

# Blue Lake Springs Mutual Water Company

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Date: October 23, 2015  
To: BLSMWC Board of Directors  
From: Staff  
Re: Wholesale water purchase agreement with CCWD

Since its inception, BLSMWC has primarily delivered water to its shareholders in the Blue Lake Springs subdivision by means of various groundwater wells. We have, on occasion, purchased surface water from CCWD to augment our supplies, especially during the heavy use summer months; however, we never had a contract with CCWD that allowed us to rely on them as a regular supply of water. CCWD and BLSMWC collaborated on the construction of new wells and the BLSMWC treatment plant in 1986, which were relied on for a portion of the water supply to CCWD's Ebbetts Pass Service Area until 1992 when CCWD completed construction of the Hunters Treatment Plant.

Our regulating body, the State Water Resources Control Board, requires that we must have a water supply sufficient to meet our Maximum Day Demand (325,000 gallons) with our highest producing well offline and no storage. Thus we began our search for additional high producing wells. After three years of drilling many test wells, guided by our engineers, we found no single well, or combination of wells, that would satisfy the state requirement. We continued forward with our groundwater search and currently do have two additional well sites, one of which we will be bringing online before the end of 2015.

Prior to and during the time of our groundwater exploration, we had many discussions with CCWD about the possibility of a water purchase agreement. Those discussions were unproductive until serious negotiations started in the spring of 2015. Once it became apparent that a purchase agreement with CCWD was possible, we suspended additional groundwater exploration efforts as well as other potential surface water alternatives. After months of deliberation, General Manager Dave Hicks and General Counsel Michael Minkler, working with General Manager Dave Eggerton and his staff at CCWD, have crafted a proposed agreement for the BLSMWC Board to consider at its special meeting on October 27, 2015. The proposed agreement will be considered for adoption by CCWD at their regular Board Meeting on October 28, 2015.

This agreement (Attachment 1) will allow BLSMWC to purchase wholesale water from CCWD on a continual basis without annexation. BLSMWC will operate a conjunctive use system with continued reliance on its own groundwater as the primary source of supply. That supply will be supplemented by up to 100,000 gallons per day of treated surface water from CCWD, which will take significant pressure off of the wells serving Blue Lake Springs and should allow them to recover. Once this agreement is in place, approximately half of the homes in Blue Lake Springs will get water purchased from CCWD while the other half will continue to get treated groundwater (Attachment #3). The agreement also creates a path that will allow us to purchase 100% of our water from CCWD on a wholesale basis in the event we can no longer rely on our groundwater supply. There is an initial buy-in payment of \$825,000, plus regular bi-

monthly service charges. BLSMWC customers will not become CCWD customers and BLSMWC will continue to operate as it has in the past.

Therefore, it is staff's recommendation that the Board adopt the Resolution #15-1027 (Attachment #2) and authorize the General Manager to sign the Agreement.

Attachment 1: Agreement for Wholesale Treated Water Service

Attachment 2: Resolution #15-1027

Attachment 3: Tank 4 and Tank 6 Service Areas