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## Water issues to be handled outside of relicensing

(March 6, 2002) SMUD and El Dorado County have hammered out a draft agreement on water issues that could help keep the District on schedule in its bid to renew the operating license for the Upper American River Project (UARP).

The draft agreement grew out of a dispute-resolution process established under SMUD's collaborative approach to preparing a hydro relicensing application. SMUD intends to submit the application to the Federal Energy Regulatory Commission (FERC) in 2005. The current license expires in 2007.

Several water agencies, county supervisors and interest groups from El Dorado County feel strongly that in the course of the relicensing process, SMUD should help El Dorado County meet its need for new water supplies to support a burgeoning population.

"We believe FERC doesn't require SMUD to do that," said Dave Hanson, project manager for relicensing. "If UARP operations were impairing the ability of El Dorado County to exercise existing water rights, that would be a legitimate consideration for FERC. But that isn't the issue here."

SMUD does not want the relicensing process to get sidetracked by issues that are not germane to relicensing and over which FERC has no jurisdiction, Hanson said. At the same time, SMUD wants to fully consider the interests of all outside parties that have a stake in the process.

In the case of El Dorado County water interests, the upshot was the draft agreement (technically known as a Master Memorandum of Understanding). When final, the agreement will establish the ground rules for studies and other actions that could be of mutual benefit to SMUD and the water interests, which are being represented by the El Dorado County Water Agency.

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“Basically, our position is that if the county or anyone else comes up with some good ideas, we’ll entertain them. But we have to remain true to our first responsibility, which is to do the best thing for SMUD’s customer owners,” Hanson said. “So, for the most part, we will look at these ideas *outside* of relicensing, in a parallel process.”

SMUD’s dams and powerhouses along the upper American River form the District’s single largest source of power. With the capacity to generate 688 megawatts, UARP provides about 20 percent of customers’ total power needs in years of average precipitation.

Ideas suggested by different El Dorado County water interests include building a new reservoir or raising one of the existing dams to increase water storage capacity.

One idea that could be studied under the relicensing process is the potential for “reoperation,” or modifying the way SMUD operates the hydro system in a way that could make water available to El Dorado County, assuming the county could obtain necessary water rights. (SMUD water rights allow use of the water that flows through UARP for power generation; the District has no *consumptive* water rights to convey to El Dorado County.)

The draft agreement lays out a number of principles important to SMUD, including:

- SMUD will remain the sole owner and licensee of UARP.
- The cost of studies will be borne by the participants in proportion to the benefits they stand to gain. (This means, for example, that SMUD would not have to contribute financially to a study that looks at increasing reservoir capacity solely for storing water for consumption in El Dorado County.)
- If studies result in a proposal that would provide benefits to El Dorado County but not SMUD, SMUD will negotiate on the subject of access to UARP facilities with the understanding that SMUD will continue to operate UARP for the benefit of its ratepayers.