



WATER COMMISSION
INFORMATION REPORT

DATE: 10/31/18

AGENDA OF: November 5, 2018

TO: Water Commission

FROM: Heidi Luckenbach, Deputy Director/Engineering Manager

SUBJECT: Update on Planned In Lieu Water Transfer with Soquel Creek Water District

RECOMMENDATION: Review and accept the information on the In Lieu Water Transfer Project with Soquel Creek Water District.

BACKGROUND: The Water Commission received an update on this project as part of the Water Supply Augmentation Strategy Quarterly report provided to the Water Commission in October. As things are changing quickly, staff wanted to provide additional and up to date information to the Commission. The purpose of this report is therefore to provide an update on the outstanding items described to the Commission in October, bring to the Commission's attention several matters raised by the Soquel Creek Water District (District), and discuss the pricing structure(s) used for the water transfer pilot study and how that may apply to a permanent in lieu agreement.

DISCUSSION:

Status of Pilot Water Transfer Project: The four outstanding items are described below with an updated status.

1. Finalization of the surface water distribution system monitoring plan has been completed by the District and is currently in review by the State Division of Drinking Water (DDW). DDW approval of the monitoring plan, as well as the District's drinking water permit amendment to serve surface water, are expected in early November.
2. Finalization of the intertie operations plan which describes the routine operations between the two water systems is complete and under review by the DDW.
3. The District has begun the "pre-transfer" water quality sampling that will continue for at least the next four weeks.
4. Notification of customers influenced by this project is underway. The District is in the process of notifying customers in the isolated zone (that will be receiving the surface water) to be prepared to open the intertie on or around November 26 assuming affirmation is received from DDW. The District proposed to DDW that affected

customers be provided notification at least one month in advance of the new (surface) source water with information on how to report water quality issues (phone number, website information, frequently asked questions, etc.).

Staff from both agencies remain encouraged by the possibility of beginning in lieu water transfers with Soquel Creek Water District as early as November 26, 2018.

Matters of Interest for Aquifer Storage and Recovery (ASR) and Water Transfers: The Soquel Creek Water District submitted comments to the City in response to the Notice of Exemption issued by the City for the ASR Pilot Test Program at Beltz 12. While the bulk of the comments were related to the ASR Pilot Test Program there are also comments related to the role of water transfers. The comments can be generally described as follows.

- What role would water transfers play in a portfolio of supply projects that may include ASR and the District's Pure Water Soquel project?
- How do the various groundwater projects support or conflict with the requirements to achieve sustainability of the Santa Cruz Mid County Groundwater Agency by 2020?
- What are the opportunities and limitations of producing some part of the volume of water needed by the City during a drought from the Mid County Basin?

The comments provided by the District simply reiterate that there are many details requiring thorough analysis and understanding for both the ASR and in lieu (water transfer) project(s) that require time and effort to fully understand. It is in the interest of both agencies to do so through mindful, diligent, and collaborative work.

Surface Water Transfer Costs: Under the terms and conditions of the 'Cooperative Water Transfer Pilot Project for Groundwater Recharge and Water Resource Management Between the City of Santa Cruz and Soquel Creek Water District' agreement (August 1, 2016), the City agreed to sell the District treated water at a price equal to \$1,000 per million gallons. There has been a lot of discussion surrounding the basis of this number and its relation to the cost of water during a non-pilot scenario. There are several things to point out.

1. Short- Term Unit Cost for Pilot Study Only: For both the City and the District, this is a short-term pilot study to determine the technical feasibility of surface water transfers and its potential role in water supply planning for both the City and the District. This is a discounted price for the purposes of enabling this study to proceed and should not necessarily be assumed beyond the pilot study terms. To date, ~\$800,000 has been encumbered for the evaluation of the winter water strategy, with an additional \$4.5M in the budget for the next two fiscal years to continue with pilot testing of both ASR and in lieu. In the interest of data gathering, the pilot water transfer could have had no unit cost associated with it, but recognizing the value of the information to both agencies, a nominal price was negotiated between the City and District.
2. Longer -Term Unit Cost Estimate: Long-term water pricing will depend on many factors including if the supply can be interruptible or must be guaranteed if it is winter only, or summer as well, and if/when the City would receive water back. These issues, which would be part of the terms and conditions of service of a longer-term agreement, will need to be answered in concert with consideration of the City's current capital investment program that is upwards of \$350M and will impact the cost of water. As a reference

point, past studies have provided initial cost estimates in the range of ~\$11,000 to ~\$22,000 per million gallons. (Kennedy/Jenks, 2015)

There is certainly work to be done in confirming the amount of water available for water transfers, the role of water transfers when considered along with other water supply projects, and the cost of water.

FISCAL IMPACT: None

PROPOSED MOTION: Motion to accept the information.