

**Draft Letter of Intent – For Water Agencies**

[Publish Date]

Mr. Jim Lewis  
City of Pismo Beach  
760 Mattie Rd.  
Pismo Beach, CA 93449

**SUBJECT: REGIONAL GROUNDWATER SUSTAINABILITY PROJECT – LETTER OF INTENT**

Dear Mr. Lewis,

The Cities of Pismo Beach, Arroyo Grande, Grover Beach and the Oceano Community Services District (OCSD) have collaborated for decades to cooperatively manage water resources through both voluntary and formal mechanisms. Groundwater pumping in the Northern Cities Management Area (NCMA) of the Santa Maria Groundwater Basin (Basin) has been managed by several agreements and legal decisions, including the 1983 Gentlemen's Agreement, the 2002 Management Agreement, the 2005 Stipulation, and most recently the 2008 Judgement. Today, the four agencies collaborate on the management of the Basin through the NCMA Technical Group.

In 2009, the NCMA agencies detected the early stages of seawater intrusion in the sentry wells which are used to monitor groundwater levels and quality. The agencies responded by limiting groundwater pumping through significant water conservation measures and utilization of surface water supplies. Through these efforts and above average rainfall in 2010, groundwater levels recovered to historical levels and the seawater/freshwater interface retreated offshore. However, with the continued drought, groundwater levels today are similar to the levels measured when seawater intrusion was detected and are below the trigger levels which have been established to indicate a potential for seawater intrusion. Additionally, Lopez Lake, a critical water supply source for the NCMA agencies, is at historic low levels. The NCMA agencies recognize the need for a sustainable, supplemental water supply, especially given the ongoing drought conditions.

The Regional Groundwater Sustainability Project (RGSP) will provide a new, drought resistant, sustainable water supply for the region. The RGSP is a regional recycled water project that will provide advanced treatment of wastewater to produce highly purified water that will be used to recharge the Basin for potable use. Phase 1 of the RGSP is envisioned to include advanced treatment and recharge of flows from Pismo Beach's wastewater treatment plant (WWTP), and Phase 2 would add treatment capacity to accommodate flows from the South San Luis Obispo County Sanitation District's (SSLOCSD) facility. The RGSP will recover a resource that is currently disposed to the ocean, and create a new and highly reliable water supply for the region.

The RGSP will provide multiple benefits to the communities served by the NCMA agencies, including:

- A new, local, drought resistant, sustainable and highly purified water resource
- Improved groundwater basin quality
- Protection from seawater intrusion
- Offset of State and Lopez fresh water supplies
- Reduced ocean discharge of treated wastewater effluent
- Streamlined timeline with a phased approach

The key project components include: (1) an advanced treatment plant; (2) recycled water distribution infrastructure; and (3) injection wells and monitoring wells. The project will also include new extraction wells, and the possibility to deliver recycled water for agricultural customers.

The [Company] commits our support to the RGSP and acknowledges our shared interest in the multi-phase recycled water project. We agree to work together with the key project stakeholders to develop the project, including the Cities of Pismo Beach, Arroyo Grande, Grover Beach, and the OCSD and SSLOCSD. The [Company] acknowledges that the multi-phase approach provides an expedited timeline for implementing groundwater recharge and agrees to actively participate in workshops and efforts to define cost and benefits, and develop future project agreements as the project develops.

The City of Pismo Beach has initiated the environmental review process for Phase 1 of the RGSP to meet the requirements under the California Environmental Quality Act (CEQA). The [Company] supports expansion of the Environmental Impact Report (EIR) currently being prepared by the City of Pismo Beach to include evaluation of Phase 2 of the RGSP, as well as evaluation of the SSLOCSD site as a potential preferred advanced treatment location. The EIR will be expanded to include distribution and injection infrastructure for Phase 2 (SSLOCSD) flows, in addition to Pismo Beach flows. With the expanded EIR, a total of three sites for the advanced treatment plant will be evaluated: (1) Pismo Beach WWTP; (2) SSLOCSD WWTP; and (3) an offsite location to be identified. The [Company] understands that SSLOCSD will cover the incremental costs to include the SSLOCSD WWTP site in the EIR, as well as the associated infrastructure to recharge Phase 2 flows. The City of Pismo Beach will continue to serve as the lead agency for the EIR.

The [Company] supports expansion of the groundwater model that the City of Pismo Beach is currently developing for the RGSP. The groundwater model expansion will include extending the groundwater model boundaries to include the entire NCMA and Nipomo Mesa Management Area (NMMA) areas and evaluation of recharge and extraction scenarios that include flows from both the City of Pismo Beach and SSLOCSD. The [Company] supports utilizing funding from SSLOCSD settlement funds (reimbursed) and County funds (if made available). We acknowledge the expediency of this approach to develop a long-awaited groundwater model for the NCMA. As a means of commitment, the [Company] guarantees to reimburse the City of Pismo Beach for our respective portion of the groundwater model development if SSLOCSD settlement funds are not awarded.

The [Company] agrees to participate in the development of an NCMA Basin Level Response Plan, which is intended to establish an operational plan that ties pumping to basin levels, similar to the Lopez Reservoir Low Level Response Plan (LRRP). This Plan would be a means of providing equity amongst the NCMA agencies and would set framework for supplemental supplies and recharge projects, like recycled water.

The [Company] acknowledges that City of Pismo Beach will lead Phase 1 of the project, which will provide advanced treatment and recharge of flows from Pismo Beach. A future governance structure will be evaluated and pursued as the project evolves, and a regional governance structure may be implemented as Phase 2 is initiated and SSLOCSD flows are added to the project. The [Company] agrees that non-reimbursed project costs will be shared among project participants apportioned based on benefits.

The RGSP will provide a new, local, drought resistant, sustainable and highly purified water resource to our community. The [Company] acknowledges this important benefit, along with the many other project benefits described in this letter. The [Company] is committed to advancing the RGSP, realizing its benefits, and actively engaging in the development of the project.

Sincerely,

[Company]