STAKEHOLDER MEETING
WILLAMETTE BASIN REVIEW – RESERVOIR STUDY
MEETING NOTES

US Army Corps of Engineers ®
Portland District

Monday, July 22, 2013, 1:30 – 3:30 pm
Oregon Water Resources Department
Salem, Oregon

Staff
Alyssa Mucken, OWRD
Bill Ferber, OWRD
Bill Ferry, USBOR
Brenda Bateman, OWRD
Conner Quigley, USACE
Dawn Wiedmeier, USBOR
Doug Woodcock, OWRD
Eric Stricklin, USACE
Kathryn Warner, USACE (by phone)
Laura Hicks, USACE
Phil Ward, OWRD
Rich Domingue, NMFS
Stephanie Burchfield, NMFS
Tim Hardin, ODFW
Tom Paul, OWRD

Guests
Amanda Rich, The Nature Conservancy
April Snell, Oregon Water Resources Congress
Brent Stevenson, Santiam Water Control District
Jason Heuser, Eugene Water and Electric Board
Jeff Stone, Oregon Association of Nurseries
John Valley, U.S. Senator Merkley's Office
Katie Fast, Oregon Farm Bureau
Kem Carr, McMinnville Water and Light
Kim Grigsby, GSI Water Solutions
Monique Lopez, Oregon Water Resources Congress
Niki Iverson, Oregon Water Utilities Council
Rebecca McCoun-Travers, N. Santiam Watershed Council
Rob Annear, Geosyntec Consultants
Ronan Igloria, HDR Inc.
Steve Shropshire, Jordan Ramis PC (by phone)
Tracy Rutten, League of Oregon Cities
Willie Tiffany, Geosyntec Consultants

Agenda Item I: Welcome and Introductions

Director Phil Ward, Oregon Water Resources Department welcomed everyone, and led introductions.

Agenda Items II and III: Small Scale Reallocation Report & Modeling Efforts

Mr. Eric Stricklin, Project Manager for the U.S. Army Corps of Engineers (Corps), provided a status update on the small scale reallocation study efforts. A quality control review has been completed for the 60 percent draft small scale reallocation report. The Corps is currently finalizing the 90 percent draft report, which must undergo a District level review and an Agency Technical Review (ATR), which involves Corps staff from outside the Portland District. The 90 percent draft report will be released for public comment.

Ms. Kathryn Warner, the Corps' Technical Lead for the study, briefly walked through the modeling process[1] for the small scale study. The Corps' Reservoir System Simulation Program (ResSim) was used to assess the individual project and system effects of releasing up to 499 acre-feet of water (approximately 2.0 cubic feet per second) from either Cottage Grove Reservoir or Dorena Reservoir to meet municipal and industrial (M&I) uses downstream. Ms. Warner noted that the draft modeling results show indistinguishable effects.

[1] *Refer to slides 4-6 of the presentation.*

Following the modeling update, the Corps provided an overview of the methodology used to establish a system-wide price[2] of storage to support M&I uses. System pricing would help retain operational flexibility to supply stored water and likely would improve availability for a variety of users. To determine a cost for M&I users, the Corps determines (1) the capital investment cost, (2) annual operations and maintenance (O&M), and (3) costs associated with major repair, replacement, and rehabilitation (RR&R).

To determine the capital investment cost, the Corps calculates (a) any benefits or revenues foregone; (b) any costs related to reallocating storage from the flood control pool or hydropower pool; and (c) the "updated cost of storage," which looks at the initial cost of construction and escalates it to present day value, for joint purposes only. The highest cost of these three is used to determine the capital investment cost.

The table below includes a draft total annual payment estimate for M&I storage. This information was presented and discussed with stakeholders during the meeting. The table includes a price, on a per acre-foot basis, and a price for purchasing 499 acre-feet of storage space. The Corps has the ability to develop a contract agreement for this 499 acre-feet of water.

	1 acre – foot	499 acre – feet
Capital cost, lump sum	$2,257	$1,126,243
Capital cost repaid over 30 years,* Annual	$153	$76,272
Annual O&M (FY12)	$10	$4,990
RR&R	---	---
Total Annual Payment	**$163**	**$81,262**

*Using the 2013 interest rate of 5.357%
Note: Repayment amounts must be adjusted every five years.

