

FAQs and Clarifications - Setting the Record Straight so You have the Facts

Soquel Creek Water District appreciates any and all members of our community who are curious, seek information, and have reached out to us. At the same time, we want to make sure our community members have the correct facts as we move forward with Pure Water Soquel, and with the new water rate structure. Below is a compilation of FAQs regarding these and other District issues. Our goal is to clear up any ambiguity or misrepresentations of the facts, which have been circulating in the community either intentionally or from a lack of full knowledge and understanding.

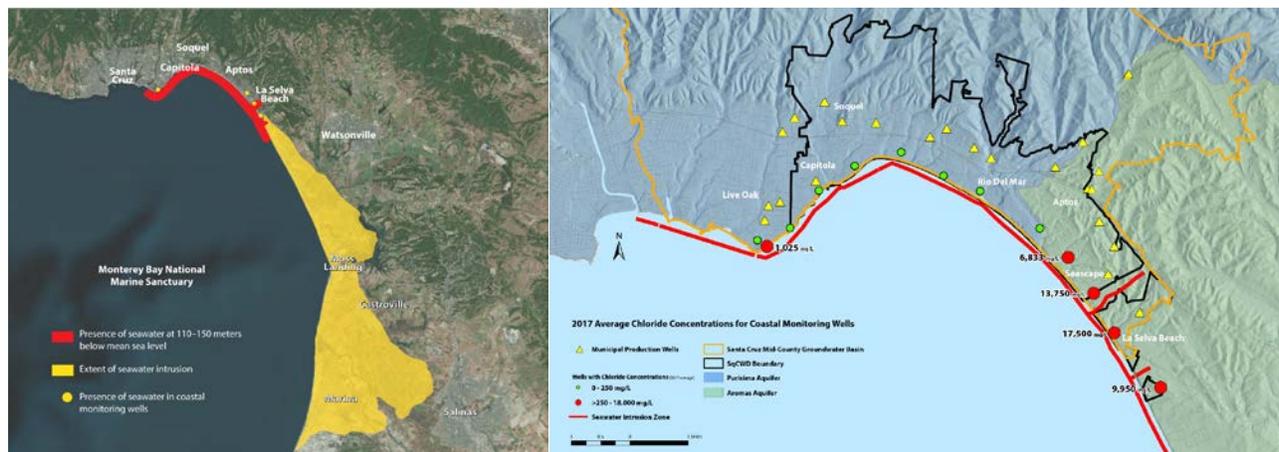
Water Problem and Challenges

- Is seawater contamination of our water supply really a problem?

Yes, the entire groundwater basin along our coastline is experiencing or significantly threatened with seawater intrusion and contamination. The state has designated our groundwater basin as 'critically over-drafted' and of high priority – we are one of 21 groundwater basins out of over 500 in California to have this serious designation.

Hydrologists have determined that our basin continues to be at significant risk of seawater intrusion even with the much-appreciated conservation efforts of our customers. Recent third-party airborne, electromagnetic geophysical work (called SkyTEM), verified by Stanford University and others, confirms the imminent threat of seawater reaching into and contaminating drinking water wells. Seawater intrusion is already 3 miles inland in the Watsonville area and almost to Salinas in the Monterey region. Please see maps below and website for more information:

<https://www.soquelcreekwater.org/seawaterintrusion>



- How much water is needed to prevent further seawater intrusion?

Hydrologists, using sophisticated computer modeling, estimate that approximately 1,500 acre-feet of water per year is needed at a relatively constant rate to keep the District's portion of the basin properly recharged. This information is documented in the Santa Cruz Mid-County Groundwater Agency's (MGA) draft Groundwater Sustainability Plan (GSP). This is also documented in Appendix D of the Pure Water Soquel Environmental Impact Report available at

<https://www.soquelcreekwater.org/PWS-CEQA>

Water from Santa Cruz - River Transfers

- Is there enough surface (river) water available from the City of Santa Cruz to solve the groundwater overdraft as well as meet the City's own drought needs?

