



## MEMORANDUM

**TO: CITY COUNCIL**

**FROM: GEOFF ENGLISH, PUBLIC WORKS DIRECTOR**

**SUBJECT: CONSIDERATION OF SUBMISSION OF A COMMENT LETTER TO THE COUNTY OF SAN LUIS OBISPO REGARDING THE 2014-16 RESOURCE SUMMARY REPORT - PUBLIC REVIEW DRAFT**

**DATE: MARCH 28, 2017**

### **RECOMMENDATION:**

It is recommended the City Council authorize the Mayor to sign the attached comment letter regarding the County of San Luis Obispo 2014-16 Resource Summary Report Public Review Draft and Golden State Water Company's advice letter to the Public Utilities Commission.

### **IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:**

No immediate financial impact. Approximately five (5) hours of staff time was necessary to prepare this report and comment letter.

### **BACKGROUND:**

The primary purpose of the San Luis Obispo County's Resource Summary Report is to provide a comprehensive biennial summary of the state of the County's natural and human-made resources, including water, in order to help address development in terms of appropriate distribution, location, and timing. The report's sections on groundwater for the Santa Maria Groundwater Basin were reviewed by the Northern City Management Area ("NCMA") Technical Group. Concurrently, a protest was filed by the County with the Public Utilities Commission regarding a water resource demand offset fee pertaining to the Nipomo Mesa.

On November 15, 2016, Golden State Water Company (GSWC) submitted an Advice Letter to the Public Utilities Commission (PUC) requesting, among other things, approval of a special condition to require that applicants for service "resulting in increased demand ... must provide a source of supplemental water to offset the increased water demand..."

On January 27, 2017, the County of San Luis Obispo submitted a letter to the PUC protesting the GSWC Advice Letter, in part because a 2005 settlement of a lengthy adjudication of the Santa Maria Groundwater Basin provides for the payment of a "water development fee" as an alternative.

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On February 9, 2017, GSWC replied to the PUC regarding the County protest letter, stating among other things, that:

- “there is no water development fee established within the Nipomo Mesa Management Area that could be used as an alternative method of compliance with the supplemental water requirement.”
- “Golden State has not nor does Golden State believe it would be appropriate to ask the ‘PUC’ to authorize it to collect ‘a water resource fee’ in the Nipomo Mesa Management Area...”
- “To accommodate the County’s concerns, Golden State proposes to amend its Special Condition to include the following:

*‘Where and when available, applicants may remit payment to a third party public agency a water resource demand offset fee in lieu of providing a source of supplemental water, provided such fee fully offsets the cost of, and results in the dedication to GSWC, a source of supplemental water sufficient to meet the water demands of the service request.’”*

On February 10, 2017, the Nipomo Community Services District (NCSD) replied to the PUC on the issue, in support of GSWC.

On February 10, 2017, the County also replied in a letter to the PUC, detailing three points of concern and objections, and concluding “that the new (GSWC) language does not accord with the Stipulation and Judgment in the Santa Maria groundwater litigation.”

**ANALYSIS OF ISSUES:**

The City of Arroyo Grande is within the NCMA and, along with neighboring NCMA communities, is concerned about water resource management on the Nipomo Mesa. Both the NCMA and Nipomo Mesa Management Area (“NMMA”) are part of the same groundwater basin and the health of each management area is dependent on the other. The City along with the other NCMA agencies provides the proposed comments contained in the attached draft comment letter in response to the Resource Summary Report.

The proposed comments related to the Northern Cities Management Area are limited and relatively concise. For the Nipomo Mesa Management Agency, our recommended comments are more extensive. It is recommended that the City Council authorize the Mayor to sign and submit the draft comment letter as the County of San Luis Obispo 2014-16 Resource Summary Report is an important document that helps guide County planning decisions that can have a direct impact on City of Arroyo Grande water supplies.

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It is also important to note that the County of San Luis Obispo is signatory to the June 30, 2005 Stipulation or settlement to the Santa Maria Valley groundwater lawsuit, and as such, the County is the agency which should be collecting the water resource fee in the respective unincorporated areas outside NCSD (NCSD already collects what they believe to be an appropriate water resource fee within NCSD). The County is collecting a water resource fee, however NCSD believes that the fee being collected by the County is far too low and is not being provided to NCSD to help fund the Nipomo Supplemental Water Project. Completion of the Supplemental Water Supply project by NCSD is a critically important step that will allow NCSD to import supplemental water supplies that have already been secured through an agreement with the City of Santa Maria.

