



City of Prineville

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DEPARTMENT OF PUBLIC WORKS

ENGINEERING DEPARTMENT

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Issue Summary Report: City of Prineville Council Meeting November 23, 2010

Topic: Resolution 1152, a resolution canceling a portion of a water right to be used for groundwater mitigation "offset".

Overview:

Groundwater aquifers that serve the City of Prineville have been included in the Deschutes Groundwater Mitigation Area and are under the jurisdiction of House Bill 3494. This rule recognizes the connectivity between groundwater and surface water within our basin. Unfortunately, surface water rights in the basin have been fully allocated and it has been determined that additional groundwater pumping may injure existing, senior surface water rights.

To insure the integrity of senior surface water rights, the groundwater rules require mitigation credits be used to compensate for the impacts of new groundwater pumping. Mitigation is typically provided by transferring an irrigation water right instream. This transferred water instream will theoretically negate the impacts of future groundwater pumping on surface waters. In the Crooked River zone of impact, where the City aquifers are located, mitigation credits are difficult to obtain as the Bureau of Reclamation contract on Bowman Dam does not allow for municipal and industrial (M&I) uses. Due to limited supply, these mitigation credits can be quite costly.

The City purchased 58 acres of natural surface flow water rights that were converted to mitigation credits in 2006. These credits allowed the Airport wells to be pumped at a constant rate of 161 gpm, year round. Total cost for these mitigation credits was \$232,000 or \$2,222.22 per credit. Recent speculation has driven up the cost of these credits from \$6,000 to \$8,000 per credit.

City of Prineville staff has been diligently working with Oregon Water Resources Department (OWRD) to amend the Groundwater Mitigation Rules to allow for water right "offsets". An offset allows for the cancelation of an underutilized water right to create a groundwater mitigation credit. The City recently offset 200 gpm from the valley floor to the Airport wells. This 200 gpm offset created 129 mitigation credits.

Staff would like to offset an additional 157 gpm from the valley floor to the Airport wells. This final offset will fully mitigate all projected future pumping of these two wells. This offset will create an additional 101.4 mitigation credits.

By amending the Groundwater Mitigation Rules to allow for offset, the City is able to recognize significant cost avoidance associated with groundwater mitigation. Using the rate of \$2,222.22

per mitigation credit that the City last paid in 2006, these two offsets have resulted in a cost avoidance of \$511,999.49 as shown below:

$$(129 + 101.4 \text{ mitigation credits}) \times \$2,222.22 \text{ per credit} = \$511,999.49$$

As mentioned previously, speculation has drastically driven up the cost of mitigation credits in the Crooked River zone of impact. Using a more realistic rate of \$6,000.00 per credit, these two offsets have resulted in a cost avoidance of \$1,382,400.00 as shown below...

$$(129 + 101.4 \text{ mitigation credits}) \times \$6,000.00 \text{ per credit} = \$1,382,400.00$$

The estimated cost of the offset transaction, including all OWRD fees and consulting costs is \$2,500.00

Recommendation:

Staff recommends the Council authorize the City Manager to sign an affidavit for the cancellation of 0.35 CFS (157.08 gpm) of Water Rights Certificate No. 22868 to be used in the creation of 101.4 mitigation credits.

RESOLUTION NO. 1152

A RESOLUTION CANCELING A PORTION OF A WATER RIGHT

WHEREAS, the City of Prineville ("City") is the owner of Water Rights Certificate No. 22868 issued by The Oregon Water Resources Department ("OWRD"); and

WHEREAS, Water Rights Certificate No. 22868 is a municipal water right for the use of up to 1.1 cubic feet per second ("CFS") from a well owned by City; and

WHEREAS, City also owns Permit G-16146 issued by OWRD, which Permit authorizes City to pump water from wells the City owns at the Prineville-Crook County Airport. City desires to increase the water pumped pursuant to Permit G-16146; and

WHEREAS, pursuant to Oregon law, City is required to mitigate its use of ground water if City increases the water pumped pursuant to Permit G-16146; and

WHEREAS, by canceling a 0.35 CFS (equal to 157.08 GPM) portion of Certificate No. 22868, the City would receive a reduction of 101.4 acre feet in its mitigation obligation for the increased use of ground water under Permit G-16146, and

WHEREAS, in order to cancel the 0.35 CFS portion of Certificate No. 22868 an affidavit must be signed by a person authorized by City.

NOW, THEREFORE, based upon the above recitals, the City of Prineville resolves as follows:

1. City's Manager, Steve Forrester, is authorized and instructed to sign the affidavit for the cancellation of 0.35 CFS of Water Rights Certificate No. 22868.
2. Steve Forrester is also authorized to sign any and all other documents necessary or convenient for partial cancellation of Water Rights Certificate No. 22868, as well as any other documents related to Water Rights Certificate No. 22868 and Permit G-16146.

Dated: November _____, 2010

Mike Wendel, Mayor

ATTEST:

Lisa Morgan, City Recorder