

MEMORANDUM

TO: Local Agency Formation Commission

FROM: Shannon Costa, Deputy Executive Officer

SUBJECT: **20-09 – Water and Wastewater Service in Oroville Area Municipal Service Review Update**

DATE: May 25, 2023 for the meeting of June 1, 2023

BACKGROUND / SUMMARY

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCo to review and update, as necessary, local agency Spheres of Influence (SOIs) (California Government Code Section 56425(g)). In addition, LAFCo is required to conduct a Municipal Service Review (MSR) for each agency prior to, or in conjunction with, an agency's SOI update (California Government Code Section 56430(a)).

MSRs are intended to provide a comprehensive analysis of services provided by each of the special districts and other service providers identified within an MSR and that fall under the legislative authority of the LAFCO. With this MSR Update, Butte LAFCo can make informed decisions based on the best available data for the service provider and area. LAFCO is ultimately the decision maker on approval or disapproval of any determinations, policies, boundaries, and discretionary items. This review provides technical and administrative information to support Butte LAFCo's future evaluation of the existing boundary and spheres of influence.

This Municipal Service Review (MSR) examines how municipal water and wastewater services are delivered to the Oroville Area by six providers:

- One charter city, the City of Oroville (Chapter 3);
- Three independent special districts:
 - Lake Oroville Area Public Utility District (Chapter 4);
 - South Feather Water and Power Agency (Chapter 6);
 - Thermalito Water and Sewer District (Chapter 7);
- One joint powers agency (JPA), Sewerage Commission – Oroville Region (Chapter 5); and
- One private company, Cal Water -Oroville (Chapter 8).

All of the District MSRs are contained within one combined document for ease of use by the public and agency staff alike (**Exhibit C**). A draft of the document was provided to all of the districts at the same time the document was released for a 21-day public review period that began on Thursday, May 11, 2023.

During the public review period, staff received one comment from representatives of Cal Water – Oroville identifying a wording error in the Cal Water chapter, found on pages 8-45 and 8-46 of the MSR. Proposed alternative language is provided for the Commission's consideration as Exhibit C of this report.

RECOMMENDATION

Staff recommends that the Commission approve the Public Review Draft of the Water and Wastewater Service in Oroville Area Municipal Service Review Update at the June 1, 2023 meeting, subject to any changes that the Commission may direct, and direct staff to prepare the Final MSR including the adopting resolution and copies of any comments received at the public hearing.

DISCUSSION

Data Collection

The MSR has been compiled using a three-step data gathering process. This process included a comprehensive review of pre-existing plans and data, a Request for Information (RFI) distribution to each service provider, in-person interviews, and other periodic discussions with agency staff, LAFCo staff, and the consulting team. Key references and information sources for this study were gathered and include published reports; review of agency files and databases (agendas, minutes, budgets, contracts, audits, etc.); master plans; capital improvement plans; engineering reports; environmental impact reports; finance studies; general plans; and state and regional agency information (permits, reviews, communications, regulatory requirements, etc.).

Municipal Service Review Format

The Oroville Area Sewer and Water Providers MSR document consists of an executive summary, introductory chapter, MSR Update for each district, a glossary, acknowledgments, and multiple appendices providing supporting information.

The *Introduction* chapter discusses the MSR process and provides statutory requirements that the Commission must follow to review and approve the MSR update. The chapter provides an explanation for the methodology used to accurately collect data used in the MSR, including names and dates of adoption for various state and local plans. Various websites, oral interviews, and previous MSR information were used to provide a comprehensive analysis of each provider.

An executive summary is provided in Chapter 1. This chapter provides details about Butte County in general, factors that have contributed to the status of the services provided in the County, as well as an overview of how water/wastewater are regulated. A detailed summary of the findings and determinations is included for each provider.

An individual MSR chapter is provided for each service provider. Each chapter includes a data sheet, map of jurisdictional and SOI boundaries, district characteristics, and a description of services provided. MSR Factors and Determinations are provided in each chapter.

Multiple appendices are included. The appendices provide additional details and background information for information used to make determinations. Appendices include information relating to water regulations and flood risk. An appendix is included for services providers whose agency is not overseen by LAFCo, including CAL Water – Oroville Region and Sewerage Commission – Oroville Region (SCOR). These entities play a vital role in the function of the agencies examined.

