This testimony is offered on behalf of the City of Stockton (“City” or “Stockton”).

I. INTRODUCTION

I currently serve as a Deputy City Manager with the City of Stockton. I began in this position in 2017, after serving for five years as the City’s Director of Municipal
Utilities Directors (MUD). Over the past 25 years, my career focus has included the Municipal Utilities, Public Works, and Natural Resource fields. Prior to serving as the City’s Director of MUD, I was the Water Resources Coordinator for San Joaquin County for 10 years. My formal education and training includes a Ph.D. degree from Brigham Young University together with a Post-Doctoral Fellowship from the University of California, Berkeley. I am also a published author and an invited lecturer at local, national, and international workshops and symposia.

A true and correct copy of my curriculum vitae is submitted as Exhibit STKN-058.

My testimony for Part Two will summarize the impacts from the California WaterFix Project (“WaterFix” or “Project”) and associated water rights change petition (Petition) to the City’s water resources, including the Project’s financial impact on the City and its ratepayers. The Petition is not in the public interest, especially with respect to the City, and in part because Stockton may be required to invest significant resources in additional water and wastewater treatment technology that essentially shifts the burden of the Project on the City and its residents by requiring them to pay for the detrimental impacts of the Project on water quality in the Delta. The Department of Water Resources (DWR) and U.S. Bureau of Reclamation (collectively referred to as “Petitioners”) have not proposed any terms and conditions to the proposed permits, nor did the WaterFix environmental impact report/environmental impact statement (EIR/EIS) propose any mitigation measures to address the Project’s impacts to the City, its water supply and treatment needs, and its residents.

II. STOCKTON’S INVESTMENT IN WATER AND WASTEWATER SYSTEMS

Recently, the City has made major capital improvements to its water supply and wastewater systems. Stockton invested $223 million to construct Phase 1 of its Delta Water Supply Project Water Treatment Plant (DWSP), which consists of an intake on the San Joaquin River at the southwest tip of Empire Tract, eighteen (18) miles of raw water pipeline, a 30 million gallons per day (MGD) water treatment plant, and six (6) miles of treated water pipeline. The City has been the subject of considerable scrutiny in its
water rights pursuits and National Pollution Discharge Elimination System (NPDES) permitting, both of which required extensive and significant investments in water quality modeling and mitigation, the cost of which is borne entirely by the businesses and residents of the City.

The City’s Regional Wastewater Control Facility (RWCF) operates under a Central Valley Regional Water Board NPDES Permit (No. CA0079138) and consequently is subject to regulation based on strict water quality standards. (Exhibit STKN-020 is a true and correct copy of NPDES No. CA0079138, exclusive of its attachments.) The City has made considerable investments in its wastewater treatment processes to achieve the tertiary water quality standards set forth in its NPDES permits.

In 2008, the City invested tens of millions of dollars in ammonia treatment and, with the 2014 NPDES permit renewal, is facing another major requirement to reduce total nitrogen in its discharge to the San Joaquin River.

III. IMPACTS FROM THE PETITION TO WATER SUPPLY AND WASTEWATER SYSTEMS ARE AGAINST THE PUBLIC INTEREST

Changes to Delta water quality may have serious negative impacts on the more than 300,000 residents of the City. Much of the City lies within the official Delta and is surrounded by one of the richest agricultural and dairy regions in California. Furthermore, the City’s location within the Delta enables it to serve as a major shipping point for many of the agricultural and manufactured products of Northern California and is home to the State’s first inland seaport.

The potential adverse effects of the proposed Petition on surface water in the Delta is of great significance to the City. The City’s Part 1 testimony showed that Water Fix-caused alterations to the flows of the Sacramento and San Joaquin Rivers will negatively impact the quality of water in the San Joaquin River. As communicated repeatedly to Petitioners, the City is concerned with any adverse changes in San Joaquin River water quality at its water supply intake and the point of treated wastewater discharge. Water quality degradation will shift the burden of the Project to
the City by forcing it to invest in additional water supply and wastewater treatment processes, or forego diversions and either purchase substitute water supplies or increase its use of groundwater pumped from the critically overdrafted Eastern San Joaquin Basin. Under the Sustainable Groundwater Management Act, this could lead to a highly “undesirable result” (Wat. Code, § 10721(x)) where additional groundwater pumping would lower the groundwater table under the City and further expose the Basin to saline-intrusion (at depth) along its western reach. It is imperative that the standards set by the State Water Resources Control Board (State Water Board) to protect beneficial uses located within the Delta, San Joaquin County, and the City be enforced, and not be ignored for the Project or some other proposed beneficial use, as should be the case in any location in the State where the protection of the beneficial uses of water is in question.