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Following the system pricing presentation, stakeholders asked a few questions. OWRD and the Corps will follow up with responses.

1. Does the Corps have the discretion to use a different formula to determine the cost, rather than selecting the highest cost method, which is typically the updated cost of storage approach?

2. Does the Corps use the same approach Reclamation takes for calculating RR&R (85-15 ratio), where local entities purchasing water pay

During the meeting, it was also noted that the cost for M&I water is considerably more than the cost to purchase irrigation water from the Bureau of Reclamation.

[2] *Refer to slides 7-13 of the presentation.*

Agenda Item IV: Willamette Basin WaterSMART Plan of Study

Alyssa Mucken, Oregon Water Resources Department, provided an update on the Bureau of Reclamation's recent announcement to conduct a plan of study in the Willamette Basin through the WaterSMART Program.

The WaterSMART[3] Program has been in place since 2009, with 22 funded studies to date. The Department submitted a proposal in March 2013, with several letters of support from stakeholders, and was selected to complete the initial phase of a basin study, referred to as a "plan of study" (POS), with Reclamation contributing $50,000 toward such efforts. As a 50-50 cost-share program, the Department would be required to match these funds through cash or in-kind services.

The basic framework for a basin study includes four elements: water supply and demand projections; an analysis of impacts, e.g., climate change and population growth; development of options to meet water needs, and an examination of possible trade-offs. Because each basin is unique, no two studies are the same. Reclamation's basin study program employs a flexible design to meet the needs of the basin and most importantly, build capacity and collaboration within the basin.

The POS must be completed within one year from signing a memorandum of agreement (MOA). A basin study must be completed within two years of the MOA.

Stakeholders were asked if they were interested in re-applying for WaterSMART in January 2014 to carry out a full basin study. One concern is the basin study process may not meet the timelines of the Reservoir Study and it may be challenging to meet cost-share requirements for both federal efforts. Demands from a WaterSMART Study would need to be completed no later than Fall 2015 in order to inform the Reservoir Study efforts.

Agricultural interests in the basin advocated for WaterSMART as a means to develop defensible and workable demands for the basin. The Corps will likely be required to look at climate change as part of the reallocation study efforts, which is also a WaterSMART basin study requirement. WaterSMART Basin Study funding also appears stable.

Stakeholders were asked to consider, if WaterSMART is not used to develop demand projections for agriculture, what other process or funding would be used to complete this task?

Ronan Igloria, HDR Engineering, briefly described the demand projections that were developed as part of OWRD's 2008 Oregon Water Supply and Conservation Initiative (OWSCI). The demands were developed at a broad scale and resolution, but the methodology was well described in the report. Development of the OWSCI demands could be a good starting point for discussion during a WaterSMART workshop. This is an opportunity to revisit some of those earlier assumptions with agricultural stakeholders.

Municipal and Industrial Needs

For FY13 activities, municipalities in the basin are revisiting some of the demand projections that were developed as part of the 1994 Reservation Request, completed by League of Oregon Cities and Special Districts Association of Oregon and sponsored by the Department of Land Conservation and Development.

[3] *Refer to slides 15-21 of the presentation.*

Fish and Wildlife Needs (Instream Flows)
A question was posed as to whether we have the reach-specific flow information needed to support fisheries and the reallocation efforts.

Under the NMFS 2008 Biological Opinion and the Willamette Configurations Operation Plan (COP) Phase II planning process, instream flow studies have been identified for the N. Santiam, S. Santiam, Fall Creek, Middle Fork, S. Fk McKenzie, and the McKenzie River. A report on the N. and S. Santiam River instream flow study was finalized in July 2013, and additional work is being considered for the Middle Fork and the McKenzie, with a key focus on evaluating flow needs for Chinook spawning and incubation.

A stakeholder noted that, at times, flow needs for fish are not met and this can be problematic to a municipality planning for their own water needs. How does a municipal water provider plan for those times when the Corps is not able to meet the minimum flow targets?

It was also noted that water quality could be a determining factor for future diversions. Because of this, the reservoir study should explore opportunities for exchanging diversion locations. Irrigation demands in the North Santiam basin could increase in the future, but a diversion downstream on the Willamette might make more sense. A municipality would likely prefer a higher quality stream, such as the N. Santiam, to a Willamette River diversion.