While a SOI amendment is not proposed for any of the service providers at this time, Appendix C offers options to consider moving forward. The presented options are informational only and may assist the Commission in considering future informational needs and next steps. Further information

about the SOI options is provided in this report.

ANALYSIS

Water and sewer service for the Oroville region is provided by a combination of six service providers, including: South Feather Water and Power Agency (SFWPA), Thermalito Water and Sewer District (TWSD), Lake Oroville Area Public Utility District (LOAPUD), and the City of Oroville (COR). Additionally, a sixth service provider, Cal Water Oroville, is discussed.

SC-OR was created in 1973 under a joint powers agreement (JPA) between the City, Thermalito Water and Sewer District (TWSD), and the Lake Oroville Area Public Utility District (LOAPUD). The individual agencies maintain and operate their own wastewater collection systems that discharge into the SC-OR wastewater treatment plant. The other JPA members (TWSD and LOAPUD) provide wastewater services to some areas within the City's jurisdictional boundary.

MSR Determinations

City of Oroville (sewer service only)

The City of Oroville's geographic boundary encompasses 8,872 acres (13.7 square miles) and includes 7,447 assessor parcels. The City's SOI is quite large in size at 33,743 acres (53 square miles). COOR is bounded by the Thermalito Water and Sewer District (TWSD) to the northwest, Lake Oroville Area Public Utility District (LOAPUD) to the southeast, and the South Feather Water and Power Agency (SFWPA) to the east.

The City of Oroville provides wastewater collection services to a portion of the City's incorporated area. The sewer system conveys wastewater to a treatment plant owned and operated by the Sewerage Commission - Oroville Region (SC-OR). Key points from the COOR MSR chapter are described below:

- The City of Oroville's geographic boundary encompasses 8,872 acres and includes 7,447 assessor parcels. The City's SOI encompasses 33,744 acres and 16,917 assessor parcels.
- By the year 2045, it is estimated that COOR's existing boundary could encompass a population of 22,830 persons, although the City did experience a decline in population from 2020 to 2021.
- The City's infrastructure relates to wastewater collection and conveyance only. The City's wastewater collection system includes approximately 69 miles of sanitary sewer pipes, approximately 1,350 sewer maintenance holes, and 7 sewage lift stations.
- Several areas within the City's SOI can be classified as a disadvantaged unincorporated community since the Median Household Income is less than the \$60,188.00 threshold for 2019. All SOI areas receive essential municipal services of water, wastewater, and structural fire protection (or acceptable private alternatives).
- In the recent past, the City has experienced financial challenges which have prevented the City from retaining staff engineers and other professionals necessary for the City to serve a leadership role by assisting with and/or assuming services provided by other agencies. Retention of staff engineers and associated institutional knowledge of the wastewater system

is an area that needs improvement. However, the City has close collaborative relationships with nearby independent wastewater providers such as TWSD, SC-OR, and LOAPUD.

- The City's Sewer Fund had Total Revenues that exceeded Total Expenditures in each of the five study years. The Sewer Fund operates as an enterprise fund within the City and therefore does not utilize tax revenue.
- Rates for sewer service provided to City residents include the City's collection fees and SC-OR's fees for treatment and disposal. The City's rates were approved by Council Resolution No. 5889, and the fee can increase by 3.1% in accordance with the Engineering News Record Construction Cost Index.

Lake Oroville Public Utility District

The Lake Oroville Area Public Utility District (LOAPUD) is a Public Utility District operating under the Public Utility District Act: Public Utilities Code §§ 15501-18055. LOAPUD's focused mission is to provide wastewater collection and conveyance to the unincorporated areas east and south of the City of Oroville and to a small area within the incorporated City of Oroville. LOAPUD collects wastewater from its customers and conveys it to SC-OR facilities for treatment and disposal. LOAPUD is bounded by the City of Oroville and California Water Service (Cal Water) to the east and Lake Oroville to the north. The South Feather Water and Power Agency boundaries and SOI significantly overlap with the boundaries and SOI of the LOAPUD. This results in situations where a customer may receive wastewater collection service from LOAPUD and water service from the SFWPA. Alternatively, customers may receive water from Cal Water, depending on their specific location. LOAPUD is bounded to the south by unincorporated Butte County. Key points from the LOAPUD MSR chapter are described below:

