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February 10, 2017

California Public Utilities Commission
Mr. Raminder Kahlon - Director
Division of Water and Audits
505 Van Ness Avenue
San Francisco, Ca. 94102

Dear Mr. Kahlon:

SUBJECT: Golden State Water Company ("GSWC") Advice Letter No. 1674-W, Protest of San Luis Obispo County and Golden State Reply Thereto

The undersigned is the General Manager of Nipomo Community Services District, a public entity which produces water from the Nipomo Mesa subarea contained within the adjudicated Santa Maria Basin ("District"). District produces water from the portion of the Basin within the Nipomo Mesa subarea and serves that water to a substantial number of residential and commercial customers (ratepayers).

District also has contracted with the City of Santa Maria ("City") to purchase water to supplement the natural supply made available in the Nipomo Mesa subarea. That water is transported from City facilities in the Santa Maria subarea and transported north to District facilities in the Nipomo Mesa subarea through the Nipomo Supplemental Water Project ("Project"). That Project now is providing supplemental water to District at an incurred cost in excess of \$20 million with more costs contemplated which are necessary to achieve annual deliveries of a minimum of 2,500 acre feet.

This project is specified in the Santa Maria adjudication judgment. It addresses a problem identified in Court holdings which has been generated by intense pumping by multiple parties from one area on the Nipomo Mesa which has reduced well elevations to uncomfortable levels. This condition also has been addressed by the provision of the Judgment with which you are dealing in considering the above-referenced advice letter. That provision requires any person who proposes a physical project which will increase the demand for Basin water produced in the subarea to either provide a supplemental source of water permanently offsetting the new demand or pay a fee calculated to do so.

District supports dealing with this issue by accepting the language proposed by Golden State in its letter of response. That language states the following: "Where and when available, applicants may remit payment to a third party public agency a water resource demand offset fee in lieu of providing a source of supplemental water, provided such fee fully offsets the cost of, and results in the dedication to GSWC, a source of supplemental water sufficient to meet the demands of the service requested."

District also intends to offset new demand in its service area through the supply of supplemental water and would expect applicants to pay District an equivalent offset fee sufficient to obtain enough supplemental water to permanently meet the increased demand. The Judgment quite correctly requires that this approach be implemented. The project described above is designed to supply the Nipomo Mesa with substantially more water than the 2,500 acre feet established in the judgment to deal with the present water deficiency. Accordingly, the collection of fees for the project could produce the practical result contemplated in the Judgment and the fee suggested in the GSWC Advice Letter.

Thank you for your anticipated consideration of District's input.

Sincerely,

NIPOMO COMMUNITY SERVICES DISTRICT

A handwritten signature in blue ink, appearing to read 'Mario Iglesias', is written over the typed name.

Mario Iglesias
General Manager

c: Nipomo CSD Board of Directors
James Markman, Richards, Watson, and Gershon
Ronald Moore, Golden State Water Company



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February 10, 2017

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Via Electronic and U.S. Mail

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Re: **San Luis Obispo County Surreply; Protest of Golden State Water Company Advice Letter 1674-W**

Dear Mr.Kahlon:

San Luis Obispo County has filed a Protest of Golden State Water Company (“GSWC”) Advice Letter No. 1674-W and GSWC has filed a Reply¹ wherein it offers to amend the Special Condition tariff sheet language proposed in that advice letter. With this Surreply the County reviews GSWC’s new proposed language regarding a water development fee and concludes that the proposed language does not accord with the Stipulation and Judgment in the Santa Maria groundwater litigation.^{2 3}

The County appreciates GSWC’s interest in amending the proposed Special Condition language of AL 1674-W so that it accurately reflects the obligations imposed on those who propose a New Urban Use in the Nipomo Mesa Management Area and seek to obtain service

¹ Golden State Water Company Reply to San Luis Obispo County Protest of AL 1674-W, February 9, 2017.

² *Santa Maria Valley Water Conservation District v. City of Santa Maria, et al.*, Superior Court of the State of California, County of Santa Clara, Consolidated Cases 1-97- CV -770214.

³ The 2005 Stipulation, excluding supporting documents, was attached to Advice Letter 1674-W.

To: CA PUC and Golden State Water Company
Subject: County Surreply; Protest of Advice Letter 1674-W
February 10, 2017

from GSWC. In its Reply, GSWC has proposed to add the following sentence to the Special Condition:

“Where and when available, applicants may remit payment to a third party public agency a water resource demand offset fee in lieu of providing a source of supplemental water, provided such fee fully offsets the cost of, and results in the dedication to GSWC, a source of supplemental water sufficient to meet the water demands of the service requested.”⁴

The first concern raised by this proposed language is its requirement that payments be made to a “third party public agency.” We acknowledge that GSWC has not yet sought permission from the Commission to establish a water development fee, but there is nothing in the Stipulation that would prevent it from doing so. More importantly, the Stipulation never specifies that any water development fee be remitted to a public agency. GSWC’s language has the effect of narrowing the options for establishing a water development fee program. It has the further consequence of guaranteeing that such a program be administered by an entity other than GSWC. Neither of these things is prescribed by the requirements of the Stipulation.

Our second objection to GSWC’s proposed language is its requirement that a water development fee provide a full offset of the cost of a source of supplemental water. When GSWC agreed to the Stipulation, it agreed to a water development fee that “offset the water demand associated with that development.”⁵ It may make sense for a water development fee to “fully offset” the demand associated with new development, but a full offset creates a higher bar than what was bargained for in the Stipulation. Any Special Condition language should restrict itself to the requirements of the Stipulation. If a water development fee program is ever established it can define the nature and extent of the required offset.

Finally, GSWC’s proposed language requires that any water development fee result in the dedication to GSWC of a source of supplemental water. This is a new obligation that cannot be found in the Stipulation and appears to have been created by GSWC working alone. Again, it may be that a water development fee program results in water being dedicated to GSWC. If such a requirement is imposed it will not have as its source the Stipulation. At this point it is premature to burden a future water development fee program with this dedication requirement. The Special Condition language should accord with the requirements of the Stipulation and not attempt to expand upon them.⁶

⁴ GSWC Reply at pp. 4-5.

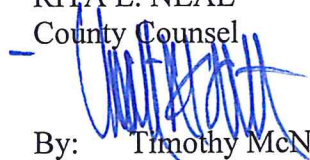
⁵ Stipulation Section VI.E.5.

⁶ This Surreply has been sent to GSWC on today’s date by email and U.S. Mail.

To: CA PUC and Golden State Water Company
Subject: County Surreply; Protest of Advice Letter 1674-W
February 10, 2017

Very truly yours,

RITA L. NEAL
County Counsel



By: Timothy McNulty
Assistant County Counsel

Cc: John Garon, Regulatory Affairs Department-Golden State Water Company
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