The City’s MUD has experienced a significant reduction in revenue due to water conservation in response to the historic drought. As a result of declining revenues, the capital improvement program for water projects was curtailed, and only essential projects were funded or planned for fiscal year 2016-2017. In addition, personnel vacancies in the water utility were frozen in order to limit expenditures. In response, MUD undertook a water rate study in 2015 to determine the revenue requirement and a possible future rate structure.

The City’s utility ratepayers include economically disadvantaged groups that have been required to shoulder rate increases due to the City’s significant investment in its water supply and wastewater infrastructure. The City contains a significant concentration of people and families whose incomes in 2014 were below the federally-recognized poverty level. (Exhibit RTD-206.) Within San Joaquin County, poverty is concentrated within the City, where about 21.4 percent of families, 35.3 percent of children, 21.8 percent of adults, and 12.9 percent of seniors are considered impoverished. (Exhibit RTD-206.)
Rate increases adopted in 2009 to finance the DWSP assumed a conservative increase in water consumption and associated revenue over time; however, drought effects that began in 2012 and accelerated in 2014 and 2015 resulted in State-mandated water conservation requirements. The City’s target for water use reduction was set at 28% compared to 2013 use. As a result of these drought impacts, water utility revenues declined by approximately $3 million dollars in 2014 and 2015. MUD commissioned a water rate study in mid-2015 to determine a rate structure that would address the adequacy and equity of water rates to maintain a sound fiscal water utility, to meet operating expenses, and funding of ongoing critical capital needs. (Exhibit STKN-059 is a true and correct copy of the City's approved 2016 Water Rate Study.)

Due to conservation measures including those mandated by the State, annual water utility rate revenues were reduced. However, given the fixed nature of MUD’s costs, overall operating costs did not reduce at the same level as revenues. Given the level of fixed costs, and declining consumption, the 2016 Water Rate Study recommended that the current level of fixed revenues, approximately 50%, be maintained in the proposed rates. In addition, drought surcharges were recommended to provide MUD with rates that result in target revenues being met to fund operating and capital costs during times of drought or water shortage events.

Findings and recommendations from the 2016 Water Rate Study included:

- The drought impacted customer consumption levels, which in turn considerably reduced overall revenues for the City’s water utility;
- Rate adjustments were necessary to meet legally required debt service coverage ratios and prudently fund operating and necessary capital renewal and replacement expenses;
- The water rates reflect the results of the cost of service analysis and the proportional allocation of costs to the various customer classes of service; and
- Drought surcharges were adopted based on the need to maintain sufficient revenues for operating and capital needs during water shortages.
The water rate transition plan included the following rate increases:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Water Rate Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/2017</td>
<td>18.5%</td>
</tr>
<tr>
<td>2017/2018</td>
<td>11%</td>
</tr>
<tr>
<td>2018/2019</td>
<td>3.0%</td>
</tr>
<tr>
<td>2019/2020</td>
<td>3.0%</td>
</tr>
<tr>
<td>2020/2021</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

The total rate increase was 38.5 percent through 2021. In addition to these proposed rate increases, the study also recommended the implementation of drought surcharges to ensure adequate revenue in the event of increased water conservation requirements.

MUD conducted nine (9) public ratepayer information sessions in 2016 as part of the rate increase approval process. For example, a Special Session City Council Meeting was held on March 26, 2016. One of the items on the agenda was a discussion of the proposed water rate increase. At that meeting, the City’s ratepayers spoke, expressing concerns, and asking questions regarding the 38.5 percent increase in water rates including:

- Concern for low income and disadvantaged residents
- Rate increases passed on to low income renters
- Conserving ratepayers will still be charged higher rates
- Expressed frustration over other rate increases
- Concern about not maintaining infrastructure

The predicted reduction in water quality at the DWSP intake pump station, particularly increased salinity, caused by the Project may require the City to make additional investments into desalination systems at the DWSP, which would cause an unfair burden on City ratepayers that is not in the public interest.