- LOAPUD's infrastructure relates to wastewater collection and conveyance only. The wastewater collection system includes approximately 77 miles of pipelines, 1,550 individual maintenance holes, and nine lift stations.
- LOAPUD's 8,582-acre boundary area is located mainly in the unincorporated County of Butte. A small portion of LOAPUD's boundary overlaps with the City of Oroville. The boundary area has an irregular shape and includes 5,558 assessor parcels. The District's SOI covers 20,295 acres for a total of 28,877 acres. Given the large geographic size of the Sphere of Influence area, it is adequate for projected future needs.
- Approximately 12,768 permanent residents live within the LOAPUD boundaries. From 2020 to 2045, it is anticipated that an additional 2,892 persons are expected to reside within LOAPUD boundaries.
- Several nearby agencies offer wastewater services similar to that of the LOAPUD (such as TWSD and the City of Oroville). However, within the District's sewer service area, the LOAPUD is the only provider, and there is no overlap of actual infrastructure.
- Within LOAPUD's SOI, the community of Palermo has experienced water quality contamination resulting in a potential health or safety issue that requires attention. The disadvantaged unincorporated communities within LOAPUD's SOI will require District sanitary sewer services in the future to replace poorly performing or failing septic systems or to facilitate new development.

- LOAPUD has demonstrated its diligence in developing plans to accommodate current and future constituents' infrastructure and service needs by creating a capital improvement plan as part of its 2021 Sewer System Master Plan.
- Infiltration and inflow are significant within the District's existing system due to the age and deteriorated condition of older pipes, joints, and related infrastructure. The District regularly undertakes rehabilitation projects, such as repairing, relining, and replacing existing aged or poorly functioning pipes.
- LOAPUD has demonstrated some capacity to assist with or assume services provided by other agencies, including close, collaborative relationships with nearby wastewater providers.
- About 67 percent of all revenues for the LOAPUD comes from Wastewater Service Charges. Total revenue was more than the total expenditures in each of the five study years.

Sewerage Commission - Oroville Region (Sewage Treatment WWTP)

The Sewerage Commission-Oroville Region (SC-OR) was formed from a Joint Powers Agreement made between the City of Oroville, the Lake Oroville Area Public Utility District (LOAPUD), and the Thermalito Irrigation District (now Thermalito Water and Sewer District), which are all located in the Oroville area. In accordance with this agreement, SC-OR provides wastewater treatment and disposal services, and each member entity pays a quarterly sewer usage charge to cover the costs of providing related services. The geographic boundaries of the three-member agencies encompass roughly 28,712 acres or 50.51 square miles. Key points from the SC-OR MSR chapter are described below:

- SC-OR provides wastewater treatment and disposal services. Today, SC-OR also provides two auxiliary services: 1) recycled water production and distribution for irrigation purposes and 2) solar photovoltaic electricity generation for internal use.
- In addition to treating wastewater from the member entities, SC-OR also accepts and treats approximately 1 million gallons per year of domestic septage from within their service area. Approved septage haulers licensed by Butte County and SC-OR pump residential septic tanks and dispose of the waste at the SC-OR WWTP for treatment and disposal.
- SC-OR is not a special district and therefore does not have a LAFCo adopted official district boundary or sphere of influence. SC-OR's service region is composed of three separate member entities jurisdictional boundaries and respective service areas.
- SC-OR's 2019 Sewer System Management Plan anticipates 30,357 EDUs by the year 2027. This calculates to a projected population of 94,107 by the year 2027. Given current development trends, it is unlikely that SC-OR's service area will actually see that level of development prior to the year 2027 or the year 2045.
- All SC-OR member entities have development agreements requiring the project developer to either construct or provide funding for any wastewater conveyance improvements needed to serve the project.

