

March 19, 2014

Mr. Jeff Moneda
City of Milpitas
455 East Calaveras Boulevard
Milpitas, California 95035

RE: Revised Monthly Treated Water Delivery Schedule March – December 2014

Dear Mr. Moneda:

As the county's wholesale water supplier, the Santa Clara Valley Water District (District) Board of Directors (Board) is responsible for making decisions that will help balance supply and demand to meet the county's water needs. On January 28, 2014, the District Board set a preliminary water use reduction target equal to 10% of 2013 county-wide water use. Since that time, water supply conditions and operational challenges have grown more severe. On February 25, the Board unanimously passed a resolution calling for mandatory measures to reach a water use reduction target equal to 20% of 2013 water use, through December 31, 2014. A copy of the Resolution is attached as Attachment A.

On January 31, the State Department of Water Resources reduced its initial allocation from 5% of the District's contract amount to zero. On February 21, the U.S. Bureau of Reclamation announced that the District's agricultural allocation is at zero, and the municipal and industrial allocation is 50% of historic use, which the District expects to amount to 65,000 acre-feet. As imported water typically accounts for 85% of the source water for the treatment plants, and as the District's imported water allocations are significantly reduced this year, the District's current projection is that the amount of imported and local surface water available for 2014 is only sufficient to supply 80% of the contract treated water delivery schedules.

These foregoing challenges pose extraordinary circumstances for the District and its water retailers. Therefore, pursuant to Article B, Section 1(c) of the Treated Water Contract, the District is requesting a reduction of City of Milpitas's monthly treated water delivery schedule by 20% beginning March 1 through December 31, 2014. The reduced schedule, which includes water use reduction required by Article C, Section 4(c) due to the Board's 20% water use reduction target, are reflected in Attachment B. We are requesting your concurrence with the reduced schedule by signing Attachment B and returning a signed copy to my office by March 28, 2014.

With the reduced schedule specified in Attachment B, the 90% minimum charge will be based on those monthly delivery amounts as opposed to the original monthly delivery amounts adjusted pursuant to Article C, Section 4(c). Under Article C, Section 4(c), the monthly delivery amounts are reduced by the 20% water reduction target less 10%. However, with Attachment B, City of Milpitas's monthly delivery amounts will be reduced to 80% of its original delivery amounts. Hence, the effective minimum charge with the Attachment B delivery schedule is equal to 90% multiplied by 80% (i.e. 90% x 80% = 72%) of the original delivery schedule.

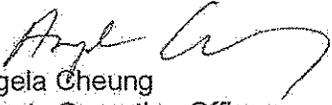


City of Milpitas
Page 2
March 19, 2014

We appreciate all your efforts working with us to ensure we can continue to deliver safe, clean water despite the extraordinary circumstances posed by the 2014 drought.

If you have any questions, please feel free to contact me at (408) 630-2735.

Sincerely,


Angela Cheung
Deputy Operating Officer
Water Utility Operations and Maintenance Division

Attachments:

- A. Board resolution calling for 20 percent water use reductions through December 31, 2014
- B. Revised Monthly Treated Water Delivery Schedule March – December 2014

cc: J. Fiedler, J. Maher, A. Fulcher, J. Atmore, L. Sullivan

RESOLUTION NO. 14- 11

CALLING FOR 20 PERCENT WATER USE REDUCTION
THROUGH DECEMBER 31, 2014

WHEREAS, in California, water is a precious and limited resource that must be used wisely; and

WHEREAS, 2013 was the driest year on record and 2014 is projected to be critically dry as well;
and

WHEREAS, on January 17, 2014, Governor Brown proclaimed a State of Emergency calling on all Californians to reduce their water usage by 20 percent, and calling on local urban water suppliers and municipalities to implement their local water shortage contingency plans immediately; and

WHEREAS, Santa Clara County relies on water supply imported by the State Water Project and Central Valley Project to provide treated drinking water, replenish the local groundwater basin and prevent the return of historic overdraft and land surface subsidence that could damage Bay-front levees and other critical infrastructure in northern Santa Clara County; and

WHEREAS, in 2014, State Water Project allocations have been reduced to zero percent of contract quantity, Central Valley Project water allocations for agricultural use are also expected to be zero percent, and Central Valley Project water allocations for municipal and industrial uses are expected to be no greater than 50 percent, or as needed to support public health and safety; and

WHEREAS, deliveries of imported water to the Santa Clara Valley Water District's (District's) drinking water treatment plants are being affected by poor water quality conditions in the Sacramento-San Joaquin Delta that have developed from lack of precipitation and depleted storage in State and federal reservoirs, and deliveries may be further limited or interrupted this summer due to degraded Delta water quality and low storage levels in San Luis Reservoir; and

WHEREAS, local watershed runoff has been extremely low this winter, and the District's ability to augment reservoir storage with imported water is limited because of California Department of Water Resources Division of Dam Safety requirements; and

WHEREAS, through careful water management, Santa Clara County groundwater reserves at the start of 2014 were well within the normal range, but these reserves are projected to drop significantly by the end of 2014; and

WHEREAS, the District must maintain sufficient local surface and groundwater reserve supplies to cope with supply interruptions from natural disasters and catastrophic events such as earthquake; and

Resolution Calling for 20 Percent Water Use Reductions Through December 31, 2014

WHEREAS, the District's Urban Water Management Plan, Water Shortage Contingency Plan guides the District's water supply management actions for supply augmentation, increased water use reduction measures, and the use of local reserve supplies; and

WHEREAS, the District through coordination with retail water agencies, local municipalities and the County of Santa Clara is increasing public outreach and education to create greater awareness of countywide water supply challenges and need for efficient water use; and

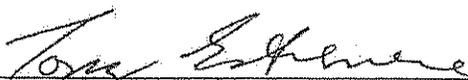
WHEREAS, the District must rely on the actions of the retail water agencies, local municipalities and the County of Santa Clara to enact and implement local ordinances and water use reduction measures; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Santa Clara Valley Water District that a water use reduction target equal to 20 percent of 2013 water use is called for through December 31, 2014, and it is further recommended that retail water agencies, local municipalities and the County of Santa Clara implement mandatory measures as needed to achieve the 20 percent water use reduction target.

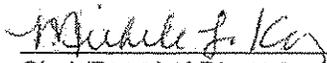
PASSED AND ADOPTED by the Board of Directors of Santa Clara Valley Water District by the following vote on February 25, 2014:

AYES: Directors B. Kennedy, R. Santos, N. Hsueh, B. Keegan, B. Schmidt,
L. LeZotte, T. Estremera
NOES: Directors None
ABSENT: Directors None
ABSTAIN: Directors None

SANTA CLARA VALLEY WATER DISTRICT

By: 
TONY ESTREMERERA
Chair/Board of Directors

ATTEST: MICHELE L. KING, CMC


Clerk/Board of Directors

**Revised Monthly Treated Water Delivery Schedule
March – December 2014**

2014 Schedule (Acre-Feet)	City of Milpitas	
	Original	Revised (20% Reduction)
MAR	268.00	214.40
APR	282.00	225.60
MAY	316.00	252.80
JUN	333.00	266.40
JULY	359.00	287.20
AUG	361.00	288.80
SEPT	335.00	268.00
OCT	310.00	248.00
NOV	282.00	225.60
DEC	249.00	199.20
TOTAL	3,095.00	2,476.00

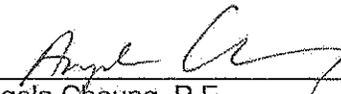
Please sign below and return by March 28, 2014.

City of Milpitas

Santa Clara Valley Water District

Jeff Moneda

Date



Angela Cheung, P.E.

3/24/14

Date