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DATE: November 20, 2023

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Dan Herrera, PE, Deputy Director of Operations, Public Works & Utilities (PW&U)  
Christopher J. Bolt, MPA, PE, CPM, ICMA-CM, Director of PW&U

SUBJECT: Resolution Approving a Letter of Support Regarding Activities Related to the Potter Valley Project

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### **RECOMMENDATION**

It is recommended that the City Council adopt the attached Resolution approving a letter of support regarding activities related to the Potter Valley Project.

### **BACKGROUND**

The City of Petaluma currently has two primary water supply sources: water purchased from Sonoma Water and local groundwater used during drought conditions and emergencies. These water supply sources have historically provided the City with safe, reliable, consistent potable water for its residents.

The primary water source for Sonoma Water is the Russian River system, which includes reservoirs Lake Mendocino and Lake Sonoma, which release supplemental water into the Russian River, and groundwater collectors on the Russian River, which capture water for distribution. Sonoma Water owns water rights up to 75,000 acre-feet annually to capture and distribute water to its nine water contractors, including the City of Petaluma. Although Sonoma Water owns these water rights, during dry years they may be subject to curtailment to which Sonoma Water places supply restrictions to its contractors.

In addition to the natural watershed directing runoff into the Russian River and its reservoirs, the Potter Valley Project (PVP) has historically been an essential contributor to the natural flows of the Russian River. The PVP is a hydroelectric power plant system built in 1908, consisting of Cape Horn Dam, which creates a small reservoir named Van Arsdale, and Scott Dam, which forms Lake Pillsbury. This system provides a source of water, which is diverted to the Potter Valley Power House through a diversion tunnel. The water used in the hydroelectric powerhouses ultimately reaches Lake Mendocino, which is then released into the Russian River. The PVP currently diverts,

on average, 60,000 acre-feet of Eel River flows into the Russian River system. During dry years, the PVP can significantly contribute to flows into Lake Mendocino and the upper Russian River. The upper Russian River is the primary water source for cities in Sonoma County, including Ukiah, Cloverdale, Healdsburg, and Hopland. These flows also support agriculture and fisheries resources in the Russian River area.

The PVP is permitted and licensed by the Federal Energy Regulatory Commission (FERC). In February of 2022, PG&E announced plans to surrender the FERC license, which was set to expire in April 2022 and decommission the project. In July 2022, FERC accepted PG&E's proposal, which proposed a 30-month schedule to submit a license surrender application and decommission the power plant. This "surrender and decommission plan" is due to FERC in January 2025. PG&E is expected to release a draft surrender application in November 2023, with a final draft in May 2024 for public input, ahead of the January 2025 deadline. The application is said to include the removal of the Scott and Cape Horn Dams and end any operations, including water diversions to the Russian River.

## **DISCUSSION**

The PVP is instrumental in maintaining and supplementing flows into the Russian River that have occurred for over a century. In order to understand the impacts and alternatives to the PVP, a multi-agency, multi-county working group was convened, known as the "Two Basin Solution." This effort focused on options to maintain a diversion from the Eel River to the Russian River system during periods of high flows, which would benefit the Russian River system while minimizing impacts on the Eel River system. In anticipation of the surrender of the PVP, the Mendocino County Inland Water and Power Commission (MCIWPC), the Round Valley Indian Tribes (RVIT), and Sonoma Water (collectively known as the "Proponents") worked together to submit a proposal to PG&E that included:

- Forming a Joint Powers Authority as a regional entity that could operate the Project,
- Convening a table to negotiate a settlement agreement,
- Developing the financial capacity for ownership, construction, and operation of the facility,
- Agreeing with PG&E on the terms of the Purchase and Sale Agreement, and
- Acquiring and modifying the PVP's water diversion facilities and construct a new Eel-Russian Facility.

The proposal was submitted to PG&E on July 31, 2023, to express interest in certain PVP facilities that preserve flows from the Eel River to the Russian River and improve Eel River fisheries. This was completed before PG&E's deadline to receive proposals. Without such a proposal, PG&E's decommissioning plan would likely include removing all PVP facilities, including those that provide diversions to the Russian River.

On October 4, 2023, the Proponents received notice from PG&E about the new Eel -Russian Facility proposal. The following response was received:

*"PG&E has made a non-binding acceptance in concept of the Sonoma County Water Agency, Mendocino County Inland Water and Power Commission, and Round Valley Indian Tribes*

*proposal and agrees to include it in our November 15<sup>th</sup>, 2023, Initial draft Surrender Application and Decommissioning Plan.”*

The various water suppliers in Mendocino, Sonoma, and Marin Counties, including numerous Sonoma Water contractors, have drafted a letter of support for the new Eel-Russian Facility Project and included each jurisdiction’s logo to show support. Including the City’s logo on such a letter required Council action. Unfortunately, the item could not be included on the Council’s agenda before the joint support letter was sent to federal and state legislators. Agencies not able to include their logo on these support letters are now sending individual letters expressing support as soon as they are able to do so. Staff recommends that City Council adopt this resolution approving a support letter for the Potter Valley Project activities and the new Eel-Russian Facility.

### **PUBLIC OUTREACH**

This item appeared on the City’s tentative agenda document on November 6, 2023, a publicly noticed meeting. No public comments have been received as of posting.

### **CLIMATE ACTION/SUSTAINABILITY EFFORTS**

The project supports maintaining potable water supplies for the residents of Petaluma. The project will help to maintain healthy flows within the Russian River, sustaining fisheries and wildlife habitat in the watershed. The project will also include improvements to fisheries and wildlife habitat in the Eel River watershed.

### **ENVIRONMENTAL REVIEW**

Adoption of this Resolution is exempt from the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15061(b)(3), which established the general rule for projects concerning which it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

### **FINANCIAL IMPACTS**

There are no financial impacts.

### **ALTERNATIVES**

If the City does not provide letters of support, the project may be in danger of not being supported. If the Eel-Russian Facility Project is not created, the water supply in the Russian River system may be impacted, and the reliability of the City’s water supply may be affected.

### **ATTACHMENTS**

1. Resolution
2. Russian River System Map
3. Letter of Support