- To ensure SC-OR has funding for capacity improvements needed to serve large new developments, SC-OR utilizes a *Capacity Agreement*. A Capacity Agreement typically requires all proposed developments with twenty or more residential units or commercial/industrial uses with equivalent wastewater flows to fund the preparation of a site-specific study ("Capacity Impact Study"). The Capacity Impact Study assesses the impact of the development on SC-OR's WWTP capacity and determines whether any necessary expansion or other modification or improvement of capacity is required due to the development's impact.
- SC-OR regularly tests its discharged water consistent with state and federal requirements. In the last 5 years, SC-OR has had several (10+) minor violations for total coliform limits (typically due to season conditions), but no corrective action has been taken. SC-OR feels that it has an excellent track record of protecting the resources in the Feather River. SC-OR has not had any major water quality violations in the last ten years.
- The recycling of wastewater offers several potential benefits to groundwater-dependent areas of Butte County; however, these opportunities do not currently exist within the SC-OR Service Area. Perhaps the greatest of these benefits is to help maintain a sustainable groundwater supply either through direct recharge or by reducing potable supply needs by utilizing recycled water for appropriate uses (e.g., landscape, irrigation) now being served by potable water. Implementing a recycled water program here will need to involve longer-term measures and require regional participation by other member agencies. A recycled water program can be part of a conservation strategy to increase the basic water supply.
- In July 2022, SC-OR completed a CEQA document for the SC-OR WWTP Upgrade Project. Although the Project is not a capacity expansion project but rather an upgrade project to improve the quality of water discharged to the Feather River and handle existing peak flows, the component upgrades will result in a minor residual additional average flow capacity increase of about 9%. The upgrades to the plant will add 1,852 Equivalent Dwelling Units (EDUs) to the current 20,703 EDUs, for a total new capacity of 13.3 MGD. The Project will not create a new discharge location into the Feather River nor relocate the existing discharge location.
- SC-OR's existing infrastructure (WWTP, West Interceptor, East Interceptor, and Main Interceptor) currently have the capacity to accommodate peak flows. However, further studies should be done to evaluate the ability to meet projected peak flows. Expansion of facilities, such as storage ponds and pipe sizing are examples of how SC-OR can meet projected needs.

South Feather Water and Power Agency

The South Feather Water and Power Agency (SFWPA) is a local government agency structured as an Irrigation District consistent with its Principal Act: California Water Code, Division 11, Section 20500. SFWPA provides the following services to its customers located within the Feather River/Lower Honcut Watershed in Butte County:

- Raw untreated water for agricultural irrigation;
- Water treatment and distribution for municipal purposes (residential and commercial);
- Recreation; and
- Hydropower

The SFWPA is located within the west side of the County of Butte and generally encompasses the areas south of Lake Oroville and east of downtown Oroville. The City of Oroville and California Water Service (Cal Water) are adjacent to the western boundary of SFWPA. Lake Oroville is located to the north of SFWPA. Unincorporated parcels that rely upon groundwater wells, subject to the approval of the Butte County Environmental Health Department, are located to the east and south of SFWPA. Key points from the SFWPA MSR chapter are described below:

- South Feather Water and Power Agency provides the communities of Palermo, Bangor, and eastern Oroville with quality treated drinking water for domestic customers, serving a total of 6,900 households. Additionally, SFWPA provides raw (untreated) water to 500 irrigation customers, who likely utilize it for agricultural purposes. Additionally, SFWPA provides hydroelectric power to a single wholesale customer.
- SFWPA maintains two water treatment plants (Miners Ranch water Treatment Plant and Bangor Treatment Plant) that use a combination of filtration and chlorination to remove/mitigate contaminants. After the treatment process, water is distributed through pipelines to one of the four water storage facilities and then to consumption by SFWPA's customers.
- SFWPA provides raw (untreated) water to over 500 customers for irrigation purposes. Much of this water is utilized for local farms and ranches. Raw water is transported to customers through 110 miles of primarily open earthen canals/ditches organized into four lines. Most of the demand for this water occurs during the dry months of summer and fall.
- The water source for the SFWPA is surface water, specifically, the South Feather River and the North Fork Yuba River and several associated tributaries.
- Based on the Agency's average annual watershed production of 254,015 acre-feet (81,968 to 82,783 Million Gallons (MG)) and its ability to store 165,016 acre-feet (53,779 MG), SFWPA believes that its sources of developed water supply will continue to more than adequately meet the current and the foreseeable demand through 2045.
- The Agency has made significant reductions in its water use during the past few years through pipeline replacements, leak detection and repair, efficiency improvements in treated water production, customer leak notification, and public response to the statewide drought.
- The Agency's SOI boundary should be co-terminus with their "place-of-use" boundary designated by the State Water Resources Control Board to best accommodate future needs regarding the approved area for distribution of water per existing water rights.
- SFWPA generates both hydroelectric power and solar-powered electricity through a photovoltaic array. Hydroelectric power is generated from the South Feather Power Project. The Project can store approximately 172,000 acre-feet (AF) of water (gross storage) and annually generates an average of about 514.1 gigawatt-hours of power.
- Total revenues exceeded the total expenditures in four of the five study years.