No, there is not sufficient surface water potentially available from Santa Cruz to meet the need of 1,500 acre-feet per year (AFY). Santa Cruz water officials have confirmed that there is simply *"not enough surface water available to reliably meet both the City of Santa Cruz' needs, and the needs of the District to protect the aquifer"* from seawater intrusion (Santa Cruz Water Director Rosemary Menard, in a February 1, 2019 email). Ms. Menard has repeatedly refuted numerous inaccurate claims that Santa Cruz can provide enough water to the District to stem seawater intrusion – when in fact saying *"just the opposite"* is true.

This lack of sufficient water to solve the 1,500 AFY shortage was documented at the Santa Cruz Water Commission's April 1, 2019 meeting. Please see the slide on page 51 of the presentation at www.soquelcreekwater.org/sites/default/files/documents/Pure_Water_Soquel/04-01-19_City%20of%20Santa%20Cruz-WSACWaterCommissionPresentation.pdf.

The good news is that lesser volumes are estimated to be available more often; however, legal constraints, environmental concerns, and logistical issues would still need to be evaluated and resolved. More information about surface water transfer is online at <https://www.soquelcreekwater.org/Water-transfers>.

- Is water purchased from the City of Santa Cruz cheaper than water produced by Pure Water Soquel?

No, water transfers/purchases are not cheaper nor more economical than the Pure Water Soquel project and, as noted above, will not meet our community's water needs.

The District, with input from the City of Santa Cruz, prepared a cost evaluation of surface water transfers compared to the Pure Water Soquel project (presented to our Board on December 4, 2018). We evaluated the costs of both directly purchasing treated surface water from the City under their established "Outside City Rates" and partnering with them through a capital improvement project.

The technical memo, "Cost Estimate Updates for Pure Water Soquel and Community Water Plan Options related to Water Transfers," shows that water from the Pure Water Soquel project costs less (\$4,600/acre-foot) than water transfers/purchase (\$11,500 per acre-foot). Santa Cruz water officials concur with this cost differential. This does not take into account cost savings the District will realize with grants or low-interest loans for the project (which could reduce Pure Water Soquel Project costs by 50% or more). We expect to hear by the end of 2019 about grants for which we've applied. See the cost estimate technical memo here: <https://www.soquelcreekwater.org/sites/default/files/documents/Reports/Cost%20Analysis%20TM%20BC%20Final%2011-29-18.pdf>

Without Pure Water Soquel, it's likely water costs to ratepayers would increase potentially three-fold, while further cutbacks would be necessary. See then economic study conducted by Dr. Brent Haddad at UCSC:

www.soquelcreekwater.org/sites/default/files/documents/Technical_memo_Cost-Benefit_Methodology-PWS_Final-August-30-2018.pdf

- Do the District and Santa Cruz work together?

Yes, the District and Santa Cruz consistently work together on many water issues, including as colleagues on the Mid-County Groundwater Agency (MGA). Collaboration is a must if we are to solve the bigger community issues such as seawater intrusion and drought protection.

- Has the District asked for water from Santa Cruz?

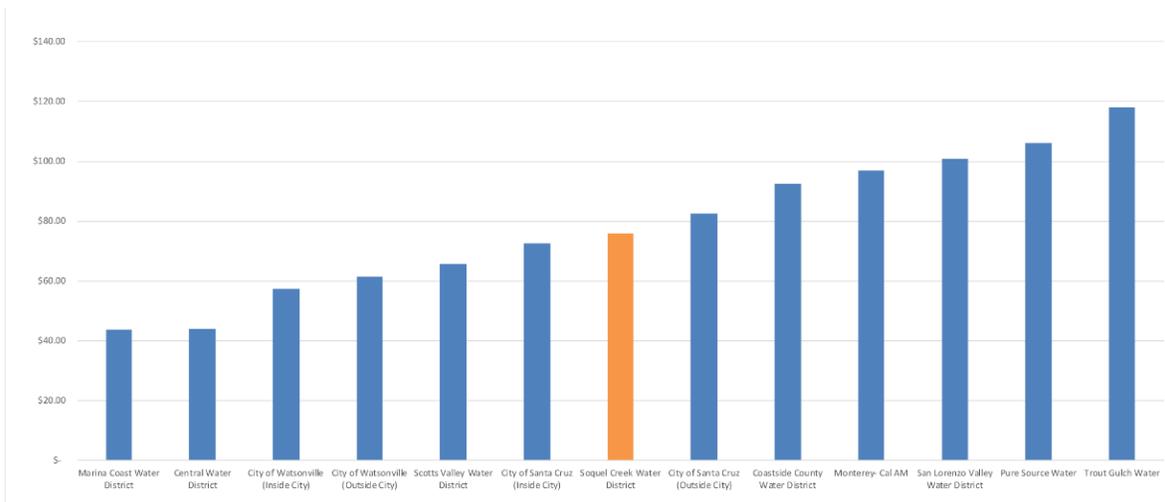
The District has clearly expressed to the City that we are receptive to receiving water from the San Lorenzo River and other surface sources. In fact, the two agencies entered into an agreement in 2015 to conduct a pilot project for the City to sell excess water to the District, as a small addition to our water supply system. This is explained in detail at <https://www.soquelcreekwater.org/Water-transfers>

