

**GOVERNANCE COMMITTEE
FOR THE
MONTEREY PENINSULA WATER SUPPLY PROJECT**

California American Water • Monterey County Board of Supervisors
Monterey Peninsula Regional Water Authority • Monterey Peninsula Water Management District

**FINAL MINUTES
Regular Meeting
Governance Committee
for the
Monterey Peninsula Water Supply Project
February 29, 2016**

- Call to Order:** The meeting was called to order at 1:30 pm in the conference room of the Monterey Peninsula Water Management District offices.
- Members Present:** Jason Burnett, representative for Monterey Peninsula Regional Water Authority
Robert S. Brower, Sr., representative for Monterey Peninsula Water Management District
David Potter, representative for Monterey County Board of Supervisors
Richard Svindland, representative for California-American Water (alternate to Rob MacLean)
- Members Absent:** Robert MacLean, representative to California American Water
- Pledge of Allegiance:** The assembly recited the Pledge of Allegiance.
- Public Comments:** (a) **Michael Warburton**, representing the Public Trust Alliance (PTA), an intervenor before the Public Utilities Commission. Mr. Warburton stated over the past four years, he has repeatedly requested that the Governance Committee discuss the change in circumstances related to the desalination project. CEQA requires that the public have an opportunity to hear why projects are implemented using specific methodologies. So far, very little attention has been paid to the actual things that are happening. A groundwater ordinance was enacted two years ago – groundwater is not the same as it was 20 years ago. There is an obligation of county water agencies to look at what the resources are and how they might be used, not to just avoid looking at them for year, after year, after year. There has never been a better time to start a reasonable analysis of thinking about how the environment surrounding this project has changed, how the laws have changed, and how it is very different. No one is analyzing the larger context, and I hope that would happen. (b) **Tom Rowley**, representing Monterey Peninsula Taxpayers Association (MPTA), stated that on January 27, 2016, the Monterey Peninsula Regional Water Authority provided a review of cost data for various water

supply alternatives. Due to the high cost for the social and environmental benefits of the Pure Water Monterey Project, locals must lobby state officials to pay for that project

Burnett responded that he met recently with the director of the California Public Utilities Commission (CPUC) who described actions being taken to ensure timely completion of the EIR on the Monterey Peninsula Water Supply Project desalination project. Stoldt noted that the project is eligible for \$15 million in Clean Water State Revolving Funds. Water Management District directors are in communication with federal and state legislators to expedite action on applications for grants and loans.

Presentations

1. **Progress Report from California-American Water on the Monterey Peninsula Water Supply Project Including Updates on Production from Test Slant Well; Desalination Project Design; and Design and Procurement of Conveyance Facilities**

Ian Crooks, Engineering Manager, California-American Water (Cal-Am), presented the progress report. A summary of his presentation is on file at the Water Management District office and can be viewed on the Governance Committee web site. During discussion of this item, the following comments were made by Cal-Am representatives. Water from the test well is at 92 percent salinity, the optimum would be 96 percent. The project goal is to reach 96 percent, and the goal of the working group is to design intake wells that will produce water at 96 percent salinity. The plan is to eventually convert the test well into one of the project intake wells. Ten wells would be needed for the larger plant and seven are planned for the smaller plant – each scenario assumes that two wells would be on standby. Salinity levels measured at the test well vary throughout the day due to changes in temperature and tides. Ultimately, a well operating plan will describe how the percentage of return water will be calculated.

Public Comment: **(a) David Stoldt**, Monterey Peninsula Water Management District, asked if the test well results indicated that production from the shallow aquifer was affected by rain events. *Svindland stated that the hydrologic working group reviewed this question and that the Sand City Desalination Project wells are not affected by rainfall, so they expect that the test well would respond similarly. It is estimated that the test well draws 65 percent of water from the shallow aquifer and the remainder is from the 180 foot aquifer.* **(b) Tom Rowley**, MPWA, stated that the cost estimate for the 6.4 mgd desalination plant is \$7 million less than the cost of the 9.6 mgd plant, plus \$7 million for the new pipeline. He expressed support for a 9.6 mgd plant that would be more cost effective, considering there are only 40,000 local ratepayers to fund the project. In a large metropolitan area with a greater number of customers, the smaller project might be cost effective. **(c) George Riley** asked if Cal-Am staff could explain why the slope of incline in salinity grew more slowly after the well was re-started in October 2015. *Crooks said it could be the expected “curve affect”, which is that initially the well brought up water that had accumulated around the screens, once that water was pumped it took longer to draw more water in. Engineering the wells properly in final project design will address that issue.*

