

## CALIFORNIA-AMERICAN WATER COMPANY

### A. INTRODUCTION

California-American Water Company (California American Water) (successor to Citizens Utilities Company of California) is an investor owned utility operating under the rules and regulations of the California Public Utilities Commission (CPUC). California American Water has six service areas within the metropolitan area of Sacramento County; (1) Antelope, which serves the communities of Antelope and Elverta; (2) Lincoln Oaks which serves portions of Citrus Heights and North Highlands; (3) Parkway which is located in the Florin area, (4) Suburban/Rosemont which serves Rosemont and the western portion of Rancho Cordova; (5) Arden in the Arden Arcade area; and (6) Security Park in the Sunrise Douglas area. California American Water also provides water service in Placer County for the Sabre City Mobile Home Park and the Morgan Creek area in western Placer County. In addition California American Water serves water to the City of Isleton and the community of Walnut Grove.

California American Water's Arden service area, portions of its Suburban/Rosemont service area, and portions of its Parkway service area are within the Place of Use (POU) for City of Sacramento's American River water rights. California American Water's Placer County Service area is within the Placer County Water Agency POU. All of California American Water's service areas in Sacramento County utilize groundwater. In addition, California American Water's delivers surface water – supplied by the City of Sacramento under the "Southgate Agreement", to its Parkway service area. California American Water's delivers only groundwater to the Sabre City Mobile Home Park. The Placer County Water Agency supplies surface water used in the West Placer service area which is wheeled by the City of Roseville.

As of January 2010, California American Water had 56,663 active connections, 53,341 of which are residential (27,096 are un-metered).

Projected demands for California American Water are included in several areas: the North Central Group, City's POU North, City's POU South, and the South County M&I Group.

### B. SEVEN ELEMENTS OF THE WATER FORUM AGREEMENT: INTEGRATED PACKAGE

In order to achieve the Water Forum's two coequal objectives, providing a safe reliable water supply and preserving the values of the lower American River, all signatories to the *Water Forum Agreement* need to endorse and, where appropriate, participate in each of seven complementary actions.

- Increased surface water diversions
- Actions to meet customers' needs while reducing diversion impacts in drier years
- Support for an improved pattern of fishery flow releases from Folsom Reservoir
- Lower American River Habitat Management Element

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- Water Conservation Element
- Groundwater Management Element
- Water Forum Successor Effort

For each interest to get its needs met, it has to endorse all seven elements. Based on this linkage, signatories agree to endorse and, where appropriate, participate in all seven of these elements.

### **C. BASELINE DIVERSIONS**

Baseline diversions represent the historic maximum amount of water diverted annually from the American River through the year 1995.

Because California American Water does not divert from the American River, no American River diversion was included in its baseline.

### **D. AGREEMENT FOR MEETING CALIFORNIA-AMERICAN WATER COMPANY'S WATER SUPPLY NEEDS TO THE YEAR 2030**

California American Water has six service areas within the metropolitan area of Sacramento County: (1) Antelope, which serves the communities of Antelope and Elverta; (2) Lincoln Oaks which serves portions of Citrus Heights and North Highlands; (3) Parkway which serves the Florin and Southgate areas, (4) Suburban/Rosemont which serves Rosemont and the western portion of Rancho Cordova; (5) Arden in the Arden Arcade area; and (6) Security Park in the Sunrise Douglas area. The projected water demand for California American Water for these six service areas at year 2030 is 58,600 acre-feet, applying demand reduction through full implementation of BMPs.

1. The projected water demand for California American Water service areas within the City of Sacramento's POU including the Arden area, a portion of the Suburban/Rosemont area and a portion of the Parkway area is approximately 24,600 acre-feet per year.

a. California American Water has contracted with the City of Sacramento for delivery of treated surface water and treated groundwater for its service areas within the City of Sacramento's POU. It is anticipated that water produced will be primarily surface water except during periods when Lower American River flow is below the "Hodge Flow Criteria", during which, supplemental groundwater will be produced as an offset to increased deliveries. Deliveries shall be as follows:

(1) During off-peak periods (October 15<sup>th</sup> through May 14<sup>th</sup>) deliveries shall not exceed a maximum of 5.76 million gallons per day (mgd) and no supplemental groundwater production will be required.

