

# **PAJARO VALLEY WATER MANAGEMENT AGENCY**

## **NOTICE OF PUBLIC HEARING ON PROPOSED AUGMENTATION CHARGE INCREASE**

NOTICE IS HEREBY GIVEN that on April 21, 2021 at 7:00 p.m. via teleconference due to COVID-19 and the Governor's Executive Orders concerning the Brown Act and remote meetings, the Pajaro Valley Water Management Agency (Agency) Board of Directors will hold a public hearing to consider the adoption of a proposed ordinance to increase the Agency augmentation charge. The meeting videoconference link and call-in information will be available on the agenda for the April 21, 2021 Board meeting that will be posted by April 16 at [www.pvwater.org](http://www.pvwater.org) and at the Agency office, 36 Brennan Street, Watsonville, CA (an interested person also may call the Agency office at (831) 722-9292) for information about meeting participation). All property owners, well owners, and other interested persons are invited to attend the hearing (via videoconference or phone call) and present written and/or oral comments on the proposed rate increase. This notice provides information concerning the proposed augmentation charge increase.

### **What is the Pajaro Valley Water Management Agency and why was it formed?**

The Agency is a water management agency formed to manage the water in the Pajaro Valley groundwater basin. The basin is in an overdraft condition, which means that the groundwater being extracted from the basin regularly exceeds the amount recharged or replenished to the basin from rain, runoff and natural processes. With the Valley located near the coast, this overdraft leads to seawater intrusion into the groundwater basin, which can render the groundwater unusable. The principal purpose of the Agency is to reduce groundwater overdraft, retard seawater intrusion and protect the quantity and quality of the water in the groundwater basin.

### **What is the Agency augmentation charge?**

State law authorizes the Agency to levy a groundwater augmentation charge on the extraction of groundwater from groundwater wells within the Agency in order to pay the costs of purchasing, capturing, storing and distributing supplemental water, and to pay for the activities required to prepare and implement the Agency's 2014 Basin Management Plan Update (Basin Management Plan or BMP). Supplemental water means water imported into the basin, conserved floodwater, and recycled water. The Agency has levied an augmentation charge since 1994.

### **What are the completed supplemental water projects?**

The Agency operates three water supply projects that work together to provide supplemental water to reduce groundwater overdraft, retard seawater intrusion, improve and protect the groundwater basin supply: (1) Watsonville Recycled Water Facility - provides tertiary treated recycled water for agricultural use and includes inland wells that are used to improve the water quality for agricultural purposes; (2) Harkins Slough Managed Aquifer Recharge & Recovery Facility - diverts excess wet-weather flows from Harkins Slough to an infiltration basin that recharges the groundwater, which is then available to be extracted and delivered for agricultural use; and (3) Coastal Distribution System (CDS) - pipelines to convey supplemental water supplies to ranches for agricultural use along the coast.

The Agency recently completed several capital projects, ahead of schedule, and with the benefit of over \$5 million grant funds issued by the California Department of Water Resources and the State Water Resources Control Board, and low interest (1%) loans. These projects include additional tank storage and water filtration improvements at the Watsonville Area Recycled Water Facility, over 16,000 feet of additional CDS pipeline, new pipelines to improve water quality from blend wells, and monitoring wells.

### **What is the service to be funded by the increased augmentation charge?**

The increased augmentation charge would fund the costs of the Agency's supplemental water service, which is the (a) purchase/acquisition, capture, storage and distribution of supplemental water through the completed and pending supplemental water projects described above and the additional and new projects described below, and including the planning, design, financing, construction, operation, maintenance, repair, replacement and management of these project facilities, and (b) activities required to prepare and implement the Agency's Basin Management Plan, including basin management monitoring and planning to manage the existing projects and to implement future supplemental water projects that would further reduce groundwater overdraft and retard seawater intrusion. The cost of the service also includes ongoing debt payments related to the design and construction of the completed and future projects.