In 2019, the City and the District also entered into an agreement for the City to provide the District 25% of its treated effluent that is now discharged to the Monterey Bay National Marine Sanctuary, to instead be used in the purification process for the Pure Water Soquel project.

Rates

- How do District water rates compare with other agencies?
Our average customer water bill (shown in orange) is comparable to other local water providers, and on average is in the middle of pack. Please see the graph below:

**Comparison of Average Monthly Water Bill of Local Water Agencies
(Service Charge + 6 units)**



Source: Individual agency websites. Collated September 2019. 6 units of water (~600 cubic feet or 4,488 gallons of water) is the average water use for 5/8" residential customers in Soquel Creek Water District.

- What is the most recent water rate increase?
The most recently approved five-year rate plan includes up to a 9% rate increase per year for the next five years. Two-thirds of that rate increase (6%) is associated with escalating prices of normal District operating costs. Thus, about one-third of the rate increase (or 3%) each year is related to securing supplemental water supplies. The supplemental supply options selected (Pure Water Soquel, etc.) for the finance plan are the least costly and the most reliable and environmentally sensitive.
- Did the District raise rates by 17% the previous year?
No - the actual rate increase in 2018 was just under 11%. Rate increases have been necessary in recent years to cover the continually increasing cost of infrastructure maintenance and replacement for a water system that was

built in the 1960s and before. In addition, rate increases fund our ongoing work to stop seawater intrusion from further degrading our aquifers.

- Will the most recent rate increase amount to less than \$5 a month for 70% of residential customers?

Yes, based on our rate consultant's computer modeling and analysis. The monthly service charge for most residential meters went up about \$4 per month, while the Tier 1 rate went down. Consequently, 70% of District customers are predicted to see less than a \$5 a month increase. Thirty-percent of customers - those using between 7 and 19 units a month - will see greater increases. We hope grant funding for Pure Water Soquel will help moderate the impact to these customers in the long term.

- Was the rate increase and public rate hearing well-publicized?

We took many measures to ensure all of our customers were made aware of the proposed increases, of the public hearing, and of the opportunity to file a formal protest.

- Articles from April to December 2018 in our *What's On Tap* newsletters (included with all bills and on our website) describing how the District's financial forecasts and water rates are developed.
- The Proposition 218 public hearing/protest notice was mailed directly to every customer and property owner in the District in January 2019.
- Reminders of the public hearing were included in both the January and February email newsletters to our customers.
- The public hearing notice was posted in the Santa Cruz Sentinel.
- A dedicated page on our website about the Proposed Rate Changes including a bill calculator so customers could see the impact to their bills based on their specific water usage.
- The District and a group of customers worked for 18 months on a Water Rates Advisory Committee to gather input into the development of the rates.

- Why are there only two rate tiers when there used to be four?

Proposition 218, which mandates how water rates are set in California, requires a cost justification in order to establish different tiers. Based on our local circumstances, the rate consultant recommended two tiers based on two levels of water use – “sustainable” and “unsustainable”. The District can sustainably extract up to 2,300 acre feet a year from the over-drafted groundwater basin. When that amount of water is divided by the number of District connections it was determined that we could provide each connection with 6 units (4,448 gallons) of water a month, and still remain “sustainable.” Water use in excess of 6 units is “unsustainable” – the basin cannot be sustained with that level of pumping. That is the reason we need to develop a supplemental water supply. Therefore, since they use more water the households using above the sustainable tier level) are helping to pay to ensure sustainability. Also, based on input many customers would like to stop having to conserve/ration so much.