(2) During on-peak periods (May 15<sup>th</sup> through October 14<sup>th</sup>) deliveries shall not exceed 2.3 mgd as follows:

a. When instantaneous flow in the Lower American River is above the “Hodge Flow Criteria” no supplemental groundwater production will be required.

b. When instantaneous flow in the Lower American River is below the “Hodge Flow Criteria”

i) For the first 1.13 mgd of water delivered, no supplemental groundwater will be required.

ii) Any deliveries over 1.13 mgd, up to the maximum of 2.3 mgd, shall be supplemented by groundwater from the City water system. During delivery of water under this paragraph, the City shall provide to the City water system not less than the amount of water delivered under this paragraph from new City well-capacity.

3) Water delivered shall not exceed 4,831 acre-feet annually.

California American Water will continue to use its existing well network to obtain groundwater to meet the balance of its demand for these service areas.

b. Should additional deliveries of water from the City be required prior to December 31, 2030 signatories to the *Water Forum Agreement* will meet in good faith with the objective to develop mutually acceptable provisions consistent with the two coequal objectives of the *Water Forum Agreement*.

c. It is recognized that in years when the projected unimpaired inflow to Folsom Reservoir is less than 400,000 acre-feet there may not be sufficient water available to provide the purveyors with the driest year quantities specified in its agreements and provide the expected driest year flows to the mouth of the American River. In those years California American Water will participate in a conference with other stakeholders on how the available water should be managed. The conferees will be guided by the conference year principles described in Section Four, I. of the *Water Forum Agreement*.

2. The projected water demand for California American Water service areas within the North Central Purveyor Group which includes the Antelope, and Lincoln Oaks service areas is approximately 20,000 acre-feet per year.

Surface water delivered to these California American Water service areas will likely come from diversions pursuant to the SSWD - PCWA transfer Agreement. The conditions included in SSWD’s PSA will apply to surface water delivery to these California American Water service areas.

California American Water will use groundwater to meet the balance of its demand for these service areas.

3. The projected water demand for California American Water service areas outside the City's POU but within the South County M&I Users Group which includes a portion of the Suburban/Rosemont area, a portion of the Parkway area and Security Park is approximately 14,000 acre-feet per year..

Surface water delivered to these California American Water service areas will likely come from a future contract with the Sacramento County Water Agency (SCWA) consistent with the Sacramento County/SCWA PSA. Those deliveries will be subject to any financial obligations that may be contained in such future contract.

California American Water will use groundwater to meet the balance of its demand for these service areas.

**E. SPECIFIC AGREEMENTS FOR COMPLYING WITH THE SEVEN ELEMENTS**  
*(Agreements in italics are common in all Specific Agreements.)*

1. All signatories to the *Water Forum Agreement* will endorse all water entitlements needed for the diversions specified in each Purveyor Specific Agreement. *Endorsement of the water entitlements and related facilities in the Water Forum Agreement means that signatories will expend reasonable efforts to:*
  - a. *Speak before stakeholder boards and regulatory bodies,*
  - b. *Provide letters of endorsement,*
  - c. *Provide supportive comments to the media,*
  - d. *Advocate the Water Forum Agreement to other organizations, including environmental organizations that are not signatory to the Water Forum Agreement, and*
  - e. *Otherwise respond to requests from other signatories to make public its endorsement of the Water Forum Agreement.*
  
2. *All signatories will endorse construction of facilities to divert, treat and distribute water consistent with this Purveyor Specific Agreement and the Water Forum Agreement including diversion structures, treatment plants, pumping stations, wells, storage facilities, and major transmission piping. Endorsement is also to be provided for necessary rights-of-ways, permits, and other endorsements which may be needed, in the context of the following five points:*
  - a. *All signatories agree that implementation of the Water Forum Agreement including an improved pattern of fishery flow releases, the updated lower American River flow standard, the lower American River habitat management element, actions to meet customers' needs while reducing diversion impacts in drier years, and the Water Conservation Element constitute reasonable and feasible mitigation for any cumulative*

