PAJARO VALLEY WATER MANAGEMENT AGENCY

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Ms. Tracie Billington
California Department of Water Resources
P.O. Box 942836
Sacramento, CA 94236

Ms. Shahla Farahnak
State Water Resource Control Board
1001 I Street, 16th Floor
Sacramento, CA 95814

Dear Ms. Billington and Ms. Farahnak:

On behalf of the Pajaro River Watershed, the Pajaro Valley Water Management Agency would like to thank you and your agencies for the recommended grant award to our region. Based on the State's evaluation summary, we are confident that the critical need for the projects and the projects' merits were recognized. However, we would like to take this opportunity to address some of the proposal evaluation comments.

A. *Question: Budget – "The Coastal Distribution System (CDS) budget contains an additional state funding amount from Prop 13. The Prop 13 budget and the Prop 50 budget for this project disagree by approximately $12 million which is not fully addressed in the application."*
   - The Prop 13 budget is $32.5 million (Phase 1) and includes costs for both the CDS and the Import Pipeline project. The estimate is in 2003 dollars and based on a 30 percent design level. The Prop 50 CDS budget is $44.5 million in 2005 dollars and based on a 90 percent design level and including expenditures-to-date. Significant increases in material costs between 2003 and 2005 have contributed to the escalation in project costs. The Prop 50 CDS budget is accurate for this application and most representative of the current project. PVWMA has recently received bids from three contractors and awarded construction of the 2006 CDS Construction Package for $17.25 million.

B. *Question:*
   1. *Economic Analyses – "The fertilizer value of recycled water is questionable."*
   2. *Other Expected Benefits – "The quantified benefit to agriculture due to lower need of fertilizer is not fully supported with regional data."*
   - The fertilizer value of recycled water is a real asset. "Benefits [to customers] may include lower water costs or reduced fertilizer costs" (*An Economic Framework for Evaluating the Benefits and Costs of Water Reuse: Final Project Report and User*

Guidance, WateReuse Foundation, 2006, pg. 38). The quantified benefit of fertilizer savings due to recycled water use is based on nitrogen data collected from the effluent side of the existing Watsonville Wastewater Treatment Plant and agricultural land use data from the PVWMA service area. National fertilizer usage data was used; fertilizer usage data for the Pajaro Valley was not available.

C. *Question: Statewide Priorities – "Breadth and magnitude of statewide priorities are not fully discussed."*
   - Per direction of State staff, Statewide Priorities with the highest degree of certainty of meeting benefits and with the highest degree of benefit were to be the focus of the Statewide Priorities proposal section. Other Statewide Priorities with a lesser degree of certainty were to be noted, but not the emphasis of the section. Under this direction, the Statewide Priorities proposal section for the Pajaro River Watershed region focuses on three priorities: Reduce Conflict/Water Rights (Priority 1), Total Maximum Daily Loads (Priority 2), and Regional Board Plans (Priority 3). These three priorities are expected to be met with a high level of certainty in the Pajaro River Watershed region with the eight projects included in the proposal. Discussion of the additional five priorities, which are met with a lesser degree of certainty and/or benefit, was also included to acknowledge the full breadth of priorities and the degree of benefit.

D. *Question: Adopted IRWMP and Proof of Formal Adoption – "The Draft IRWMP is scheduled to be adopted in November 2006 by the three agencies/districts* [Pajaro Valley Water Management Agency, San Benito County Water District, and Santa Clara Valley Water District]*."*
   - At the time of application, the June 2006 Pajaro River Watershed IRWMP was not adopted. However at this time, all project proponents have adopted the June 2006 Pajaro River Watershed IRWMP.

Thank you again to you and your staff for your dedication to this program. We look forward to working with you to implement the Pajaro River Watershed program.

Sincerely,

Bruce Laclergue
General Manager
Pajaro Valley Water Management Agency