- SFWPA's annual Consumer Confidence Report (CCR) demonstrates a consistent delivery of high-quality drinking water.
- SFWPA primarily functions as an enterprise district, charging fees for water supply, water treatment, and distribution services. However, there are some unique circumstances in that SFWPA does collect property taxes, and the revenue from hydroelectric power generation is utilized to subsidize the price of water for retail customers. Together, the property taxes and the hydro revenue mean that water customers do not pay the full cost of water delivery.
- Since the last MSR update, the Agency has made significant strides to improve the status of its infrastructure, committing revenues to plant upgrades to increase water storage supplies. Overall, the Agency is capable of delivering clean, safe, drinking water at an affordable rate to its customers and has the capacity to meet the needs of growth.

Thermalito Water and Sewer District

The TWSD is primarily located in the southern portion of the County of Butte. The district's main boundary area includes a relatively condensed urban area to the south. The western and northern parts of the boundary area have larger tracts of open and/or sparsely developed lands. In addition, the district encompasses large areas of State lands, including the Thermalito Power Canal, Thermalito Forebay and State Park, and the Oroville Wildlife Area. As an irrigation district under California Water Code, Division 11, §20500 et seq, TWSD is empowered to provide a range of public services to the local community. Currently, the District provides the following services:

- Management of raw water supply, water treatment, and distribution of potable water for residential, commercial, and municipal purposes;
- Wastewater collection and transport; and
- Solar electricity generation for internal use only.

Key points from the TWSD MSR chapter are described below:

- The District boundary currently includes 3,798 assessor parcels. There have been no recent annexations. All areas within the boundary receive either water or wastewater service from this District. Some neighborhoods receive both water and wastewater service.
- Approximately 33 percent of the TWSD population resides in the City of Oroville, and 67 percent reside in unincorporated Butte County. By the year 2045, it is estimated that TWSD's existing boundary will encompass a population ranging from 9,605 to 11,825 persons. The City of Oroville has plans to annex all of the Thermalito area, which could spur growth.
- The TWSD currently services 3,136 water customers and the number of sewer connections is 2,365.
- Based on the water supply and water demand assessments described in TWSD's 2015 UWMP, the Concow Reservoir and the four active groundwater wells contain sufficient supply to adequately meet the current and foreseeable demand through 2045.

- Backup water supply is provided by four active wells with an average depth of 200 feet. If the four wells are operated at their maximum, the total annual output would be 3,258.5 acre-feet per year (AFY). However, much less groundwater is actually utilized, with usage averaging 300 AFY. This is approximately 14.5% of the total water supplied to consumers.
- TWSD's annual Consumer Confidence Report (CCR) demonstrates a consistent delivery of high-quality drinking water.
- TWSD treats its surface water supply to make it safe for drinking at the Water Treatment Plant. The treatment system uses Micro Membrane Filtration which was introduced to the treatment process in April 2008. The current capacity of the water treatment plant is 4.0 million gallons per day maximum. The TWSD Water Treatment Plant (WTP) operates independently and efficiently.
- The District's wastewater collection system is about 45+ years old and is generally in good condition. TWSD's wastewater collection system currently has no significant capacity issues regarding service to existing customers.

