

MEMORANDUM

Project No.: 140129

May 18, 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 #3 (4/29/15)**
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.

Overview of Meeting Agenda

The third 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:

- Overview of key elements of project, work in progress, and ongoing schedule
- Tri-County cooperative approach for water bank development and management
- Update on Pend Oreille Diversion Appraisal Study
- Review of Watershed Planning Implementation and Flow Achievement Grant Application for continued development of a WRIA 55 water bank
- Update on water rights review for bank seeding
- Open discussion and closing, expectations for PAG meeting #4

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

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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
Ethan Vodde, Spokane County
Karen Skoog, Pend Oreille County
Mike Lithgow, Pend Oreille County Community Development
Don Dashiell, Stevens County
Erik Johansen, Stevens County Land Services
Rusty Post, Department of Ecology
Ty Wick, Spokane County Water District #3
Dick Price, Stevens PUD
Susan McGeorge, Whitworth Water District
Ken Merrill, Kalispel Tribe Natural Resources Department

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 overview the Feasibility Study was presented for the benefit of new attendees. The overview included:
 - Reasons for considering water banking in WRIA 55 and water banking incentives.
 - A review of the approach for the Feasibility Study, and the ongoing schedule status for additional PAG meetings and study deliverables.
 - A review of the demand analysis conducted for WRIA 55.
 - Estimates of pre- and post-instream flow rule permit exempt wells.
 - Alternatives for water bank seeding.
 - Water rights screening for bank seeding.
- Key tasks in progress were summarized, including:
 - Bank seeding appraisal work, including additional water rights assessment and an appraisal study for a potential Pend Oreille source.
 - Coordination among Spokane, Pend Oreille, and Stevens County for water bank management
 - Market evaluation (regional evaluation of water pricing, extrapolation of existing data to WRIA 55)
 - Development of bank structure
- County departments potentially affected by water banking were discussed.

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- Additional discussion of the market evaluation occurred, included sources of data for the analysis to develop a qualitative evaluation of level of certainty and applicability to WRIA 55.
- Examples of existing cooperative agreements that could provide a model for Tri-County water banking were discussed, and key elements of a successful agreement were outlined.
- Additional discussion of structural options for the water bank were discussed, and questions posed to the PAG, including:
 - Do the counties view the historic watershed management process as successful?
 - Is the NE Tri-County Health District a potential model for a cooperative organization with a clear mission?
 - What experiences do the counties have with contracting work with NGOs?
 - What experiences do the counties have with contracting administrative work with private companies (as opposed to project-based work)?
 - Would a strong state-led banking model be supported?
- Basin management approaches were reviewed, including gage management and consumptive use considerations.
- Discussion of additional work on water rights screening was summarized, including ranking of the water rights for further evaluation.
- Water right acquisition approaches were reviewed.
- Incentives for bank seeding with a Pend Oreille source were discussed, including:
 - Water is considered available by Ecology
 - Limited interruptibility (i.e. more reliability)
 - Proximity of headwaters of Little Spokane
 - Opportunities for both supply and mitigation
 - Initial work indicates potential feasibility of project
- Clarification of tasks included in the current Pend Oreille Appraisal Study was presented. The study does not include any detailed design work, and is limited to an appraisal only. Tasks include:
 - Develop alternatives and demand assessment for quantities
 - Analysis of land use, ownership, available hydrogeologic/hydrologic information
 - Field reconnaissance
 - Permitting evaluation
 - Appraisal-level cost estimates
 - Water right application(s)
- The pending Watershed Planning Implementation and Flow Achievement Grant application to continue development of a water bank in WRIA 55 was reviewed. A detailed list of tasks included in the grant application is presented in the attached PowerPoint presentation.

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Since the PAG meeting, the grant application has been submitted to Ecology and is pending review. Key tasks include:

- Stakeholder collaboration
 - Public outreach
 - Develop and finalize water bank operational framework
 - Water right acquisition outreach
 - Water right procurement
 - Tributary basin bank management technical support
 - Pend Oreille field investigations/data analysis
- Open discussion among the PAG was conducted during and at the end of the meeting. Key discussion points included:
 - Physical water availability and responsibility for assessing this within each county. County departments will need to be educated regarding management of the water banking process.
 - Filing and recording of mitigation certificates.
 - Potential future issues on legality of exempt wells, and risk from litigation or regulatory changes.
 - Potential impacts to Tri-County workloads and general fund. Key factor will be addressing and mitigating fiscal liability and burden.
 - Additional discussion on management structures, including Watershed Management Partnerships and board of joint control, and use of an enterprise fund.
 - Recognition that development of a management structure will be needed following completion of the Feasibility Study.
 - The need to guard against use of a water bank for speculation and mitigation certificate ‘flipping’.
 - Linkages between streamflow and bank performance, and rationale for seeding with water rights senior to the instream flow rule.
 - Ecology noted unlike some other states, Washington does not have different priority rules during times of drought.
 - The need to be in the lead for obtaining water rights should a bank be established, with the goal of minimizing speculation.
 - Based on PAG recommendations, the water rights figures will be updated to indicate levels of ‘priority for further review’, since the current work is not a full extent and validity analysis.
 - The meeting was adjourned. The next PAG meeting is scheduled for June 17, 2015.

Attachments:

Attachment 1 – PAG Meeting #3 PowerPoint Presentation

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