



SANDRA SHEWRY
Director

State of California—Health and Human Services Agency
Department of Health Services
Northern California Drinking Water Field Operations Branch
Monterey District



ARNOLD SCHWARZENEGGER
Governor

EXHIBIT 2-E

May 2, 2005

Mr. David Berger, General Manager
Monterey Peninsula Water Management District
P.O. Box 85
Monterey, CA 93942-0085

Dear Mr. Berger:

RE: Requirements for the Permitting of the Santa Margarita Well ASR

In response to your inquiry, the Department is providing this letter to clarify the Department's requirement for a long-term agreement between California-American Water Company (CalAm), Monterey system, and your District regarding the use of the Santa Margarita Well, as specified in letters dated August 15, 2003, and July 20, 2004.

Under the Safe Drinking Water Act, Health & Safety Code Section 116555, public water systems are required to provide a *reliable* and *adequate* supply of pure, wholesome, healthful, and potable water. The California Waterworks Standards Section 64564 further clarifies how to determine the needed source capacity for a water system. The District has assisted CalAm to meet these requirements in light of the State Water Resources Control Board Order No. 95-10 by developing and studying the effectiveness of the use of an aquifer storage and recovery (ASR) project, with the Santa Margarita Well constructed as the initial phase of this project. CalAm has submitted a permit application dated May 21, 2003, to allow the use of the water produced by the Santa Margarita Well. It was specified in the application that ownership of the well would be retained by the District. CalAm has already demonstrated their reliance on the Santa Margarita Well during July 2004 by requesting interim approval for the emergency use of the well to prevent system outages during the high demand period of late summer to early fall.

To ensure that CalAm has the ability to conduct long range planning of their water supply resources to comply with Section 116555, the Department has required a long-term agreement between CalAm and the District to formalize the commitment of the District to provide water to CalAm from the Santa Margarita Well. This agreement was required by the Department as part of the documentation needed to accompany the permit application submitted by CalAm for the use of the water produced by the well, and would be required of any other water system that relied on a supply source owned by another agency. The Department does not consider a year-to-year agreement between CalAm and the District as suitable to allow CalAm to comply with Section 116555. Considering the political and regulatory hurdles of potential long-term water supply projects, including the development and construction of a desalination project and/or development of a recycled water groundwater recharge project component, in the Department's opinion it is feasibly ten to fifteen years before these projects will be in place and able to effectively offset the reduction of the Carmel River flows required under Order No. 95-10. As such, the Department considers a 20-year term acceptable and would not deem any agreement as being satisfactory if it was less than a 15-year commitment.

The Department is committed to responding promptly to all permit requests. However, all of the documentation needed to finalize the permit for CalAm has not yet been submitted, including the long-term agreement between CalAm and the District. Once all of the documentation is received, it would take at least two months for Department staff to issue the final permit approving the use of the Santa Margarita Well in the CalAm system. **Please be advised that the Department will not grant further interim approvals to operate the Santa Margarita Well in the absence of a domestic water supply permit.**

If you have any questions regarding this matter, please contact Jan Sweigert or me at (831) 655-6939.

Sincerely,



Betsy S. Lichti, P.E.
District Engineer, Monterey District
DRINKING WATER FIELD OPERATIONS BRANCH

cc: Monterey County Environmental Health Department
Steven Leonard, CalAm-Monterey
California Public Utilities Commission