*impacts on the lower American River caused by diversions included in the Water Forum Agreement.*

*b. Environmental impacts of facilities to divert, treat and distribute water will be subject to site-specific environmental review. It is understood that signatories may provide comments on site specific impacts. All signatories will work in good faith to agree on reasonable and feasible mitigation for any site-specific impacts.*

*c. To the extent that the water facilities are consistent with the Water Forum Agreement, signatories agree that they will not object to those water facilities based on the cumulative impacts to the lower American River. Nor will signatories object to water facilities consistent with the Water Forum Agreement based on the planned growth to be served by those water facilities (See Section Four IV, Relationship of Water Forum Agreement to Land Use Decision Making).*

*d. In the planning for new water diversion, treatment, and distribution facilities identified in the Water Forum Agreement, water purveyors signatory to the Agreement will either provide for a public participation process, such as meeting with already established citizen advisory committees, or other appropriate means to help design and implement these projects.*

*e. All signatories retain its existing ability to provide input on specific details of facility design, financing, and construction.*

*3. All signatories agree that participation in the Water Forum and the Successor Effort is in the best interests of water consumers and the region as a whole. Participation in the Water Forum is the most economically feasible method of ensuring that water demands of the future will be met. Furthermore, provisions for groundwater management, conjunctive use, conservation programs, improved pattern of fishery flow releases from Folsom Reservoir, habitat management, and a reliable dry year supply are in the public interest, and represent reasonable and beneficial use of the water resource.*

*4. All signatories will not oppose and will endorse where appropriate needed rates and fees applied equitably. This includes endorsement at the California Public Utilities Commission for investor owned utilities' ability to recover all costs of conservation programs, including residential meter retrofit, through rates.*

*5. All signatories will endorse an improved pattern of fishery flow releases from Folsom Reservoir and reduced daily flow fluctuations for the lower American River (Reference Section Three, III).*

*6. All signatories will endorse formal assurances that the diversions will be consistent with the conditions in the Water Forum Agreement and that an improved pattern of fishery flow releases from Folsom Reservoir will be implemented.*

7. *All signatories will endorse and participate where appropriate in all provisions of the Water Forum Agreement, including all agreements pertaining to other signatories and executed as part of this Agreement.*
8. *All signatories will participate in education efforts and advocate the Water Forum Agreement to regulatory bodies and signatory stakeholder boards as appropriate.*
9. *All signatories will participate in the Water Forum Successor Effort to oversee, monitor and report on the implementation of the Water Forum Agreement (Reference Section Three, VII, Water Forum Successor Effort). This includes participating with other signatories in carrying out procedural agreements as identified in the Water Forum Agreement. To the extent that conditions change in the future, all signatories will work together in good faith to identify ways to ensure that the two coequal goals of the Water Forum will still be met.*
10. *All signatories will endorse and, where appropriate, financially participate in the Lower American River Habitat Management Element (Reference Section Three, IV, Lower American River Habitat Management Element).*
11. *All signatories will endorse and, where appropriate, implement the Water Conservation Element of the Agreement (Reference Section Three, V, Water Conservation Element). This purveyor's implementation of water conservation will be as specified in its Water Conservation Plan which is incorporated as Appendix J to the Water Forum Agreement.*
12. *All signatories will endorse and, where appropriate, participate in implementation of the Sacramento North Area Groundwater Management Authority to maintain a North Area estimated average annual sustainable yield of 131,000 acre-feet.*
13. *All signatories will endorse development of a groundwater management arrangement for the South Area and where appropriate participate in its development, to maintain a South Area estimated average annual sustainable yield of 273,000 acre-feet.*
14. *All signatories will endorse development of a groundwater management arrangement for the Galt Area and where appropriate participate in its development, to maintain a Galt Area estimated average annual sustainable yield of 115,000 acre-feet.*
15. *Signatories authorizing individuals to represent them in matters included within the Water Forum Agreement will ensure that representations made by those individuals are consistent with the Water Forum Agreement and are upheld by the signatories.*
16. *This Agreement is in force and effect for all signatories for the term of the Memorandum of Understanding, December 31, 2030.*
17. *Any solution that provides for future needs will have costs. New diversion, treatment, and distribution facilities, wells, conservation programs, and required environmental mitigation will be needed. This Agreement identifies that these solutions must be equitable, fiscally responsible, and makes the most efficient use of the public's money.*

