

February 15, 2017

Santa Clara Valley Water District
Joint Recycled Water Committee Members
5750 Almaden Expressway
San Jose, CA 95118

Re: Indirect Potable Reuse

Dear Committee Chair Estremera, Committee Vice Chair Kremen, and Committee Member Keegan:

In continuation of our collaboration on the Expedited Purified Water Program we appreciate the opportunity to review a draft of your memo to the Recycled Water Committee. The memo outlines four key issues that need to be resolved to develop a Memorandum of Understanding (MOU) between the City and the District to execute an indirect potable reuse (IPR) project. The memo discusses the results of this collaboration since December 2015, addresses possible next steps and highlights the need for additional time and funding to complete an MOU. We would like to take the opportunity to emphasize our interest in completing an additional preliminary analysis in order to establish an effective MOU.

To date, discussions on an MOU were conducted at a conceptual level and any substantive work was dependent on a private activity analysis to determine viability of the IPR project. This analysis was recently completed in January 2017. We were informed by the District that it only intended to pursue indirect potable reuse so the private activity analysis was limited to IPR. The MOU to be negotiated will only address IPR. Additional private analysis would be required if the District decides to pursue direct potable reuse.

The completion of the private activity analysis was essential to the City decision making process. City staff was also awaiting funding for staff to be able to work on the IPR project. As we have shared with the District before, per Proposition 218, staff funded by utility funding cannot work on projects that are related to water supply. We are currently reviewing the scope of services in the funding agreement that was sent to us on January 23, 2017 and will respond with our comments. Once the scope and funding are finalized, we look forward to working with you on the IPR project.

Key MOU issues related to RO concentrate management and regulatory compliance are also still awaiting additional analysis of alternatives from the District. Although the District staff state that RO concentrate management utilizing the RWF outfall is the most streamlined and inexpensive option, it does present the highest regulatory risk to the City and the wastewater facility and could be

detrimental to the health of the Bay. Thus, we would like to see an evaluation of alternate discharge options. The draft memo indicates that a study evaluating other discharge options will be completed in 2018. The discharge option selected will have substantive implications on the terms of the MOU, especially with regards to permit compliance and risk sharing.

In addition to the items outlined above, other District led initiatives may influence the terms of the MOU. The District is currently circulating a model ordinance for water efficient new developments. Two key components of this ordinance are the requirement for gray water systems and use of recycled water. If this ordinance was to be adopted by all the cities in our treatment plant service area, there would be changes to the quantity and quality of the effluent. The grey water on site recycling systems could materially impact the quality of the effluent; the flow could decrease substantially and alter the chemical composition of the influent and effluent. Mandatory connections to recycled water systems for indoor and outdoor use create challenges related to the available capacity of recycled water. In order for a large amount of new development to connect to recycled water, the quantity of recycled water would need to be significantly increased, thus potentially making less effluent available for IPR. The City cannot commit to a specific amount of effluent without taking the future impact of these water efficiency measures proposed by the District into consideration. We propose further analysis of the long-term impacts of this ordinance on the system's ability to meet all required demands.

We are very committed to working with the District on addressing these next steps and helping forge a path towards a sustainable water supply. We understand this project is very important for the region and look forward to being a vital partner in this endeavor. We also look forward to receiving additional information from the District in order to evaluate the most effective path forward. We take great pride in not only providing an essential service to the South Bay but also acting as stewards of the environment, specifically the South San Francisco Bay. Once all viable alternatives have been evaluated and the discharge option that provides the best value to our community is selected, we can continue to move forward on a project that promotes the well-being of our region, while protecting the environment.

We look forward to continued collaboration with you on this project. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kerrie Romanow', with a long horizontal line extending to the right.

Kerrie Romanow
Director, Environmental Services

CC: Norma Camacho