

MEMORANDUM

Project No.: 140129

June 22, 2015

To: Mike Hermanson – Spokane County Utilities

cc: Rob Lindsay – Spokane County Utilities

From: Carl Einberger, LHG, Aspect Consulting, LLC
Dan Haller, PE, Aspect Consulting, LLC

Re: **Summary of Policy Advisory Group Meeting #4 (6/17/15)**
Little Spokane Water Banking Feasibility Study

Background

Spokane County (the County), in conjunction with Stevens and Pend Oreille Counties, is evaluating the use of a water bank to address existing and potential regulatory constraints on existing and new water use, in Water Resource Inventory Area (WRIA) 55, the Little Spokane Watershed.

Considerable uncertainty exists regarding the future legal, regulatory, and policy environment that regulation of water resources in WRIA 55 will be subject to. In response to this uncertainty, the County is pursuing a water banking feasibility study to explore options for providing more certainty to existing and new water uses in the basin.

As part of this process, the County has convened a Policy Advisory Group (PAG) to allow interagency and stakeholder coordination and evaluation of alternatives for water banking in the watershed. Aspect Consulting LLC (Aspect) has been engaged by the County to provide consulting services for the Little Spokane Water Banking Feasibility Study. Aspect has been coordinating and moderating PAG meetings for the County.

Prior to the PAG meeting, two documents were submitted to the PAG for review and consideration:

- Draft Little Spokane Water Bank Feasibility Study (June 9, 2015)
- Draft Memorandum, Appraisal Study – Pend Oreille Interbasin Transfer for Little Spokane Water Bank Seeding (June 16, 2015)

Both of these documents will be completed as final prior to July 1, 2015.

Overview of Meeting Agenda

The fourth PAG meeting for this Feasibility Study occurred on April 29, 2015, at the Riverside Fire Station (Spokane Fire District 4). The following agenda was covered in the meeting:

- Updates to Water Rights Evaluation
- Water Market Economic Analysis
- Summary of Pend Oreille Appraisal Study

MEMORANDUM

Project No.: 140129

May 18, 2015

- Water Right Application Status
- Review of PAG Preferences for Operational and Management Approaches
- Structural Options for Water Banking and Tri-County Cooperative Approach
- Final Feasibility Study Completion

Aspect also prepared a PowerPoint presentation to guide the meeting discussion (attached).

PAG Attendees

A list of PAG members present at PAG Meeting #2 follows:

Mike Hermanson – Spokane County Utilities
Rob Lindsay – Spokane County Utilities
Todd Mielke, Spokane County
Karen Skoog, Pend Oreille County
Wes McCart, Stevens County
Erik Johansen, Stevens County Land Services
Keith Stoffel, Department of Ecology
Rusty Post, Department of Ecology
Ty Wick, Spokane County Water District #3
Susan McGeorge, Whitworth Water District
Ken Merrill, Kalispel Tribe Natural Resources Department
Gene St. Godard

Dan Haller and Carl Einberger of Aspect attended in their roles as the County's consultants on this project. Dan served as the moderator of the meeting, and Dan and Carl led portions of the meeting discussion.

Meeting Summary

Key topics addressed in the discussion are summarized below, and additional information can be found in the attached presentation:

- An update on the review of water rights in WRIA 55 that may be suitable for water bank seeding was presented. Three categories were used for ranking based on a screening-level of the review of the water rights:
 - High priority for further review
 - Medium priority for further review
 - Low priority for further review

A total of approximately 10,000 acre-feet/year in water rights met the high priority category within WRIA 55, and additional details on subbasin totals were also discussed and are presented in the Feasibility Study.