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*Water suppliers have both capital costs for facilities and operations and maintenance costs. This Agreement recommends that charges imposed to recover capital costs associated with water acquisition, treatment, or delivery be equitable. Any costs for facilities funded through bonds will be recovered as provided by law. In addition, signatories to the Water Forum Agreement agree that operational, maintenance and replacement costs should be recovered from beneficiaries of the system in accordance with California Government Code Sections 53720 to 53730 (Proposition 62) and California Constitution, Articles XIII, C and XIII, D (Proposition 218) and other laws to the extent they are applicable.*

18. *All signatories agree to endorse, and where appropriate, participate in Sacramento River supply for North Sacramento County and Placer County (Reference Section Four, III).*

19. *All signatories will endorse, and where appropriate, participate in the section of the Water Forum Agreement entitled “Relationship of Water Forum Agreement to Land Use Decision Making” (Reference Four, IV).*

20. *All signatories will endorse, and where appropriate, participate in the Folsom Reservoir Recreation Program (Reference Section Four, V).*

21. *Purveyors signatory to the Water Forum Agreement will reference the Water Forum Agreement, including agreed upon estimated average annual sustainable yields of each of the three sub-areas of the groundwater basin in Sacramento County and limits to diversions from the American River in its water master plans and urban water management plans, which are used in providing information to cities and counties as required under Chapter 881 of the Statutes of 1995.*

22. *Any transfers of American River water by signatories will be delivered in a manner consistent with an improved pattern of fishery flow releases as referenced in the Water Forum Agreement.*

## **F. ASSURANCES AND CAVEATS**

Because the *Water Forum Agreement* is a comprehensive set of linked elements, it is absolutely essential that adequate assurances be secured for every element. In an agreement that will extend over three decades, the timing of these assurances is critical. Full implementation of all seven elements cannot occur simultaneously. Therefore, all signatories agree with the provisions in the Assurances and Caveats Section of this *Water Forum Agreement*.

Two particularly important assurances are the updated lower American River flow standard and upstream American River diversion agreements.

All signatories agree they will recommend to the State Water Resources Control Board (SWRCB) an updated American River flow standard and updated Declaration of Full Appropriation to protect the fishery, wildlife, recreational and aesthetic values of the lower

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American River. The recommendation will include requirements for United States Bureau of Reclamation (Reclamation) releases to the lower American River. In addition, the City of Sacramento's Fairbairn diversion will be required to comply with the diversion limitations of the City's PSA. The *Water Forum Agreement* also includes agreed upon dry year reductions by purveyors upstream of Nimbus Dam. The recommendation for an updated lower American River standard will be consistent with:

*Water Forum Agreement* provisions on water diversions including dry year diversions,  
and  
Implementation of the improved pattern of fishery flow releases which optimizes the  
release of water for the fisheries.

The recommendation will also address related issues such as principles to guide water management in the driest years, flexibility in the standard to allow adaptive management, and amending the existing "Declaration of Full Appropriation for the American River."

Purveyors signatory to the *Water Forum Agreement* who divert from upstream of Nimbus Dam agree they will enter into contract with Reclamation that will provide assurances that the upstream diverters will divert only the agreed upon amounts, which include provisions for reductions in dry year and/or other equivalent measures.

In order to have a durable agreement it is necessary to include the following caveats. These are statements describing actions or conditions that must exist for the *Agreement* to be operative.

