

California Energy Commission
Energy Facility Siting &
Environmental Protection Division
REPORT OF CONVERSATION

File: Camp1.102

Project Title: Campbell Cogeneration

DOCKET
93-AFC-2

DATE: APR 4 1994

REC'D APR 5 1994

TELEPHONE () MEETING LOCATION:

NAME: Keith Devore

TIME: 13:45

DATE: April 4, 1994

WITH: Sacramento County, Water Res. Division

PHONE (916) 440-6851

ADDRESS: 827 7th Street, room 301, Sacramento 95814

SUBJECT: City and County of Sacramento, and SMUD Water Transfers

COMMENTS:

I asked Keith about the status of the agreement (see attached) between SMUD, the city and the county to provide water for the Procter & Gamble and Campbell Cogeneration Projects. As contained in the attached agreement, the city would provide to SMUD for the two cogeneration projects use 2000 acre feet of water in 1996 and up to 5000 acre feet commencing in 1997. Both the county and SMUD would pay the city for this water. In addition, SMUD will transfer 15,000 acre feet from its Bureau of Reclamation contract to the county. Keith confirmed that this is the proposal, but that the question of which party will be lead agency for CEQA is still undecided. Keith thought that both SMUD and the County have approved the agreement and the city council will consider it April 12. Keith pointed out that the environmental analysis of the transfer could be quite complicated, controversial and expensive. The point of water withdrawal from the American River is undecided and may have significant environmental (i.e., endangered species) and political consequences (i.e., competing water users such as East Bay MUD). A similar environmental evaluation for a water transfer project for the lower American River, to be done by the Bureau of Reclamation, is estimated to cost \$400,000.

Alot of information from this bureau study should be available for the SMUD one. I explained to Keith how our process works and how neither SMUD, nor the applicants for either cogeneration project have indicated that this agreement was in the works.

Potential Issues:

1. Clearly the applicants for Campbell and Procter & Gamble need to revise their project description if this agreement is going ahead.
2. A revised project description raises questions, however, about timing and the scope of our analysis. Keith was unsure when the environmental analysis for this transfer is to be done. Because of the significance and complexity of the associated issues, it is likely a major EIR will be required. In light of the fact that our process is significantly advanced over any CEQA review, can staff in our assessment simply refer to a future CEQA analysis to address direct, indirect and cumulative impacts? Recognizing the complexity of the issues, do we want to try to address these issues in our FSA?

COPIES TO: Darrell
Shawn
Zene
Amanda

NAME: Joe

SIGNATURE 

**WATER ASSIGNMENT AND SUPPLY
AGREEMENT IN PRINCIPLE**

This Agreement In Principle is made and entered into this _____ day of February, 1994, by and between the City of Sacramento ("CITY"), the Sacramento County Water Agency ("AGENCY"), and the Sacramento Municipal Utility District ("SMUD").

(1) **Purpose.** This Agreement In Principle establishes the structure for a final Agreement between the parties. This document has not been acted upon by the elected Board or Council of each party and is not binding, but has been negotiated by the officials of each party in good faith. The final Agreement is expressly made contingent upon environmental review.

(2) **Water Delivery.** CITY shall supply up to 2000 acre feet of water in 1996 and up to 5000 acre feet of water per year commencing in 1997 to SMUD for the purpose of operating SMUD cogeneration facilities located at the Campbell Soup Plant and Procter and Gamble Plant in Sacramento County. The water supply at the Campbell Soup location is to be delivered through transmission facilities funded by the Sacramento Housing and Redevelopment Agency paid through Campbell Soup. The water supply at the Procter and Gamble location is to be delivered through existing facilities.

(3) **Payment For Water.** (A) SMUD shall initially pay to CITY \$45 per acre foot for water actually delivered. The CITY may increase this rate to reflect actual increases in operation and maintenance costs for water treatment and delivery.