**ALTERNATIVES:**

The following alternatives are provided for the Council's consideration:

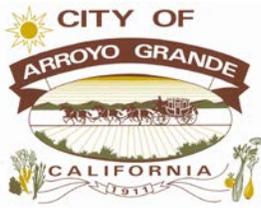
1. Authorize the Mayor to sign the comment letter as drafted;
2. Direct modifications to the language of the comment letter and authorize the Mayor to sign;
3. Do not approve staff's recommendation; or
4. Provide direction to staff.

**ENVIRONMENTAL REVIEW:**

No environmental review is required for this item.

**PUBLIC NOTIFICATION AND COMMENTS:**

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.



CITY OF  
**ARROYO GRANDE**  
CALIFORNIA

March 28, 2017

Brian Pedrotti  
Senior Planner  
San Luis Obispo County  
976 Osos Street, Rm. 300  
San Luis Obispo, Ca 93408

SUBJECT: Comments on the 2014-16 Resource Summary Report Public Review Draft and Golden State Water Company's Advice Letter to the Public Utilities Commission

Dear Mr. Pedrotti,

Thank you for this opportunity to comment on the Public Review Draft of the San Luis Obispo County (County) 2014-16 Resource Summary Report (RSR). The City of Arroyo Grande is a member of the Northern Cities Management Area Technical Group (NCMA TG), which is comprised of staff and consultants for the cities of Arroyo Grande, Grover Beach and Pismo Beach, as well as the Oceano Community Services District (OCSD). We have reviewed the public draft report and prepared the following general comments as well as specific comments on the attached NCMA and Nipomo Mesa Management Area (NMMA) comment documents. The general comments and the comments on the NCMA sections are relatively concise and most of the comments on the report are focused on the NMMA section with the goal of supporting the NCMA TG's request that the County update the 2004 Resource Capacity Study for the Nipomo Mesa Area.

The NCMA and NMMA TGs are tasked under a settlement agreement that adjudicated water rights within the groundwater basin to conduct groundwater monitoring within their portions of the Santa Maria Groundwater Basin and collect and analyze data pertinent to water supply and demand. The estimates of available supply and current demand for the NMMA included in the RSR do not match estimates included in the NMMA Annual Report. The discrepancies between the RSR and Annual Report estimates (e.g. the RSR indicates less demand than estimated by the NMMA TG and identifies additional water supplies unknown to the NCMA TG) clearly identify the need for an updated Resource Capacity Study to further investigate the NMMA water supply and demand balance and better inform future land use planning decisions. Based on the best available information on supply and demand within the NMMA, it appears that demand currently exceeds the estimated yield for that portion of the basin.

The City of Arroyo Grande is also concerned about the County's recent protest of the Golden State Water Company advice letter to the Public Utilities Commission (PUC), which requests authorization to require new water service applicants to pay a water resource demand offset fee that is equal to the cost of supplemental water.

Given this imbalance, the City believes that it is critical that any new development be required to offset its water demand by providing a supplemental source of water or paying the true cost of supplemental water (i.e. equivalent cost to the Nipomo Community Services District's Supplemental Water Project). Additionally, the ongoing dispute between the County and NMMA water purveyors identifies the need for improved coordination and comprehensive strategies for managing land use and water resources on the Nipomo Mesa.

Again we appreciate the opportunity to comment on the Public Review Draft of the RSR and look forward to working with the County to resolve these concerns.

Sincerely,

Jim Hill,  
Mayor, City of Arroyo Grande

Attachment: NCMA and NMMA Technical Group comments

DRAFT

## Comments on the 2014-16 Resource Summary Report Public Review Draft

### From:

Northern Cities Management Area Technical Group (NCMA TG), and Nipomo Mesa Management Area Technical Group (NMMA TG)

### General Comments

- Throughout the report, the County should consider including an enhanced discussion of agricultural water needs and water that is dedicated for environmental impacts to develop a more complete evaluation of county-wide water resources.

### NCMA Section Comments

- The adoption of the Low Reservoir Response Plan (LRRP) for the Lopez Project should be included as a drought response that has been implemented.
- Discussion of the Avila Beach and Avila Valley Water Supply and Systems (starting on page #56) should describe the importance of the LRRP to some of the customers of San Luis Obispo County Service Area No. 12, who are entirely dependent on Lopez water supplies.
- The purchase of 750 acre-feet (AF) of State Water drought buffer by the OCSD should be added.
- The “No recommended Level of Severity” for NCMA should clarify that it only pertains to the unincorporated area of the management area.