The ratepayers, many of whom are disadvantaged or low-income, would be required to pay for the necessary investments the City will have to make in order to maintain drinking water quality and comply with its NPDES permit. It is against public
policy and not in the public interest to shift the financial burden of dealing with WaterFix-caused water quality degradation from the Project to Stockton’s ratepayers.

IV. IF GRANTED, THE WATERFIX PERMIT MUST INCLUDE TERMS TO PROTECT STOCKTON’S WATER SUPPLY AND WASTEWATER SYSTEMS, AND ITS RATEPAYERS

The City has been subject to significant scrutiny in its pursuits for water rights permits and NPDES permit renewal, and was required to implement permit terms and conditions that protected the Project proponents’ use of their water supply. In addition to the conditions contained in the City’s water rights Permit 21176, Stockton’s ability to divert from the San Joaquin River at the DWSP is subject to the following permits and biological opinions:

1. Exhibit STKN-015 is a true and correct copy of the National Marine Fisheries Service Biological Opinion for the DWSP.
2. Exhibit STKN-016 is a true and correct copy of the United States Department of the Interior Fish and Wildlife Service Biological Opinion for the DWSP.
3. Exhibit STKN-017 is a true and correct copy of the United States Army Corps of Engineers 404 Permit, SPK-1997-00759 for the DWSP.
4. Exhibit STKN-018 is a true and correct copy of the California Department of Fish and Game Incidental Take Permit for the DWSP.

The City’s ability to divert water from the San Joaquin River under its water right permit and to discharge water consistent with its NPDES permit is dependent upon maintaining the water quality in the San Joaquin River such that the above-mentioned permits and biological opinions are also maintained. Furthermore, the permit terms that were included in Stockton’s NPDES permit were advocated by the Project proponents, including the San Luis & Delta-Mendota Water Authority, State Water Contractors, and Metropolitan Water District of Southern California, in order to protect their water supply. (Comments on the Tentative Order R5-2014-XXXX, NPDES No. CA0079138, for the City of Stockton Regional Wastewater Control Facility, San Joaquin County, April 25, 2014, Exhibit STKN-060; Testimony by Metropolitan Water District of Southern California
at Central Valley Regional Water Quality Control Board Hearing, December 11, 2015,  
Agenda Item 26(c), City of Stockton, Regional Wastewater Control Facility, San Joaquin County – (Amendment) Order R5-2014-0070-01 and Time Schedule Order R5-2014-0071 (Rescission) NPDES Permit CA0079138.) In their comments, the Project proponents stressed that "[e]xcess nutrient loading to the Bay-Delta can contribute to excess and/or nuisance algae blooms that result in significant impacts including ecosystem changes, depressed dissolved oxygen, cyanotoxin production, nuisance to recreational uses and water provider operations, and taste and odor issues for drinking water supplies." (Id.) If Stockton is required to protect the Project proponents’ water supply, then Petitioners must equally be required to protect Stockton’s water supply, which is partially based on Stockton’s ability to discharge wastewater under its NPDES permit.

V. CONCLUSION

Stockton has made significant investments in its water supply and wastewater treatment systems, and the Petition threatens to place an additional financial burden from degraded water quality on the City and its ratepayers. Approval of the Petition as it is proposed is against the public interest because it will cause significant impacts to water quality, including potential impacts to public health, destabilize the City’s water supply, and shift the financial impacts of the Project to the City’s ratepayers, a significant percentage of whom are economically disadvantaged. Approval of the Petition as proposed will lead to degradation of public trust resources and significant adverse impacts to the Delta and its vast array of infrastructure, its urban areas, its agriculture and its ecosystem.

These significant concerns must be addressed before the Petition can be considered. However, if the State Water Board decides to grant the Petition, then the Petitioners’ permits must include terms and conditions that ensure that WaterFix will not cause the impacts that have been described herein, or that the Petitioners will bear the burden of mitigating the impacts.
I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 29th day of November, 2017 in Stockton, California.

[Signature]

C. Mel Lytle, Ph.D.