MEMORANDUM

Project No.: 140129

May 18, 2015

- The water market economic evaluation was discussed. Data to support the analysis included pricing of water under emerging demands and examples of other transactions across the state. Three scenarios were reviewed:
 - Low Cost/Low Participation (public cost recovery based, voluntary program, no regulatory mitigation requirement, other than for existing interruptible rights)
 - Moderate Cost/High Participation (public cost recovery based, regulatory mitigation required for exempt wells and other new water rights)
 - High Cost/High Participation (for profit, regulatory mitigation required for exempt wells and other new water rights)
- The Pend Oreille Appraisal Study was discussed, including potential source and discharge options. Source options considered include groundwater or surface water, and discharge options include discharge at a wetland in the upper headwaters or discharge approximately 2.5 miles downstream. Background information on hydrogeological and hydrological considerations was presented, and project cost estimates were reviewed.
- Water right applications for a Pend Oreille watershed source were discussed. It is anticipated that two applications would be submitted: a groundwater application for 9,000 gallons per minute instantaneous withdrawal, and a surface water application for 20 cubic feet per second instantaneous diversion.
- Bank management and collaboration approaches to support cooperative approaches among Spokane, Stevens, and Pend Oreille Counties were discussed, including interlocal agreements, Watershed Management Partnerships, Boards of Joint Control, and contract law.
- PAG preferences and endorsements for water banking in WRIA 55 were discussed. These included:
 - Move forward with water bank development for WRIA 55.
 - Publically run, Tri-County bank management model preferred.
 - Water bank applicants should work with individual county planning and building departments to obtain mitigation certificates as part of other associated building permits.
 - A central bank accounting system is preferred.
 - Continue investigating use of Pend Oreille watershed (WRIA 62) water from either a groundwater or surface water source in the vicinity of Newport, Washington.
 - A groundwater source is the preferred choice if it is proven to be feasible.
 - Bank seeding from water rights purchases is recognized as a likely component of a WRIA 55 solution.

MEMORANDUM

Project No.: 140129

May 18, 2015

- Initial implementation should be a voluntary process to provide time to allow this new process to be integrated with functions in each of the counties.
- Consumptive use equivalents for bank management should be used, as this accurately describes instream flow impacts, and reduces cost.
- A water bank should adopt rules preventing speculation.
- The overall preference is for the bank should be managed as to a single point in the mainstem, such as the Dartford gage (i.e. 'one-bucket'); however Ecology has concerns about single point management and potential impacts to tributaries that would need to be addressed, or a more complex management scheme incorporated into the water bank. A better understanding of tributary groundwater/surface water interaction and habitat issues are needed to address this issue.
- County planning and building departments will need to be educated regarding management of the water banking process, and determinations of legal water availability, in addition to filing and recording of mitigation certificates.
- Potential impacts to county workloads and the general fund need to be quantified. A key factor in final bank funding, seeding, and management will be to address and mitigate fiscal liabilities and workload burden on county staff, with one option being an enterprise funding mechanism.
- The PAG is open to the use of Interlocal Agreements, Watershed Management Partnerships, board of joint control approaches, and other cooperative means to coordinate water bank management. An interlocal agreement is likely the first step in further water bank coordination.
- The PAG supported submittal of a Watershed Plan Implementation and Flow Achievement Grant application to seek funding for completion of water bank development. The grant application was submitted to Ecology on April 30, 2015 and is pending review.
- Aspect requested comments on the draft Feasibility Study and Pend Oreille Appraisal Study by June 24 to allow completion of final documents before the end of June grant deadline.
- Open discussion among the PAG was conducted over the course of the meeting. Key discussion points included:
 - Addition of an overall concluding statement should be included in the Feasibility Study regarding the feasibility of water banking in WRIA 55.
 - Prior to seeding a water bank with agricultural water rights, careful consideration of appropriate approaches to this should be further evaluated. For example, fallowed land that may be at risk of water right relinquishment could be prioritized for detailed screening.
 - Pros and cons of metering as part of water bank management (i.e., balancing the need for proper bank accounting with public perception issues).

MEMORANDUM

Project No.: 140129

May 18, 2015

- The need for additional public outreach to clarify how each of the three counties would benefit from a water bank, and to address concerns from the public regarding the use of a Pend Oreille water source for bank seeding. Outreach materials should come from both County and Ecology sources.
 - Ecology noted that some residents along the Little Spokane River have the position that they own the river based on a state Supreme Court Case (Griffith vs. Holman). However, the water conveyance authority granted by RCW 90.03.030 also should be considered. Additional investigation of the ramifications of this issue are needed.
 - If a groundwater source is used from the Pend Oreille watershed, further understanding of possible groundwater flow between WRIA 59 (Pend Oreille) and WRIA 55 is needed.
 - Kalispel reserved water rights should be considered by Ecology if a new water right application is pursued.
 - Additional details on Watershed Management Partnerships, particularly those supported by specific legislation, is needed to understand if this is a preferred option for Tri-County cooperation.
- The meeting was adjourned. This is the final PAG meeting scheduled for this phase of the project.

Attachments:

Attachment 1 – PAG Meeting #4 PowerPoint Presentation

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