### NMMA Section Comments

1. The Draft RSR Table II-17 Demand Section on page 66 indicates agricultural demand at 3,800- 4,300 AFY, yet page 23 of NMMA's 2015 Annual Report indicates that agricultural production was 7,337 AF for Calendar year 2015.
  - a. Note that the NMMA Annual Report for 2016 will not be available until about May, 2017.
2. The Draft RSR Table II-17 Supply Section on page 66, also indicates 11,931 AFY of Other GW Supplies in addition to 7,482 AFY from the Santa Maria Valley Groundwater Basin, Nipomo Mesa Sub- Area. What are the "Other GW Supply" of 11,931 AFY?
  - a. Note: The District Engineer for Nipomo Community Services District (NCSD) between 1993 and 2008 who was intimately involved in water resources for the NCSD is not aware of the “Other GW Supplies.”
3. Page ES-2 of the NMMA Calendar Year 2015 Annual Report indicates that total groundwater production for NMMA was 15,249 AF.
4. Pages 42 and 43 of the NMMA Calendar Year 2015 Annual Report indicates:

- a. "In Fall of 2015 the divide between the pumping depression and Coastal wells directly to the west is largely absent creating a groundwater gradient that is landward from the coast."
  - b. The condition increases the risk of seawater intrusion. It is "downhill" from the ocean to inland groundwater elevations.
5. In 2002, The California Department of Water Resources published the "Water Resources of the Arroyo Grande- Nipomo Mesa Area" report. On page ES-21 this report shows an estimated dependable yield between 4,800 and 6,000 AFY for the Nipomo Mesa portion of the basin. Comparing the estimated dependable yield to the actual production in 2015 of 15,249 AF, suggests that NMMA was pumping at least 9,249 AF ( $6,000 - 15,249 = - 9,249$ ) and as much as 10,200 AF more than the dependable yield in 2015.
6. A review of reports prepared by DWR, NCSD and NMMA over the 50-year period between 1965 and 2015 indicates that groundwater surface elevations under the Nipomo Mesa have been falling for half a century. The pumping depression area is an example of the Nipomo Mesa's groundwater changes; The groundwater ridge between NCMA and NMMA stood 50 feet above sea level in 1995, but had fallen to sea level by 2015, with the deepest portion of the NMMA pumping depression at 13 feet below sea level.
7. Calculations which compare the amount of groundwater lost under NMMA over the last 50 years using the conclusion of about a 10,000 AFY overdraft in 2015 in Comment No. 5. above, agree with calculations which use the volume of emptied aquifer in Comment No. 6. above and indicate a cumulative groundwater deficit over the 50-year period of about 50,000 acre feet.
8. If the DWR (2002) dependable yield figures of 4,800 to 6,000 AFY for NMMA are accepted and then compared to Agricultural pumping of 7,337 AF reported in the NMMA 2015 annual report, it is apparent that there is NO surplus available for NMMA purveyors, since overlying land owners (agricultural pumpers) have senior rights to groundwater under their land.
9. The conditions set forth in Comments No. 1.- 8. above place the NMMA's groundwater supply at ever increasing risk from seawater intrusion, but also places the NCMA southwest agricultural area and eventually Pismo Beach and OCSD wells at risk to seawater intrusion in the near term. If the trend continues, all NCMA purveyor wells will be at risk of seawater intrusion.
10. No mention is made of some of the important provisions in the June 30, 2005 Stipulation: the settlement agreement which adjudicated the basin through terms in the settlement.
11. While the draft RSR mentions the requirement for NCSD to bring in 2,500 AFY, there is no mention of the requirement to bring in water for, or to assess a charge sufficient to pay to bring in water, all new development on the Mesa that occurred after January 1,

2005. In this regard, NCSD has been charging approximately \$14,000 per equivalent dwelling unit (DU) to help pay for the importation of 2,500 AFY (the Nipomo Supplemental Water Project), but has so far had insufficient funding to complete that project.

12. From lack of funding, the Nipomo Supplemental Water Project is so far bringing in less than 1,000 AFY which began about a year ago at 650 AFY.
13. Because of the requirement to bring in water for all new development occurring after January 1, 2005, the Nipomo Supplemental Water Project will have to bring in significantly MORE than 2,500 AFY. The two water supply requirements in the Stipulation are cumulative. NCSD itself is planning on 3,000 AFY to account for the added development within NCSD since January 1, 2005. For the same reason, an unknown amount of additional water will be required for the Rural, Golden State and other purveyors on the Mesa. Their requirements should be defined in the draft.
14. NCSD, who by the Stipulation, has been assigned the task of bringing in the Nipomo Supplemental Water indicates that the cost of that water is approximately \$14,000 per DU, and in fact charges that amount for new development as noted above. In the unincorporated areas on the Mesa outside NCSD, the County charges a water fee of \$4,400 per DU which is, according to NCSD, far below the actual cost of Nipomo Supplemental Water. Moreover, the County has not provided NCSD those funds the County has collected for supplemental water, which has further delayed the implementation of the full Nipomo Supplemental Water Project.