(B) AGENCY shall initially pay to CITY \$60 per acre foot for water actually delivered to SMUD. The CITY may increase this rate to reflect actual increases in operation and maintenance costs for water treatment and delivery, however such increases shall not exceed an average annual rate of 4% during the first 30 years of the final Agreement. At the end of the 30th year of the final Agreement, the rate paid by the AGENCY for water actually delivered to SMUD shall not be increased, but the AGENCY shall continue to pay the rate in effect at that time.

(C) SMUD shall pay actual construction costs for connection to the CITY system. CITY shall waive fees or charges based upon use of CITY supplied water outside of the CITY limits.

(D) AGENCY shall not pay any additional fees, charges or assessments relating to the delivery of water by CITY to SMUD.

(4) **SMUD Owned Facilities.** SMUD shall pay all costs associated with the construction and installation of facilities from the CITY meter to the cogeneration facility, necessary for CITY to deliver water, and SMUD will own such facilities.

(5) **USBR Water Assignment.** SMUD agrees to assign to AGENCY 15,000 acre feet of USBR water for municipal and industrial use. Notwithstanding any provisions to the contrary in this Agreement In Principle, AGENCY shall not be obligated to pay any amount for water delivered to SMUD unless and until (a) the USBR water is assigned to AGENCY; (b) all requirements of federal and state environmental laws have been satisfied and no legal challenge regarding environmental compliance is pending; and (c) the CITY and AGENCY have executed a permanent wholesale water wheeling agreement. Until such time as (a) and (b) are satisfied, SMUD shall pay, in addition to their rate, the AGENCY's rate for all water delivered to SMUD by the CITY.

(6) **USBR Water Diversion And Treatment.** CITY agrees to divert, treat and deliver USBR water for use by AGENCY. AGENCY shall reimburse CITY for appropriate costs incurred by CITY in the diversion, treatment and delivery of USBR water. AGENCY shall pay the costs of construction of transmission facilities necessary for CITY to deliver USBR water. AGENCY and CITY shall negotiate and execute a separate wholesale water wheeling agreement.

(7) **CEQA/NEPA Compliance and Permits.** SMUD shall be the lead agency for the purposes of compliance with CEQA in connection with the execution of a final Agreement. SMUD shall make the environmental document adequate for compliance with NEPA. SMUD shall coordinate with CITY and AGENCY in developing the scope of the environmental document. The project description for the purposes of environmental review shall include the diversion and use of the USBR water by AGENCY, in conformance with the County of Sacramento General Plan. SMUD shall coordinate with AGENCY regarding this element of the environmental review. Any subsequent decisions on use of water for site specific developments shall be made by the County during review of development proposals. All parties shall take all necessary actions and use their best efforts to obtain any required federal or state approvals or permits for the water transfer and release. Specifically, SMUD agrees to seek the approval of the United States Secretary of the Interior for the water assignment.

(8) **Term.** The final Agreement shall only be canceled by the mutual consent of all parties.

(9) **Campbell Soup Contract.** SMUD agrees that the CITY may participate in the renegotiation of water issues for the SMUD-Campbell Soup agreement, anticipated to occur in the year 2013. If the renegotiated agreement between SMUD and Campbell Soup obligates Campbell Soup to pay SMUD any amount for or relating to water service, then SMUD and CITY shall share that benefit.

(10) CITY WATER RIGHTS AND ENTITLEMENTS. The final Agreement shall provide that CITY's obligation to serve water to SMUD thereunder shall at all times be subject to any limitations, conditions, or other requirements which may in the future be applied to the CITY's water rights and entitlements, to the same extent as other CITY customers are so affected.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement In Principle the day and year first above written.

SACRAMENTO COUNTY WATER AGENCY
("AGENCY")

CITY OF SACRAMENTO
("CITY")

By: Robert Smith
Robert Smith

By: William H. Edgar
William Edgar

SACRAMENTO MUNICIPAL UTILITY DISTRICT
("SMUD")

By: _____
Jan Shori

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ATTEST:

Valerie A. Burrows
CITY CLERK