The Agency provides the supplemental water service to property owners with wells in order to: reduce groundwater overdraft; retard seawater intrusion; maintain the benefit of ongoing groundwater extraction by property owners; secure the basin water supply; increase and promote water conservation; and, avoid direct groundwater regulation by Agency-imposed or court-ordered pumping limits and thereby preserve the ability of well owners throughout the basin to continue extracting groundwater without regulatory limits. The 2014 Sustainable Groundwater Management Act further requires that groundwater basins in the state be brought into balance and managed sustainably.

### **Why is the Agency proposing an augmentation charge increase?**

The Agency is proposing the augmentation charge increase in order to cover the costs of the supplemental water service described above. In addition to operation and maintenance of the completed projects, the Agency is moving forward with the projects and programs identified in the Agency's Basin Management Plan to supplement existing facilities and services<sup>1</sup>:

- *Conservation*: reduce annual irrigation water use by 5,000 acre-feet per year (AFY) by the end of 2023.
- *Increased Recycled Water Storage*: construct up to 2 million gallons of storage at the recycled water facility (RWF)<sup>2</sup> to increase recycled water deliveries by approximately 750 AFY during peak irrigation season.
- *College Lake Integrated Resources Management Project*<sup>3</sup>: during the summer months, send water from College Lake through a new pipeline to (a) the RWF storage tank to supply the Coastal Distribution System (CDS) or (b) directly to the CDS, with provisions to supply inland users along the new water main pipeline. The water from College Lake can replace potable water currently used for blending and water from the Agency's blend wells in the coastal zone.
- *Watsonville Slough System Managed Aquifer Recharge & Recovery Projects*<sup>4</sup>: install new shallow extraction wells at the Agency's recharge basin, upgrade the pump station and filters at the slough diversion to improve system operation and recharge percolation rates, and construct a new recharge basin; divert water from Struve Slough to surficial aquifers during high winter flows from December to May.

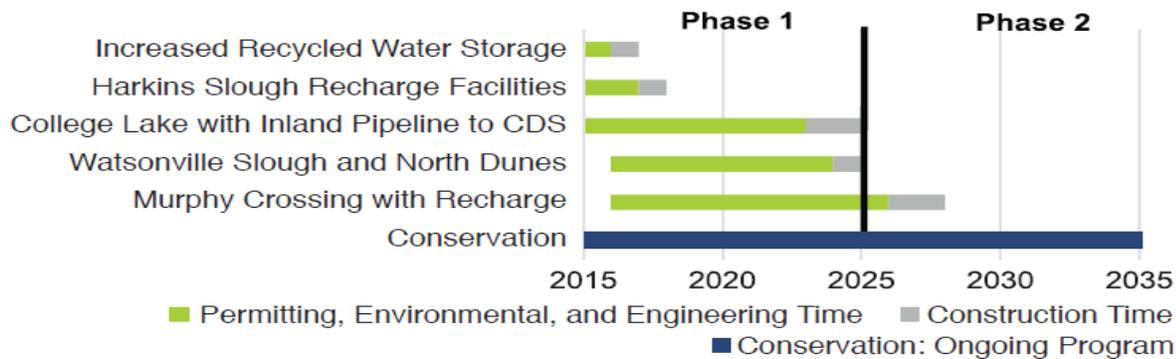
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1 These projects and programs are described in more detail in the 2014 BMP Update.

2 In 2009, the Agency partnered with the City of Watsonville to build a RWF that can deliver tertiary treated disinfected, recycled water for irrigation purposes to users in the coastal area.

3 Known in the BMP as "College Lake with Inland Pipeline to CDS".

4 Known in the BMP as two projects: "Harkins Slough Recharge Facilities Upgrades" and "Watsonville Slough with Recharge Basins".



New rates are based on the approved BMP projects and the timetable above that plans for these projects to be constructed and operational by 2026. The projects are described in more detail in the BMP. The current augmentation charge and other available revenue are not sufficient to cover the costs of the service and planned projects.

**What property owners would be subject to the increased augmentation charge?**

The increased charge would be levied against every owner of real property within the Agency with a groundwater well (excluding the area east of the San Andreas Fault, which is unaffected by the Pajaro basin overdraft and seawater intrusion).