California Water Company (Cal Water) – Oroville Region

California Water Service (Cal Water) is a private investor-owned utility regulated by the California Public Utilities Commission (CPUC). Cal Water Oroville is the principal water purveyor within the city limits of Oroville. Cal Water serves the portion of the City of Oroville urban area that is not served by either the South Feather Water and Power Agency (SFWPA) or Thermalito Water and Sewer District (TWSD). Cal Water - Oroville generally serves that portion of the City located east of and south of the Feather River and a small unincorporated corridor along Hwy 70. Key points from the CAL Water – Oroville Region chapter are described below:

- Water is sourced from the west branch of the Feather River and three groundwater wells.
- The Service Area for Cal Water Oroville encompasses 3,449 acres. Cal Water's Service Area covers approximately 38.9 percent of the City of Oroville boundaries.
- The California Water Company service area overlaps with that of the South Feather Water and Power Agency.
- The 2006 Final MSR for Domestic Water and Wastewater Service Providers found that water rates for surrounding water providers (TWSD and SFWP) were significantly less than those of Cal Water. Cal Water's service area is immediately adjacent to the services areas of TWSD and SFWPA, so a more efficient and economical organization of the agencies should be considered. These facts remain true today.
- Cal Water's 2020 Urban Water Management Plan (UWMP) indicates that the Oroville District derives its water supply from a combination of purchased surface water and groundwater. 94 percent of the water utilized in the year 2020 was purchased from PG&E, six percent purchased from Butte County, and less than one percent derived from Cal Water's groundwater well(s).

- Cal Water Oroville currently operates two storage tanks, six booster pumps, and 59 miles of pipeline to deliver roughly 2.5 million gallons of water daily. Cal Water currently has one operational groundwater well. Cherokee Reservoir stores raw water. Oroville Reservoir functions as a sedimentation basin. A Clearwell Tank and a High Duty Reservoir are also utilized.
- Cal Water's 2020 UWMP indicates that the available groundwater supply is expected to be sufficient to meet the projected future demands of the service area in normal and multiple dry-year periods through 2045. There are no planned future water supply projects or programs that are expected to provide a quantifiable increase to the Oroville District's water supply.
- Based on the currently available data, Cal Water's UWMP indicates that in typical water years, the available water supply (2,753) matches the existing water demand (2,753). A buffer of excess supply is not directly built into Cal Water's system. However, Cal Water could have the ability to purchase additional surface water supplies from Butte County or increase the pumping of groundwater.

Sphere of Influence Considerations

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires that LAFCo review and update the Sphere of Influence (SOI or Sphere) for each of the special districts and cities within the county. In determining the Sphere of Influence for an agency, LAFCo must consider and prepare written determinations with respect to four factors. These factors relate to the present and planned land uses including agricultural and open-space lands, the present and probable need for public facilities and services, the present capacity of public facilities and adequacy of public services, and the existence of any social or economic communities of interest in the area.

Appendix C of the MSR presents potential SOI options for informational purposes only as no formal request to amend the SOI of any of the agencies has been presented for Commission consideration. In the future, at such a time that the Commission does consider a request to amend the SOI of an agency, the MSR and SOI options may assist the Commission in considering future informational needs and next steps. A summary of the potential future options is presented that include:

Retain status quo: The existing boundary and SOI for each agency would remain in their current configuration.

One Agency: All districts would be reorganized (omitting Cal Water) into one agency providing water and wastewater services.

Two Agencies: Reorganize the five (or six) service providers into two agencies: a) wastewater and b) drinking water. TWSD would present an issue as it provides both services.

Only Wastewater Service Reorganization: Under this option, the provision of wastewater services would be reorganized into one agency. For example, all retail wastewater collection, conveyance, treatment, and disposal could be handled by a 'modified' SC-OR JPA in the future. A modified SC-OR would ideally include the following features:

- SC-OR JPA reorganized to have a seven (7) member Board of Directors. Each of the seven Board Members would be a “voting” member. The three member entities (COOR, LOAPUD, TWSD) would each select two voting Board members from their respective City Council/Board of Directors. The 7th Board Member would be a “public” member selected by the other six Board Members (like LAFCo). SC-OR would continue as a JPA but the internal workings of Board would be refined and personnel would be reorganized to maximize all collective resources
- The SC-OR JPA’s Area of Interest would be large, and it would cover the area that SC-OR intends to serve in the future. In the future, it would be possible to transition from a JPA arrangement to a full reorganization of all sewer services under SC-OR as an independent special district.
- 4b) variant: COOR sewage collection systems west and north of the Feather River would be reorganized under the TWSD and the sewage collection system south and east of the Feather River would be reorganized into the LOAPUD. This would simplify the collection system to only two providers.

