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A Member Owned Water Co-op

August 5, 2022

Mayor Rob McFarland
City of North Bend
P.O. Box 896
North Bend, WA 98045

Re: Water Supply Agreement Negotiations

Dear Mayor McFarland:

This letter responds to your letter of July 26, 2022, addressed to me. We disagree with many points in your letter but will limit this letter to some key issues.

The question before Sallal's Board is whether the Association's members will be better or worse off by subjecting Sallal to the City's mitigation requirements under the Centennial Well water right permit and obligating Sallal to provide water to Boxley Creek to supplement stream flows in exchange for receiving an equal amount of potable water to serve the Urban Growth Area (UGA). Sallal's Board is still studying the issues but it is clear that application of the City's mitigation requirements to Sallal will negatively impact Sallal's ability to serve its members. However, this is to confirm Sallal's long standing position that it will consider (a) a wholesale supply contract for the UGA that serves the area's water supply requirements, and (b) a mitigation contract that allows Sallal to determine when and how much water is available for mitigation so that it can maintain continuity of potable water service to all of its members.

Regarding the draft excerpts to the proposed WSA forwarded by Mike Kenyon to me and others on May 9, 2022, the text was confusing and inconsistent, but here are a few specific comments:

1. **Mitigation supply is different from potable supply.** Provisions for each should not be the same as currently proposed by the City – much more reliability is needed and appropriate for potable supply vs. mitigation water. Promising to sell to Sallal the same amount of water that the City purchases from Sallal has no net benefit to Sallal and does not resolve Sallal's current water right constraints. The city has not offered Sallal a viable wholesale water supply arrangement to serve the UGA. The City's proposal shows a lack of understanding as to how a wholesale potable supply contract should work.
2. **Terms of the Agreement proposed by the City will require Sallal to curtail potable supplies to all its members if mitigation amounts are not available.** The draft imposes a duty on Sallal to provide mitigation water from its wells at Rattlesnake with the same priority as potable water. If instream

flows are not being met in the Snoqualmie River and both the City and Sallal have insufficient amounts available for mitigation, Sallal would be required to curtail production. This would affect all Sallal members wherever located and subject them to a risk that does not presently exist. The draft would make Sallal subject to the City's mitigation requirements under the City's 2008 permit resulting in a subordination of Sallal's senior water rights.

3. **City incorrectly asserts that Sallal has not provided a comprehensive edit to the proposed agreement.** That assertion is not true. Sallal provided a comprehensive edit to the version of agreement on the table in early 2020. The City in turn abandoned that version of agreement completely and responded with a rewrite of essential terms, compelling the parties to start over with evaluating the contract provisions. Sallal completed that effort and submitted a response with key points. Since the effort to reach viable supply contract terms began in 2008, Sallal has been timely and responsive to every proposal received from the City.

Please contact me if you have questions.

Sincerely,



Daylin Baker

Vice President, Board of Trustees

Sallal Water Association

cc: Richard Rodriguez, WA Dept. of Health

Kasey Cykler, WA Dept. of Ecology

Jae Hill, King County Technical Review Committee

John Taylor, King County Dept. of Local Services