

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:
Prepared on: 3/17/06
Department Name: PW/Laguna Sanitation District
Department No.: 054
Agenda Date: 5/9/06
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Directors
Laguna County Sanitation District

FROM: Phillip M. Demery, Director x3010
Public Works Department

STAFF CONTACT: Mark A. Schleich, Deputy Director x3605
Resource Recovery & Waste Management Division

SUBJECT: Amendment No. 1 to Recycled Water User Agreement with Santa Maria Pacific, LLC

Recommendation(s):

That the Board of Directors:

- A. Execute Amendment No. 1 to the Recycled Water Use Agreement with Santa Maria Pacific, LLC revising terms related to regulatory approval.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 2. A Safe and Healthy Community in Which to Live, Work, and Visit.

Executive Summary and Discussion:

The Laguna County Sanitation District disposes of its effluent by treating it to acceptable levels for various industrial and agricultural uses. Use of recycled water is conducted on District property as well as on private property. The Regional Water Quality Control Board (RWQCB) requires Producer/User agreements for irrigation on off-site properties.

On September 13, 2005, a recycled water use agreement was executed with Santa Maria Pacific, LLC for the purposes of enhanced oil recovery and cattle grazing on land between Orcutt and Casmalia. The agreement describes a start-up demand of 84,000 gallons per day and up to 1.6 million gallons per day in a six year period. The water will be sold to the user at \$153.45 per million gallons (\$50/acre-foot) since that amount is comparable to user's alternative water source costs and is subject to an annual consumer price index adjustment (not to exceed 2% per year). Revenue is, therefore, expected to range from \$400/month to

\$7,500/month as demand increases. The Agreement provides for the distribution of water through 2035. The water will be transported to Santa Maria Pacific's pump station from the District's existing storage facilities via existing pipeline(s). Santa Maria Pacific's pump station will deliver the water to the user sites. Delivery was anticipated for October 2005 but has been delayed due to weather, availability of oil well work over equipment, and construction site impacts.

In order to initiate delivery, the Regional Water Quality Control Board (RWQCB) must approve several submittal items as described in the District's operating permit with the RWQCB. One such item is the Producer/User agreement. The agreement, although executed earlier, requires an amendment to clarify RWQCB approval prior to the initiation of water distribution as well as their approval for the addition of other uses as allowed pursuant to Title 22 Code of Regulations

Mandates and Service Levels:

There are no changes to service levels with this action.

Fiscal and Facilities Impacts:

There are no changes to fiscal and facilities impacts. Revenue from the sale of recycled water is expected to generate between \$5,000 per year initially to \$90,000 per year at full demand.

Special Instructions:

Please forward a certified minute order and two (2) of the three (3) original agreements to the Public Works Department, Laguna County Sanitation District, attn: Martin Wilder, at 620 West Foster Road in Santa Maria and retain one (1) original for the Clerk of the Board.

Concurrence:

County Counsel
Auditor-Controller
Risk Management

Board letter authored by: Martin J. Wilder, Public Works Department x8755
Laguna County Sanitation District Manager