



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD
GENERAL MANAGER'S OFFICE

Rely on us.

March 9, 2010

TO: Commissioners Brown, Cunningham, Cassidy, Ernst and Farmer
FROM: Karl Morgenstern, Drinking Water Source Protection Coordinator
SUBJECT: Acquisition opportunity for protection of critical riparian resources and creation of demonstration farm to promote drinking water source protection goals in the McKenzie.

Issue Statement

EWEB's Drinking Water Source Protection Program is developing long-term solutions to help mitigate a number of high priority threats to Eugene's sole source of drinking water, the McKenzie River. Mitigating and slowing development along the river and in the floodplain and reducing pesticide use associated with agriculture are a couple areas where significant progress can be made in 2010. In support of these efforts, EWEB staff is working with the McKenzie River Trust (MRT) and Bonneville Power Administration (BPA) to acquire a piece of property that will become the cornerstone for implementing and demonstrating long-term solutions to protect this critical resource.

Background

On September 23, 2008, EWEB staff provided the Board with an overview of the Drinking Water Source Protection Program and suggested creating a Watershed Stewardship Policy that could provide guiding principles and direction for protecting the McKenzie River as a critical resource that is directly tied to the long-term health of EWEB and our community (see Board Memorandum dated September 17, 2009 for more details). The Board memo outlined a number of goals and objectives that should be included in a comprehensive watershed stewardship policy including:

- EWEB assumes a leadership role in promoting watershed stewardship through its actions;
- Develop the ability to measure the balance between watershed health and human use over time and implement actions on EWEB property and facilities that demonstrate how individual actions can result in sustainable utilization of watershed resources;
- Promote and incorporate the use of markets that economically reward farmers, foresters, developers, residents and others that transition to sustainable practices and third party certification.
- Increase watershed coordination of EWEB activities in the McKenzie thru inter-departmental project teams or other mechanisms that leverage funding, resources, data, partnerships and technical expertise to develop sustainable solutions and enhance project implementation;
- Actively promote resource stewardship and seek sustainable solutions relating to water and energy resource use in the McKenzie Watershed;
- Establishing watershed level geographic information systems (GIS) and data repository that allows and encourages internal sharing of data, information and models;

- Work to build the capacity and capabilities of local governments and organizations to respond to and support watershed stewardship in ways that align with EWEB's mission; and,
- Be transparent in our actions and intentions.

The Board indicated widespread support for the principles outlined in the memo and reiterated the importance of focusing on mitigating high priority threats in the watershed. Two of these threats, pesticide use on agricultural lands located along the valley floor upstream of EWEB's intake and residential development along the river, are addressed as part of the property acquisition project described in this memo.

Discussion

Over the last two years, EWEB staff have been working with the McKenzie Watershed Council, MRT and the Oregon Department of Fish & Wildlife to pursue acquisition of properties located in priority areas per the Leaburg Walterville FERC license #2496 Article 412 and Article 413, which established funds that are to be used to mitigate for impacts from operations of these hydroelectric facilities (see Figure 1). These funds are to be used to restore and/or protect fish habitat in areas potentially impacted by the operation of EWEB's Leaburg and Walterville hydroelectric projects. As part of this effort, an opportunity surfaced to acquire a 92 acre parcel located on Camp Creek Road downstream of the Walterville tailrace. This property provides more than 50 acres (including nearly a mile of McKenzie River frontage) of riparian area with key side channel, island and floodplain forest habitat for protection and restoration. The property also contains 34 acres of farmland with a house, barn and large shop and has irrigation water rights for the farmland (Figure 2).

The MRT has been working with EWEB, BPA and the landowner, Richard Hunsaker, to develop a proposal for acquiring this 92-acre parcel. Although negotiations continue, the current status is that BPA is interested in funding approximately \$775,000 toward purchase of the property and in return would claim wildlife habitat credits to mitigate for damages to salmon habitat due to the operation of hydroelectric facilities in the Willamette River basin. EWEB is looking at contributing approximately \$310,000 toward the acquisition and about \$240,000 into a long term fund that will be used to assist with development and operation of the demonstration farm. The mix of EWEB funds would be about \$250,000 from FERC License Article 412/413 funds (Leaburg Walterville license) and \$300,000 from cash reserves.

The proposal is to establish a demonstration farm that is transparent, educational and documents all aspects of projects implemented on the farm (e.g., costs, limitations, advantages, lessons learned, environmental benefits, etc.). Specific objectives include to

- Track all aspects of transitioning from conventional pasture to organic food crops (the majority of farmland in the McKenzie is pasture);
- Demonstrate how crops can be sold to local markets (including school districts) via the Food Hub online tool (www.food-hub.org);
- Demonstrate how the Food Hub tool can be used to assess market opportunities and trying to grow different crops to meet those opportunities;
- Show how agricultural land can coexist with and enhance riparian, floodplain and upland habitat (a preferable land use to houses);
- Demonstrate access to ecosystem service markets (as they come available);
- Show how energy efficiency and renewable energy can be developed on a farm to reduce operation costs and help increase the economic viability of farming;

- Incorporate soil and water conservation projects, including efficient irrigation systems;
- Demonstrate healthy riparian habitat, invasive weed control and floodplain forest management;
- Show how active agricultural and conservation easements can be used to protect land from future development; and
- Provide educational opportunities for grades K-12 (including as an outdoor classroom and part of the farm-to-school program), and provide research and education opportunities for Lane Community College, Oregon State University (OSU) and University of Oregon.

The current partners that have indicated a commitment to this project are Cascade Pacific Resource Conservation & Development, Upper Willamette Soil & Water Conservation District (SWCD), OSU, OSU and Lane County Extension Service, Willamette Farm & Food Coalition, Lane Council of Governments, Oregon Tilth, Ecotrust, McKenzie Watershed Council, MRT and BPA. There are also about a half dozen growers in the McKenzie who are interested and supportive of this concept. EWEB staff are engaged in discussions with the various partners (some of who have experience running experimental or demonstration farms) about the best practices for managing and operating the demonstration farm (nonprofit, SWCD, OSU, etc.).

EWEB staff will be working with MRT to apply for a RARE intern (application due in April 2010), who would work full time for about a year to develop a farm management plan with all the partners as the implementation tool. The property currently has renters who would stay on the farm until EWEB and its partners are ready to implement the plan and enter agreements for fiscal and operational management. MRT would hold the title to the land and BPA would have an easement on the property that does not restrict the activities associated with the demonstration farm.

The benefits of this acquisition, to protect critical riparian and floodplain habitat while developing a demonstration farm that provides information and on-the-ground examples for other farmers in the McKenzie to learn from as well as an educational tool for youth, are many. A few of the benefits as they relate to the principles of a watershed stewardship policy are outlined below:

- Implement a project that fulfills FERC license obligations (Articles 412/413), benefits BPA and protects Eugene's sole source of drinking water, and leverages funding, resources, partnerships and technical expertise to develop sustainable solutions and protect critical habitat;
- Actively promote resource stewardship and assume a leadership role in seeking sustainable solutions relating to food, water and energy in the McKenzie Watershed;
- Promote and incorporate the use of markets that economically reward farmers who transition to sustainable farming practices and third party certification;
- Work to build the capacity and capabilities of local governments, schools and organizations to respond to and support watershed stewardship in ways that align with EWEB's mission;
- Establish an education facility that can engage tomorrow's leaders; and,
- Be transparent in our actions and intentions.

Recommendations/ Requested Action

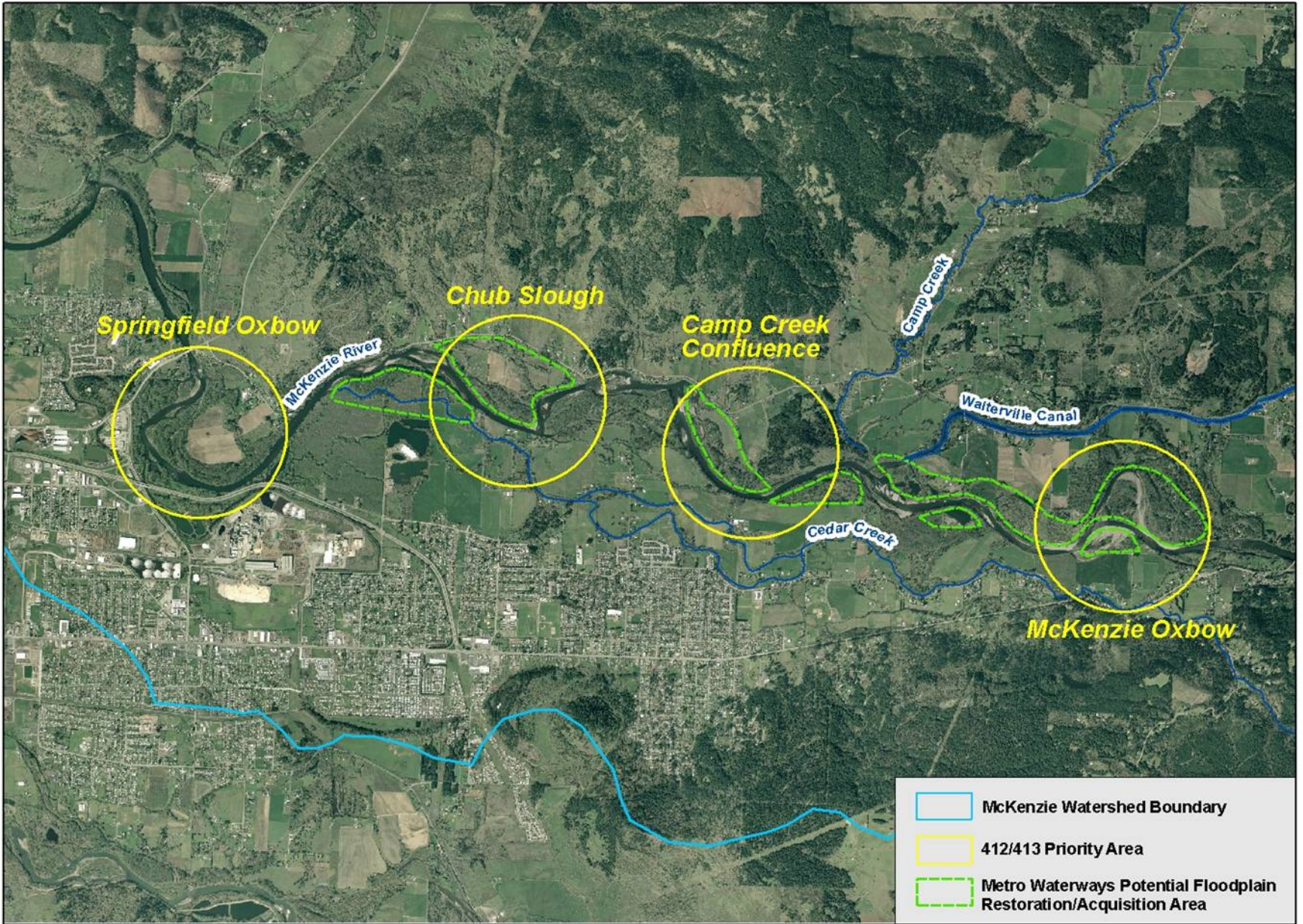
Staff request that the Board support staff's efforts to continued property acquisition with MRT and BPA to fulfill FERC Articles 412/413 requirements and protect Eugene's drinking water source. Once details are worked out with MRT and BPA and a preliminary demonstration farm management

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approach is reached with the various partners, EWEB staff will bring this back to the Board for approval, which is anticipated to be in April 2010.



Articles 412/413 Priority Areas



