

July 31, 2018

Katie DiSimone
California Regional Water Quality Control Board - Central Coast Region
895 Aerovista Place, Suite 101
San Luis Obispo, CA 93401

Subject: Time Schedule Order No. R3-2018-0019 Second Quarter Progress Report

Dear Ms. DiSimone:

In accordance with Table 3 (Compliance Schedule) of Time Schedule Order No. R3-2018-0019 dated June 27, 2018, the City of Morro Bay (City) is submitting the Second Quarter Progress Report. Per Table 3, the progress report shall include the following:

"The quarterly progress reports shall detail the Discharger's actions implemented towards achieving compliance with Order No. R3-2017-0050, including but not limited to studies, installation/construction progress, evaluation of measures implemented, recommendations for additional measures as necessary to achieve full compliance by the final date of this TSO, completion of any required actions, failures to comply with any action required and related corrective actions. Quarterly progress reports shall also include as attachments any documentation demonstrating compliance, such as RFPs, EIRs, rate studies, contract awards, or hearing agendas. Where such materials are publicly available via the Discharger's website, the Discharger's quarterly report may instead provide web links if approved by Central Coast Water Board staff."

Background

The City currently jointly owns and operates a wastewater treatment plant (WWTP) with the Cayucos Sanitary District (CSD). The WWTP was 1954 and blends primary-treated effluent with secondary-treated effluent when flows exceed 1 million gallons per day (mgd). The City is currently operating under Waste Discharge Requirements Order No. R3-2017-0050 (Order No. R3-2017-0050), which requires the City to discontinue the blending process as part of the planned new water reclamation facility (WRF) project, and all flows will meet at least full secondary treatment standards.

Since 2013, the City has been developing a WRF project through the completion of several key planning milestones including completion of the Draft Water Reclamation Facility Master Plan and Draft Master Water Reclamation Plan. These planning documents along with City Council-adopted goals for the project have outlined a project that includes the following major components:

- Onsite tertiary treatment facility with a capacity of approximately 1 mgd;
- Onsite full advanced treatment facilities capable of meeting the Division of Drinking Water's requirements for potable reuse via groundwater augmentation;
- Offsite recycled potable reuse facilities including pipelines and injection wells necessary for groundwater augmentation in the Morro groundwater basin; and
- Offsite raw wastewater conveyance facilities including pipelines and pump station(s) to convey raw wastewater, tertiary-treated wastewater, and brine between the existing WWTP site and the City's preferred site located at Highway 1 and South Bay Boulevard.

Summary of Recent Activities

During the first two quarters of 2018, the City has made major strides in moving the WRF program towards achieving full compliance with Order No. R3-2017-0050 by February 23, 2023. These milestones include the completion of the Draft and Final Environmental Impact Report (EIR), selection of the preferred proposer for design-build of the onsite WRF improvements, completion of the Draft Financial Plan and Rate Analysis, completion of the EPA Water Infrastructure Finance and Innovation Act (WIFIA) low-interest loan application, and mailing of the Proposition 218 notices for the water and sewer rate increases necessary to fund the WRF program. A summary of major milestones, dates of their completion, and critical supporting documentation is also identified in the table below.

| Activity | Completion Date | Supporting Documentation | Links to WRF Website |
|--|------------------|--------------------------|---|
| WRF Onsite Design-Build Request for Proposals | January 24, 2018 | RFP | http://morrobaywrf.com/request-proposals-design-build-services-wrf-onsite-improvements/ |
| Release of Public Draft Environmental Impact Report (EIR) | March 30, 2018 | Draft EIR | http://www.morrobayca.gov/DocumentCenter/View/11684/WRF-Draft-EIR--All-Chapters-Combined |
| City Council Selection of the Preferred WRF Onsite Design-Build Team | June 13, 2018 | Agenda | http://www.morrobay.ca.us/ArchiveCenter/ViewFile/Item/4648 |
| Final EIR | July 03, 2018 | Final EIR | http://www.morrobayca.gov/DocumentCenter/View/11985/WRF-Final-EIR |
| Recommendation to Certify Final EIR by Planning Commission/WRFAC | July 03, 2018 | Agenda | http://www.morrobay.ca.us/ArchiveCenter/ViewFile/Item/4682 |
| Draft Financial Plan and Rate Analysis | July 05, 2018 | Draft Report | http://morrobaywrf.com/site/wp-content/uploads/Morro-Bay-WRF-Financing-Plan-Rates-Draft-7-5-18.pdf |
| City Council Approval of Proposition 218 Notice | July 10, 2018 | Agenda | http://www.morrobay.ca.us/ArchiveCenter/ViewFile/Item/4685 |
| Submission of the EPA WIFIA Application | July 13, 2018 | Application | http://morrobaywrf.com/site/wp-content/uploads/WIFIA-Loan-Application-main-July-2018.pdf |

Summary of Planned, Near-Term Activities

In addition to continuing to progress the preliminary design of the offsite lift station(s) and pipelines, the City is planning to complete the following major activities before the end of the third quarter of 2018:

| Planned Activity | Proposed Date |
|---|--------------------|
| City Council Certification of the Final EIR | August 14, 2018 |
| Hold the Proposition 218 Rate Hearing | September 11, 2018 |
| Award Contract for WRF Onsite Improvements to DB Team | September 25, 2018 |
| Award Contract for Next Phase of Hydrogeological Work | September 25, 2018 |

Conformance with the Compliance Schedule

Table 3 in the TSO identifies the final and intermediate required actions that must be satisfied to demonstrate full compliance with the TSO. The table below lists the required actions, compliance due dates, actual completion dates for those actions already completed, and planned completion dates for those not yet completed.

| Required Actions | Compliance Due Dates | Actual Completion Date | Planned Completion Date |
|--|----------------------|------------------------|-------------------------|
| Release of Public Draft EIR | March 30, 2018 | March 30, 2018 | - |
| Release of Updated Rate Study | June 30, 2018 | July 05, 2018 | - |
| Proposition 218 Hearing | August 30, 2018 | - | September 11, 2018 |
| Certification of Final EIR | June 30, 2018 | - | August 14, 2018 |
| Award of Contract for WRF Onsite Improvements | September 30, 2018 | - | September 25, 2018 |
| Develop, Implement, and Submit Pollution Prevention Plan | December 01, 2018 | - | December 01, 2018 |
| Award of Contract for Construction of Lift Station and Offsite Pipelines | November 30, 2019 | - | November 30, 2018 |

| Required Actions | Compliance Due Dates | Actual Completion Date | Planned Completion Date |
|---|--------------------------------|------------------------|-------------------------|
| Completion of WRF Improvements with Completion Report | December 30, 2022 | - | December 30, 2022 |
| Full Compliance with Final Effluent Limits | February 28, 2023 | - | February 28, 2023 |
| Quarterly Progress Reports on TSO Compliance | 1st Quarter: May 01, 2018 | NA | NA |
| | 2nd Quarter: August 01, 2018 | August 01, 2018 | - |
| | 3rd Quarter: November 01, 2018 | - | November 01, 2018 |
| | 4th Quarter: February 01, 2019 | - | February 01, 2018 |

The City will continue to work diligently to come into compliance with Order No. R3-2017-0050 by February 23, 2023 and meet the intermediate actions in Table 3. If you have questions about this progress report or need assistance accessing any of the supporting documentation, please do not hesitate call or email at your earliest convenience.

Sincerely,

CAROLLO ENGINEERS, INC.



Eric Casares, P.E.
WRF Program Manager

ETC:sm

Enclosures: