



CITY OF MILPITAS

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March 6, 2012

The Honorable Mayor and City Council
City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

Re: Northern Regional Connector Pipeline Expansion of the South Bay Recycled Water System

Dear Mayor Reed and San Jose City Council:

The City of Milpitas respectfully requests that you defer approval of the expansion of the recycled water distribution system, to allow the TPAC agencies to work with San Jose, in order to complete the Strategic Plan which among other things will define the new mission and direction of the South Bay Recycled Water Program. SBWR has been a sewer program funded by the sewer customers of the Water Pollution Control Plant. Over the past 15 years, TPAC agencies invested over \$250 million to construct SBWR and continue to subsidizing its operations and maintenance because recycled water is sold at substantial loss to provide incentive for customer acceptance. However, the proposed expansion of the recycled water system to Sunnyvale (who is not a TPAC agency,) is not driven by the needs of the sewer customers.

SBWR was formed in 1993 under direction of the Regional Water Quality Control Board to limit discharges to San Francisco Bay to 120 million gallons per day. As the discharge rate is now 91 mgd, our sewer customers do not need system expansion at this time. The driver for expansion is the desire to use SBWR to develop a regional water supply. We agree that a regional recycled water supply will be a tremendous public asset supporting the growth and prosperity of South Bay for generations to come. However, we urge that you take a short pause to resolve lingering governance, financing, and long-term planning problems arising from SBWR's initiation as a land-based sewage outfall to avoid carrying these problems into the next expansion phase.

A brief summary of our concerns includes the following:

- SBWR is a sewer-funded program and sewer customers do not need system expansion.
- SBWR is evolving into a regional water supply program without explicit resolution of its mission, governance, financing, and planned service area.
- The TPAC service area customers funded construction of SBWR and are owed a return on their investment from new water customers outside this service area.
- Sewer customers subsidize production of SBWR recycled water, but should not be required to subsidize expanded operations, especially for water customers outside the service area.
- The northern regional connector pipeline initial study/mitigated negative declaration does not address impacts of creating a new water supply in Sunnyvale or addresses potential impacts on existing customers including those within City of Milpitas.
- SBWR program staff's zeal in pursuing grants has negatively impacted program planning and delivery. Grant applications are consistently rushed through the approval process with

explanation that there is not time to fully vet out the project or to circulate documents in advance of approval. Approval of grant applications then serves as the project initiator rather than an evaluation of the project's merits and priority within an overall plan.

- A Master Plan is necessary to analyze issues, develop policies, long-term expansion strategies, and priorities.

For several years, TPAC technical staff has been raising concerns about SBWR's mission and financing. Last summer, San Jose staff agreed to convene an ad hoc staff committee to develop a recommended strategy for future development of SBWR. The committee kicked off its first meeting on January 26 and has substantial remaining work to do on this complex topic. It is premature and inappropriate to approve further expansion, especially to cities beyond the Plant service area, while these fundamental issues are under staff review. There appears to be a sense of urgency to initiate the Northern Regional Connector Pipeline which is negatively impacting program processes.

Again, I want to assure you that I recognize the importance of recycled water as part of the regional supply portfolio. I simply urge that you guide its development through an orderly process that is fair and equitable for all stakeholders.

Sincerely,

Jose S. Esteves, Mayor

cc: Santa Clara Mayor and City Council, West Valley Sanitation District, Cupertino Sanitary District