

**MEMORANDUM**

To: Water Advisory Committee October 31, 2018  
From: Mark Millan, WAC Chair  
Subj: Approve – 1. Formation of WAC Ad Hoc Subcommittee  
2. Requesting SCWA to participate in a Common Interest Agreement

At the August 6, 2018 WAC/TAC meeting, Sonoma County Water Agency (SCWA) General Manager Grant Davis provided an update on FERC relicensing of PG&E's Potter Valley Project (PVP). During this update, Mr. Davis discussed PG&E's May, 2018 announcement to the Eel-Russian River Commissioners advising that PG&E had decided to put the Potter Valley Project up for auction this fall. In July, the Mendocino County Inland Water and Power Commission formed a negotiating team to investigate potential acquisition of PVP facilities and on September 5<sup>TH</sup> PG&E formally began the 18-24 month auction process by soliciting proposals from parties interested in purchasing the project. Subsequent to these actions, on September 11 the SCWA Board of Directors formed an Ad Hoc group consisting of two Directors to be able to track developing PVP activities in a timely manner.

Per Section 5.1 (b) of the 2006 Restructured Agreement for Water Supply, the Water Advisory Committee is charged with reviewing any proposals which "...involve a significant capital outlay for the Transmission System..." or which would "...significantly change the level of service or add significantly to the operations and maintenance expense...". Potential changes in PVP operations could have a significant impact to the level of service and/or rates that Water Contractors are charged related to Transmission System operation. As such, in light of PG&E's efforts to sell its PVP facilities and the speed at which events are changing related to this auction process, it is recommended that the WAC approve: (1) the formation of an Ad Hoc Subcommittee and (2) the development of a Common Interest Agreement. By taking these two actions WAC agencies will be better able to track developing PVP activities in a timely manner.

Ad Hoc Subcommittee

The WAC Ad Hoc subcommittee would consist of no more than three WAC members. It is my recommendation that the Ad Hoc subcommittee consist of the WAC Chair and WAC representatives from the City of Santa Rosa and North Marin Water District. Under this configuration, the Ad Hoc subcommittee would have representation from both Sonoma and Marin Counties and include the largest Sonoma Water retail customer (i.e, Santa Rosa).

Technical support to the WAC Ad Hoc subcommittee would be provided by the TAC Chair and Vice Chair.

Common Interest Agreement

Development of a Common Interest Agreement between SCWA and interested Water Agency Contractors would allow each signatory entity to share privileged information and counsel's work products related to the existing PVP FERC proceeding and related matters (including any other litigation concerning the PVP) in which the Contractors and SCWA have a common interest. The agreement would be open-ended to allow Contractors to join over time.

**RECOMMENDED ACTION:**

WAC approve:

1. Formation of an Ad Hoc subcommittee consisting of the WAC Chair and WAC representatives from the City of Santa Rosa and North Marin Water District.
2. Requesting SCWA to participate in a Common Interest Agreement with Water Agency Contractors.