1. As specified below, each purveyor's commitment to implementing all provisions of the *Water Forum Agreement* is contingent on it successfully obtaining its water supply entitlements and facilities.

a. If a purveyor receives support from the other signatories to the *Agreement* for all of its facilities and entitlements as shown on the chart in Section Three, I., of the *Water Forum Agreement*, "*Major Water Supply Projects that Will Receive Support Upon Signing the Water Forum Agreement*" and if it receives all necessary approvals for some or all of those facilities and entitlements, then the purveyor will fully support and participate in the following provisions of the *Water Forum Agreement*:

- (1) Support for the improved pattern of fishery flow releases
- (2) Water Forum Successor Effort
- (3) Water Conservation Element
- (4) Lower American River Habitat Management Element
- (5) Support for the updated lower American River flow standard
- (6) Restriction of diversions or implementation of other actions to reduce diversion impacts in drier years as specified in its PSA.

and

- b. If a purveyor is not successful in obtaining all necessary approvals for all of its facilities and entitlements as shown on the chart in Section Three, I., of the *Water Forum Agreement*, “*Major Water Supply Projects that will Receive Support Upon Signing the Water Forum Agreement*,” that would constitute a changed condition that would be considered by the Water Forum Successor Effort.
2. All signatories agree that business, citizens, and environmental signatories’ obligation to support, and where specified, implement all provisions of the *Water Forum Agreement* is contingent on implementation of those provisions of the *Agreement* that meet its interests.
3. A stakeholder’s support for water supply entitlements and facilities is contingent on:
  - a. Project-specific compliance with the CEQA, and where applicable, the National Environmental Policy Act, Federal Endangered Species Act and California Endangered Species Act.
  - b. Purveyors’ commitment in its project-specific EIRs and CEQA findings to: all seven elements of the *Water Forum Agreement*; support for updating the lower American River flow standard; commitment by those purveyors that divert from upstream of Nimbus Dam to entering into signed diversion agreements with Reclamation; commitment by the City of Sacramento to inclusion of the terms of the diversion provisions of its PSA into its water rights.
  - c. Signed diversion agreements between purveyors that divert upstream of Nimbus Dam and Reclamation. Other signatories to the *Water Forum Agreement* shall be third party beneficiaries to the diversion agreements solely for the purpose of seeking specific performance of the diversion agreements relating to reductions in surface water deliveries and/or diversions if Reclamation fails to enforce any of those provisions. The status of a signatory to the *Water Forum Agreement* as a third party beneficiary to the diversion agreements is dependent on that signatory complying with all the terms of the *Water Forum Agreement*, including support for the PSA for the purveyor’s project. This is not to intend to create any other third party beneficiaries to the diversion agreements, and expressly denies the creation of any third party beneficiary rights hereunder for any other person or entity.
  - d. Adequate progress on the updated lower American River standard. The schedule for obtaining the updated standard is in Section Four, I., of the *Water Forum Agreement*.
  - e. Adequate progress in construction of the temperature control device.
  - f. Adequate progress in addressing the Sacramento River and Bay-Delta conditions associated with implementation of the *Water Forum Agreement*.
4. Environmental stakeholders’ support for facilities and entitlements is dependent upon the future environmental conditions in the lower American River being substantially equivalent to or better than the conditions projected in the Water Forum EIR. If the future environmental

conditions in lower American River environment are significantly worse than the conditions projected in the EIR, this would constitute a changed condition that would be considered by the Water Forum Successor Effort. Significant new information on the needs of the lower American River fisheries, which was not known at the time of execution of the *Water Forum Agreement*, would also constitute a changed condition that would be considered by the Water Forum Successor Effort.

#### **G. REMAINING ISSUES**

1. California American Water is a part of the Sacramento Central Groundwater Authority, which is a Joint Powers Authority and is the successor to the South County M & I users group. While membership is voluntary, it is the intension of California American Water to maintain active participation in this organization.

2. California American Water is governed by the CPUC. California American Water's agreed endorsements in, or continued implementation of, this Purveyor Specific Agreement are subject to review by the CPUC. California American Water may modify or terminate its endorsements agreed to in, or implementation of, this Purveyor Specific Agreement upon receiving an adverse decision relating to said endorsements or implementation by the CPUC.