**How was the augmentation charge increase determined?**

Agency staff, with the assistance of Carollo Engineers, analyzed and developed the augmentation charge increase that is being recommended to the Agency Board of Directors. Complete information concerning the calculation of and reasons for the increased charge are set forth in the [2021 Cost of Service Rate Study](#) (Rate Study) dated February 2021.<sup>5</sup> The increase also is supported by the Agency’s 2014 Basin Management Plan (BMP) Update and other documents described in the Service Charge Report. The Rate Study and Basin Management Plan are available for public review and/or copying during normal business hours at the Agency office at 36 Brennan Street, Watsonville, CA 95076. The documents also are available on the Agency website, [www.pvwater.org](http://www.pvwater.org).

**How was the increased augmentation charge calculated?**

The increased charges were calculated based on three landowner groups and the costs of the service were allocated to these groups: (1) owners of wells with meters inside the Delivered Water Zone (DWZ), which is the area able to receive water from the CDS as described and shown in the Rate Study; (2) owners of wells with meters outside the DWZ; and (3) owners of wells without meters (which includes the unmetered rural residential wells). The Agency’s revenues and expenses were evaluated to determine the net revenue requirements for the service to be recovered from the rate increase. A cost of service analysis (the Rate Study) was conducted to allocate the revenue requirements to the Agency’s cost categories to reflect the different service levels attributable to the landowner groups. Costs were allocated based on the estimated percentage of staff time spent on various functions, costs of pumping/pressurizing the water supply in the CDS, and relative consumption of water by the various landowner groups. The cost apportionment and calculation are described in detail in the Rate Study.

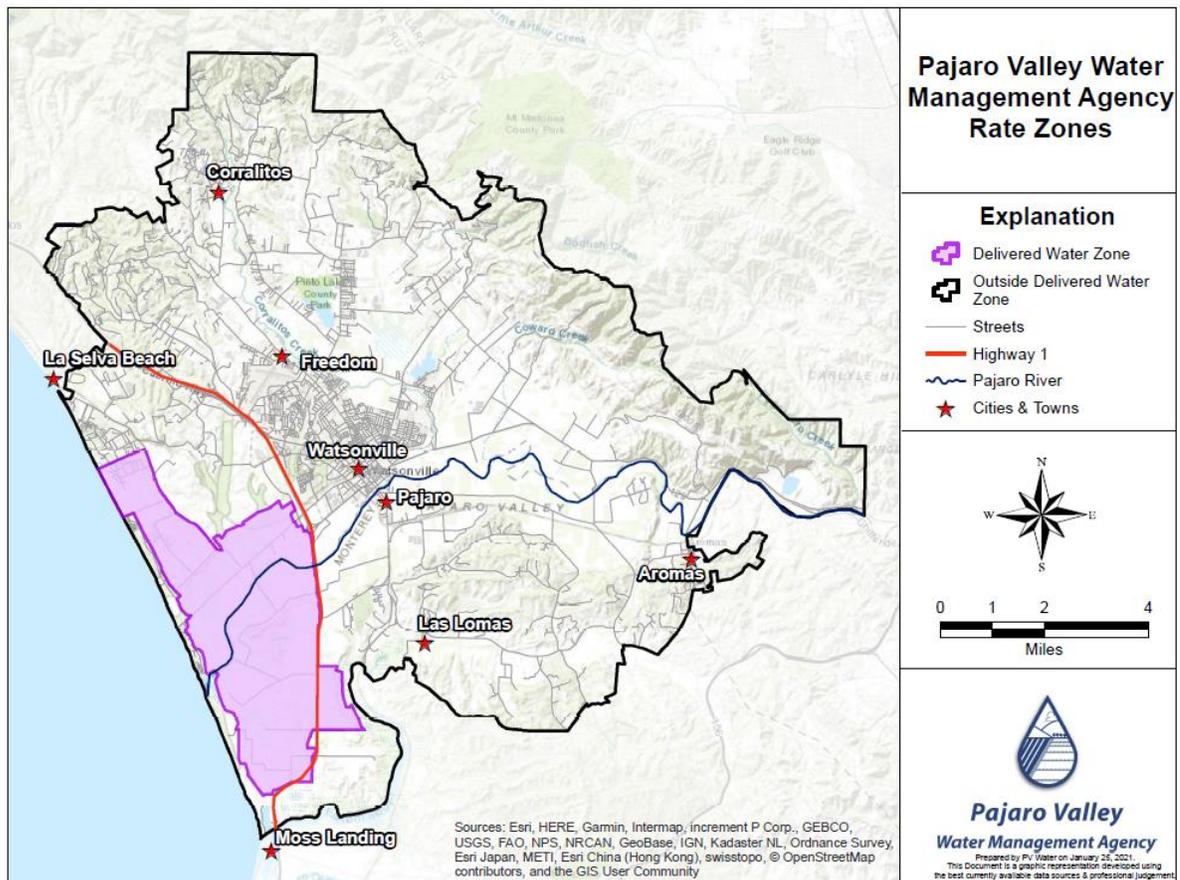
<sup>5</sup> The Agency concurrently is processing a proposed increase of its delivered water charge levied against property owners that receive water service through the CDS. Because the delivered water service and supplemental water service utilize the same Agency facilities, the Agency combined the evaluation of the two service charge increases into a single Rate Study. The Rate Study also explains how Agency costs are allocated between the supplemental water service (augmentation charge) and delivered water service (delivered water charge).