Only Drinking Water Service Reorganization: The three existing water service providers would be reorganized to form one agency. It is suggested that LAFCo consider expanding the SOI of a public agency to include the boundary area and SOI of the Thermalito Water and Sewer District and also the Cal Water - Oroville service area. For this option, SFWPA is suggested as a focus because this Agency has a large modern water treatment plant that is up to date and the largest number of trained experienced employees.

Add Groundwater Basin Collaboration Area into SOI’s or Area of Interest: This option addresses the three water service providers (TWSD, Cal Water, and SFWPA). Under this option LAFCo would recognize that two water service providers (TWSD and Cal Water) rely upon groundwater resources to serve their customers. LAFCo would utilize existing information about the groundwater basin’s geographic extent to consider whether Thermalito Water and Sewer District and Cal Water-Oroville share groundwater resources through hydrologic connections with each other or with other stakeholders. This geographic extent would inform whether an agency’s SOI (or Area of Interest) should be expanded or contracted to provide a focus on those portions of a Groundwater Basin, where recharge areas should be protected and/or where several other water users share this resource.

Update the SFWPA SOI to include “Place of Use”: The State Water Board issued a water right to SFWPA and this water right is associated with a designated “Place of Use”. LAFCO will map this “Place of Use” and then consider adjusting the boundaries or SOI of SFWPA to achieve consistency.

Key Issues

The most significant issue relates to the duplicity of the current service provisions within the Oroville region, including three independent sewer collection systems, three independent water distribution systems, and four drinking water treatment plants that provide service to the Oroville Area.

Another key issue relates to water affordability. The Butte Local Agency Formation Commission (LAFCo) prepared a study on water utility service in the greater Oroville area in 2018, including Cal Water’s Oroville service area. The report, titled “Oroville Region Water Service Study,” compared the costs and operations among three water service providers: South Feather Water and Power Agency (South Feather) and Thermalito Water and Sewer District (Thermalito), and Cal Water. The study identified key differences among the water service providers.

The third key issue is the geographic overlap between service providers' boundaries and/or SOI. The areas of geographic overlap are discussed in the individual chapter for each service provider. One example of geographic overlap is the overlap between the Cal Water – Oroville service area with the boundaries of TWSD and SFWPA.

Changes to the MSR Update

During the public review period, staff received one comment from representatives of Cal Water – Oroville identifying a wording error in the Cal Water chapter, found on pages 8-45 and 8-46 of the MSR. Proposed alternative language is provided for the Commission's consideration as Exhibit C of this report.

Public Notice

A legal notice regarding the 21-day public review period for the Water and Wastewater Service in Oroville Area Municipal Service Review Update was published in the *Chico Enterprise-Record* on May 11, 2023. The notice and the Draft MSR were placed on Butte LAFCo's webpage. The notice was also posted on Butte LAFCo's office door. As of the date of this report, no written comments have been received regarding the public review draft.

A copy of the public review draft was provided directly to all of the districts for review and comment.

Environmental Determination

The California Environmental Quality Act (CEQA) requires that the Commission undertake and review an environmental analysis before granting approval of a project, as defined by CEQA. Butte LAFCO is the Lead Agency for environmental review for the proposed Water and Wastewater Service in Oroville Area Municipal Service Review Update.

The Municipal Service Review for the Water and Wastewater Service in Oroville Area is categorically exempt from the preparation of environmental review under a classification related to information gathering (Class 6 - Regulation Section 15306), which states: "Class 6 consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded." The MSR collects data for the purpose of evaluating municipal services provided by the agency. There is no land use change or environmental impact created by such a study. There is no possibility that the MSR update will have a significant effect on the environment because there are no land use changes associated with the MSR update.

CONCLUSION

The proposal substantially conforms to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and with Butte LAFCo policy. The Executive Officer recommends approval of the Water and Wastewater Service in Oroville Area Municipal Service Review Update as presented.