Recreation Needs
A question was posed as to how recreation is treated during the reallocation process. As part of NEPA, the Corps looks at impacts to <u>all</u> authorized purposes, including recreational use at the reservoirs. The reallocation does not result in a dedicated volume of storage to recreation. The model includes several inputs, such as the location of boat ramps and the effect of lower reservoir elevations on their use. The Corps is currently evaluating different methods to quantify impacts to recreation.

Agenda Item V: Budget Updates

Director Phil Ward, OWRD, and Laura Hicks, Chief, Planning & Project Management Branch, USACE, provided status updates on federal funding for FY14 and the state's budget for the 2013-15 biennium. The President's FY14 Budget request, released in April, includes $200,000 to support the Willamette Basin Reservoir Study. This funding can be used to complete the scoping process for the study, and continue coordination activities. The Corps' Portland District will be seeking approval from the Assistant Secretary of the Army for Civil Works to carry out the tasks under the Reservoir Study.

Ms. Hicks also described the Corps' efforts to modernize the planning process, completing studies at a much a faster pace with less funding, using a 3x3x3 model of no more than $3 million, 3 layers of review, and completed within 3 years. Using this approach, OWRD and partners would need to provide a non-federal match of $1.5 million.

For the 2013-2015 biennium, OWRD received funding to support the Willamette Basin Reservoir Study through the Water Supply Development Program account. This account makes $10 million available for water supply projects and is funded through the sale of lottery bonds. WaterSMART basin studies are also eligible for funding through this program.

Senator Merkley's office mentioned that any letter addressed to Oregon's congressional delegation to support federal funding for the Reservoir Study should outline the long-term benefits of the project. Stakeholders felt they could prepare support letters this Fall. OWRD will coordinate a letter on behalf of the state.

Agenda Item VI: FY14 Planned Work

For FY 14, the Corps and OWRD will complete all tasks related to the small-scale reallocation study. This includes finalizing a white paper to support system pricing methodology, obtain report approval, file a transfer application on the storage certificate to allow the use, execute an M&I storage agreement, and continue public and basin coordination (e.g., stakeholder meetings, WaterSMART, instream flow studies, etc.).

Ms. Hicks mentioned that the small-scale reallocation study has undergone some internal debate and discussion about whether it is better represented as a surplus water agreement. Much of the detail and structure of a reallocation report is similar to a surplus water agreement. The Corps must be policy compliant, if not, they must seek approval to deviate from existing policy. This often means writing a series of white papers to support the approach; system pricing is one example.

The plan for the remainder of FY14 is to develop a Project Management Plan (PMP) for the full Reservoir Study, which will include a detailed schedule and cost for activities. Major activities to complete as part of the Study include:

- Environmental impact statement (EIS)
- H&H modeling needs for impact analyses
- Recreational analyses and potential white paper
- Irrigation impacts and potential white paper
- Hydropower impacts with BPA coordination
- Storage-yield calculation methodology

Agenda Item VII: General Discussion

The point was made that applications for secondary water rights, which would allow a municipality to use stored water, would also need to be filed with the state. A copy of the contract agreement with the applicant and the Corps must be provided as part of the water use application.

There was a question as to whether the minimum perennial streamflows (MPSFs) would be addressed as part of the study. The Reservoir Study efforts should provide the information needed to convert the stored water portion of the MPSFs, and would be done at the conclusion or implementation phase. A stakeholder shared concerns about the MPSF conversion process, noting past experience. OWRD hopes that we could yield to relative consensus agreement on this, going forward together.

A request was made to engage with the Oregon Department of Environmental Quality, as we move forward with the study. Municipal stakeholders have done some outreach with the Oregon Association of Clean Water Agencies.

Agenda Item VIII: Next Meeting/Adjourn

A WaterSMART workshop with stakeholders will be scheduled in late September. Staff committed to providing a summary of stakeholder meetings, posting a copy of meeting notes online at OWRD's project site (http://www.oregon.gov/owrd/pages/mgmt_res_study.aspx).

Director Ward closed the meeting, stating that the Department is pleased to see this recent forward progress and feels OWRD, the Corps, and stakeholders can accomplish the goals set out for the Reservoir Study.