- Is a two-tiered water rate fair to large families?

There are a number of reasons a household may want or need to use more water. Tier 1 water is allocated equally to each customer account and small households do not subsidize the water used by larger households.

- Why do rates increase when we've lowered our water use?

Nearly all (97%) of the District's costs to operate the water system are fixed costs, meaning they don't change when less water is used. But water rates are based on variable use, so when less water is used the amount of revenue collected decreases. District costs have not decreased commensurately with that lower water use, so the rates have to go up to cover the fixed cost of providing water.

Water Demand

- With a high level of water conservation, is water demand going low enough to eliminate the need for a supplemental supply?

While District customers have done a great job of conserving water, supplemental water sources are still needed to prevent further seawater intrusion.

Recently several form letters came into the District, saying that the water demand numbers are decreasing, the aquifer is already at sustainable levels, and therefore Pure Water Soquel is not needed. The fact is, water demand actually reached a low point in 2016 - since then it has been slowly increasing even though a Stage 3 – 25% curtailment has been in effect for the last five years. Pumping from the groundwater aquifer is still significantly above sustainable levels as determined by the consulting hydrologists. Their models show that even with the higher 2016 water levels, before they stated to decline again, there is a significant risk of seawater intrusion. With increasingly more extreme weather scenarios predicted due to climate change, it is more important than ever to proactively plan for our community's water future. In addition, the groundwater modeling shows that a constant, reliable source of water is crucial to keep seawater intrusion from contaminating our aquifer further.

Grant Funding and Low Interest Loans

- Was grant funding incorporated into the current rates?

The most recent rate structure did not incorporate potential grant funding that may be gained for the Pure Water Soquel Project. We are earnestly pursuing all available grant opportunities, but most of these grants have not yet been awarded. Until they are, we have to take a more prudent and conservative path in setting rates. If we are successful in getting grants for this project, the Board will review water rates accordingly. The District is fortunate to have already obtained about \$2 million in grant funding and has an opportunity to receive up to \$70 million more. In addition to grants, the District is pursuing state and federal low-interest loans, which could equate to millions of dollars in reduced costs.

MGA (Santa Cruz Mid-County Groundwater Agency) and the GSP (Groundwater Sustainability Plan)

- What are the MGA and the GSP and what projects are included in the GSP?

MGA stands for the Santa Cruz Mid-County Groundwater Agency - a Joint Powers Authority mandated by the state as part of the 2014 Sustainable Groundwater Management Act (SGMA). That law mandates groundwater basins like ours that are designated as being critically over-drafted must have a Groundwater Sustainability Plan (GSP) by January 2020 and must reach sustainability by 2040. The MGA is the agency responsible for developing the GSP. Two of the main projects recognized in the GSP are the District's Pure Water Soquel Project and the Aquifer Storage and Recovery (ASR) efforts being evaluated by the City of Santa Cruz. Surface water transfers and stormwater recharge are also components in the GSP. The MGA is comprised of representatives from Central Water District, City of Santa Cruz, County of Santa Cruz, and Soquel Creek Water District, plus three private well representatives. For more information visit <http://www.midcountygroundwater.org/>

Learning More

- Are there ways customers can gain a better understanding of water supply challenges associated with Mid-County?
Yes. A quick and easy way to get an overview is to visit the District Learning Center, located at the District's offices at 5180 Soquel Drive, in Soquel. The Center is normally open on Fridays from 10am-2pm. In addition, watching or attending board meetings is always a good option.

For a more in-depth knowledge and understanding, people can enroll in one of the District's Water Wise Academies. Participants learn about how the District operates, tour the District facilities, and interact with Board members and staff. It's a great opportunity to learn more about our community's water issues and the efforts being made to solve them. Please contact us if you are interested. Or visit our website at: <https://www.soquelcreekwater.org/our-water>