ALTERNATIVES FOR COMMISSION ACTION

After reviewing this report, the Draft MSR, and any testimony or materials that are presented, the

Commission can take one of the following actions:

OPTION 1 Adopt Resolution 24 2022/2023

- A. Approving the Water and Wastewater Service in Oroville Area Municipal Service Review Update, as may be modified by the Commission, and;
- B. Acting as Lead Agency pursuant to the California Environmental Quality Act (CEQA) Guidelines, find that the Water and Wastewater Service in Oroville Area Municipal Service Review Update is categorically exempt from the provisions of CEQA under Section 15306, "Information Collection."
- C. Find that the MSR Update satisfies State Law.
- D. Direct staff to prepare Final MSR, which will include the adopting resolution and any comments received with regards to the public review draft MSR.

OPTION 2 CONTINUE this proposal to a future meeting for additional information.

OPTION 3 DIRECT Staff to make any Commission-identified changes to the Draft MSR and CONTINUE this proposal to a future meeting to allow time for staff to make the needed changes and return with revised draft documents for further Commission review.

PROPOSED MOTION:

I recommend that the Commission adopt resolution 24 2022/23 finding that the project is exempt from environmental review pursuant to CEQA Guidelines section 15306, that the MSR satisfies State Law and directing staff to prepare a final MSR for the Water and Wastewater Service in Oroville Area Municipal Service Review Update incorporating any comments received.

Attachments:

Attachment A: Draft LAFCO Resolution No. 24 2022/23

Attachment B: Municipal Service Review for Water and Wastewater Providers in the Oroville Area

Attachment C: Comments Received and staff response.

Distribution:

City of Oroville
Lake Oroville Public Utility District
Sewerage Commission – Oroville Region
South Feather Water and Power Agency
Thermalito Water and Sewer District
California Water Company – Oroville

RESOLUTION NO. 24 2022/23

ADOPTION OF A MUNICIPAL SERVICE REVIEW UPDATE FOR THE WATER AND WASTEWATER SERVICE PROVIDERS IN THE OROVILLE AREA

RESOLVED, by the Butte Local Agency Formation Commission of the County of Butte, State of California, that:

WHEREAS, a service review mandated by Government Code Section 56430 was conducted by the Local Agency Formation Commission of the County of Butte (hereinafter referred to as “the Commission”) for the Water and Wastewater Service in Oroville Area, in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56430, has reviewed this service review and prepared a report, including his recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56658, set June 1, 2023, as the hearing date on this proposal; and

WHEREAS, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all plans and proposed changes, objections, and evidence that were made or filed; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the proposal, in the evidence presented at the hearing; and

WHEREAS, Municipal Service Review determinations for each reviewed District are made in conformance with Government Code Section 56430 and local Commission policy; and

WHEREAS, Acting as Lead Agency pursuant to the California Environmental Quality Act Guidelines, the Commission finds that the Municipal Service Review Update for the Water and Wastewater Service in Oroville Area is Categorically Exempt from the provisions of CEQA under Section 15306, “Information Collection”; and

NOW, THEREFORE, BE IT RESOLVED, that pursuant to powers provided in §56430 of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, the Local Agency Formation Commission of the County of Butte adopts written determinations as set forth in the Water and Wastewater Service Providers for the Oroville Area Municipal Service Reviews dated May 1, 2023, and adopted by the Commission on June 1, 2023.

PASSED AND ADOPTED by this Local Agency Formation Commission of the County of Butte, on the 1ST day of June 2023 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINS:

ATTEST:

Clerk of the Commission

Bill Connelly, Chair
Butte Local Agency Formation Commission

DRAFT

Water and Wastewater Service Provider in the Oroville Area – Public Comment Received

Comment #1 – California Water Company (Cal Water) - Oroville

Delete the section on pages 8-45 and 8-46 regarding Requested Rate Increase as this section appears to pertain to Cal-Am rate increase.

Proposed new language:

On July 1, 2021, California Water Service (Cal Water) filed its 2021 Infrastructure Improvement Plan, also known as a General Rate Case (GRC), Application (A.21-07-002) with the California Public Utilities Commission (CPUC). As part of the application, Cal Water requested the rate increase to fund needed infrastructure improvements, water system maintenance, water quality initiatives, safety measures, business operations, and to keep pace with inflation.