmental Quality Act (CEQA) [CEQA Guidelines Sections 15378(b)(2 and 5)]; and therefore, is not subject to CEQA [CEQA Guidelines Section 15060(c)(3)]. The customer is receiving the water under an existing wholesale water agreement (2004-013) previously reviewed for CEQA compliance.

**Sustainability:** The proposed action is consistent with the 2035 General Plan as it promotes a reliable groundwater supply for the region and demonstrates the capability of interagency water management actions that improve with the availability of water resources.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** The recommended temporary pricing change under the wholesale water agreement (Contract No. 2004-013, section 9(a)(1)) recovers all direct costs of treating water and facilitates an immediate demonstration of groundwater recharge potential. This demonstration will result in the recognition of this potential by outside agencies such as the State Water Resources Control Board and the Department of Water Resources, which is important for future effective regional water management.

**Financial Considerations:** The direct incremental cost for the City to produce an acre foot of water above its base retail operations is calculated to be approximately \$120/acre foot, which provides cost recovery for the City's incremental electrical and chemical costs, and the depreciation on treatment facilities for that increment of water production. Over the next year, SSWD's capability to

preferentially receive surface water rather than pump groundwater is projected to be 9,500-acre feet.

If staff succeeds in negotiating water sales for all of the excess water at \$120/acre foot, this will fully offset the City's incremental treatment costs. The City could receive up to \$1.68 million from the proposed agreement. Sufficient revenue budget exists in the approved Fiscal Year 2019/20 Department of Utilities Operating Budget for this agreement.

**Local Business Enterprise (LBE):** Not Applicable

**Background:** The Regional Water Authority, of which the City is a participating member, recently completed a Regional Water Reliability Plan (RWRP) that, in part, sought to identify institutional and physical constraints to sharing supplies and recharging groundwater in preparation for periods of water scarcity. One of the key constraints identified was disparity in the cost of water between agencies.

An example of this type of constraint is the existing wholesale water agreement between the City and SSWD (Contract No. 2004-013) whereby the City can deliver surface water to SSWD. SSWD however, maintains sufficient groundwater pumping infrastructure to fully meet all of its customer demands absent delivery of surface water from the City, and generally prefers to do so to keep costs down for its own customers.

SSWD is currently receiving City surface water to offset groundwater sent to the City as part of the 2018 Water Transfer and should receive the full volume credit by early September. At that point, if the City does not negotiate a temporary modified rate, SSWD will restart its groundwater wells to avoid incurring undesirable costs under the current City pricing structure. Concurrently, regional planning efforts have identified the benefits of physically demonstrating groundwater recharge potential in that area as an early test of the RWRP conclusions.

The City is currently undergoing a wholesale rate study to identify potential long-term revisions to pricing methodologies within the context of regional water reliability, but that study will not be complete prior to SSWD restarting its groundwater wells. At present the SSWD volumetric fee is \$506/Acre foot, which incorporates City maintenance, personnel, services & supplies, and overhead expenses system above and beyond direct operating expense. When SSWD receives water from the City they continue to incur their own internal overhead expenses. The only reduction is in their own direct operating expenses which is similar to the proposed \$120/Acre foot. Temporarily reducing the price of surface water but maintaining cost recovery to City residents will allow a physical demonstration of the capability to perform groundwater recharge. This benefits the City as a co-user of regional groundwater resources.