

MEMORANDUM

To: Water Advisory Committee
 From: Chris DeGabriele, TAC Chair
 Subj: Renewed Agreements between SCWA and MMWD
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April 29, 2015

RECOMMENDED ACTION: Approve Renewed Agreements between SCWA & MMWD**History**

Marin Municipal Water District (MMWD) began receiving Russian River water delivered by Sonoma County Water Agency (SCWA) and through the North Marin Aqueduct on an interim basis in the early 1970s pending a formal contractual agreement between MMWD and SCWA. The 1974 Agreement for Water Supply and Construction of the Russian River Cotati Intertie Project (Master Agreement) was executed among SCWA and the current Water Contractors, excluding Windsor. Windsor replaced Forestville as a Water Contractor in 2006 when the current Restructured Agreement for Water Supply (RA) was executed.

Amendment 1 to the 1974 Master Agreement authorized up to 4,300 acre feet per year (AFA) of water to be delivered to MMWD on an off peak basis when excess capacity in the SCWA transmission system was available. MMWD and SCWA executed the Offpeak Water Supply Agreement (Offpeak Agreement) shortly thereafter (1975). The Offpeak Agreement was amended in 1984, 1988 and 1996.

In 1991 MMWD and SCWA entered into the Agreement for Sale of Water (Agreement for Sale) authorizing up to 10,000AFA of water supply in the Russian River for MMWD. In 1996 the Agreement for Sale was amended, updating payment terms and enabling the water supply to be paid for in two increments; the first 5,000AFA by 1996 and the second 5,000AFA by 2005. MMWD made those payments pursuant to the Amended Agreement for Sale.

The two 1996 agreements between SCWA and MMWD for delivery of Russian River water are now currently in place and are scheduled to expire at June 30, 2015. The proposed renewed agreements, "Fourth Amended Offpeak Water Supply Agreement" and "Second Amended Agreement for the Sale of Water between SCWA and MMWD", will remain largely in the same form as they are today.

Proposed Terms of Renewed Agreements between SCWA and MMWD

Substantive changes included in the renewed agreements are outlined below:

1. The new price term (applicable to all water sold):

MMWD will be charged for all water delivered at a rate per acre foot equal to the highest rate charged by the Agency to any party to the RA for water taken from either the Petaluma Aqueduct or the Santa Rosa Aqueduct, multiplied by 1.11. Three-quarters of the 11% supplemental revenue go into the Russian River Projects fund and one-quarter will be used to offset Transmission System costs. In the existing agreements MMWD is charged the highest of all the aqueduct rates (recently this has been the Sonoma Aqueduct) for water delivered under the Offpeak Agreement (4,300AFA), and for the remainder of deliveries under the Agreement for Sale (3,504AF in the past 12 months), MMWD is charged the O&M rate charged to the Water Contractors plus a fixed capital

charge of \$96/AF. In addition, MMWD pays the Russian River Conservation Charge and Russian River Projects Charge and will continue to do so in the renewed agreements. A calculation by SCWA indicates the annual projected revenues from MMWD pursuant to the renewed agreements will increase by ~5 to 6% compared to the revenue from existing (1996) agreements.

2. The new term:

The prior agreements had a 20 year term with renewal upon request of MMWD for periods not to exceed 40 years. The renewed agreements will remain in effect until June 30, 2025 (10 year term). If the RA is renewed, amended or replaced, and upon the request of MMWD, SCWA shall enter into renewal agreements for periods not to exceed the then-existing term of the RA with the same terms and conditions contained in the renewed agreements, except that SCWA may make reasonable adjustments to the payment provisions, and any such reasonable adjustments then shall be included in any amended renewal agreements.

Additionally, the renewal agreements allow that in the event the RA is not renewed, SCWA shall enter into renewal agreements, at the request of MMWD, for periods not to exceed forty (40) years upon the same terms and conditions, except that SCWA may make reasonable adjustments to the payment provisions and any such reasonable adjustment then shall be included in any future renewal agreements.

The RA Section 3.12 requires the WAC to approve any amendments to agreements with MMWD. The TAC held an Ad Hoc meeting on April 20 and unanimously recommended that the WAC approve the renewed agreements between MMWD and SCWA (note that Cotati was not represented at the TAC Ad Hoc meeting).

RECOMMENDATION:

The WAC approve the subject renewed agreements between MMWD and SCWA.