**What are the proposed increased augmentation charges?**

The 2021-26 augmentation charges would be:

Rate Class	FY 2020/21 Existing Rate	FY 2021/22 Proposed	FY 2022/23 Proposed	FY 2023/24 Proposed	FY 2024/25 Proposed	FY 2025/26 Proposed
Augmentation Charge – Inside DWZ	\$338/AF	\$363/AF	\$391/AF	\$420/AF	\$452/AF	\$486/AF
Augmentation Charge – Outside DWZ	\$246/AF	\$263/AF	\$282/AF	\$302/AF	\$323/AF	\$346/AF
Augmentation Charge – Rural Residential <sup>1</sup> (\$/Year per Residence)	\$115/Residence	\$123/Residence	\$132/Residence	\$142/Residence	\$152/Residence	\$163/Residence
Delivered Water Charge	\$392/AF	\$412/AF	\$432/AF	\$454/AF	\$477/AF	\$501/AF

<sup>1</sup>Because the unmetered wells lack a meter, the augmentation charge cannot be calculated based on actual well pumping data. Therefore, the augmentation charge is levied on an estimate of well usage of 0.5 acre-feet/residence/year. This estimate is calculated and explained in the Rate Study. If an unmetered well owner would prefer to pay the augmentation charge based on actual usage, then the owner may install a meter and thereafter be billed based on the metered pumping amount.



A property owner may determine the specific amount of the proposed augmentation charge for a particular parcel by (1) determining the applicable well owner group, and (2) applying the appropriate augmentation charge rate to the amount of pumped groundwater. A property owner may contact the Agency office (see below for contact information) for assistance in applying the rate table and calculating or estimating its augmentation charge under the proposed increase.

**When would the increased charges become effective?**

If the Board adopts an ordinance approving the charge increase, the increased charge would become effective July 1, 2021.

**Are there any Agency rules that govern this proceeding?**

Yes. The Agency Board of Directors has adopted a resolution with public hearing and notice procedures that will govern the Agency proceedings for the consideration and approval of the proposed augmentation charge increase ([Resolution No. 2021-05](#)). These procedures provide important instructions and direction to the public, landowners, tenants, and Agency directors and staff. The resolution is available at the Agency office, 36 Brennan Street, Watsonville, CA 95076, and the Agency website, [www.pvwater.org](http://www.pvwater.org). Interested persons are encouraged to review the resolution for the specific rules concerning the hearing.

**How can someone get additional information?**

If you have any questions regarding the proposed augmentation charge increase, or if you would like to submit a comment regarding the proposed increase before the public hearing, then please review the Agency website and/or contact the Agency office at 36 Brennan Street, Watsonville, CA 95076 or 831-722-9292.

Dated: March 29, 2021

/S/ Brian Lockwood

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Brian Lockwood, General Manager