Action Items

2. Adopt 2016 Committee Meeting Schedule

Burnett announced that his term as Mayor of Carmel will end in April 2016, as will his service on the Governance Committee. He thanked the Monterey Peninsula Water Management District for hosting the committee meetings and providing administrative support. Potter expressed appreciation for all Burnett had accomplished in working towards approval of a water supply solution. No public comment was directed to the committee on this item.

On a motion by Potter and second of Brower, the 2016 committee meeting schedule was approved as presented on a vote of 3 – 0 by Potter, Brower and Burnett.

3. Develop Process for Procurement of Consultant to Conduct Value Engineering Analysis of Conveyance Facilities

Stoldt explained that this process would be similar to that followed by the Monterey Peninsula Regional Water Authority when it hired a firm to conduct a value engineering study of the desalination facility. However, this effort would be undertaken by the Water Management District and funded by Cal-Am through a reimbursement agreement. A request for qualifications (RFQ) would be developed and provided to Cal-Am for comment. The RFQ will be distributed and responses reviewed by Governance Committee member agencies, and a recommendation will then be brought forward to the committee for approval. Stoldt estimated that a recommendation could be brought forward to the committee within 7 or 8 weeks.

Public Comment: **(a) George Riley** asked if the new Castroville pipeline would be funded by local ratepayers as part of the project costs. *Svindland responded that the Castroville pipeline will not be funded by Cal-Am ratepayers; Castroville Community Services District (CCSD) will be funding that through its process. Cal-Am could work with its contractors to negotiate a price for construction, or CCSD could independently work with the contractors to build the pipeline. Stoldt noted that the Value Engineering study would not include this pipeline because no bids have been negotiated on it. No decision has been made about ownership of the pipeline: is it part of CCSD's project or is it for Cal-Am desal return water. Crooks stated that conveyance facilities include: feedwater pipelines, distribution and transfer pipelines, CSIP pipeline, terminal reservoirs, and two pump stations.* **(b) Michael Warburton**, PTA, stated that the biggest value question was between desal and non-desal. It becomes a joke if the alternative is not even considered. It is a forgone conclusion. Does this committee feel that a Certificate of Necessity and Public Convenience (CPCN) has been completed for this project? If it is not necessary to have a desalination project, it is not necessary to plan for the conveyance facilities. I don't know if this totally assumes the CPCN has been granted already and it assumes the environmental impacts of desalination have been completely argued? This is another thing where this project is just assumed, and value engineering makes no contribution whatsoever because the decisions have been made. I hope that this committee will be aware that value engineering on a done deal is a strange exercise, and publicly it will be perceived as such.

Burnett expressed a concern that if Pure Water Monterey were to be approved before the desalination project was permitted, would Cal-Am make an investment in the critical pipelines. Svindland noted that the new Monterey pipeline through General Jim Moore Blvd. is covered under the Pure Water Monterey project EIR, so Cal-Am could begin the permitting process for that pipeline prior to approval of the desal project. Stoldt stated that the Water Management

District has determined that in the absence of desal project approval and other feasible alternatives, some of the Cal-Am only facilities related to delivery of the Pure Water Monterey water could be approved based on certification of the EIR. In addition, Pure Water Monterey facilities will convey water to the Seaside Basin and existing production wells, so that water could be leveraged.

On a motion by Brower and second of Potter, the committee authorized the Monterey Peninsula Water Management District to serve as administrator of a value engineering study of conveyance facilities. The motion was approved on a vote of 3 – 0 by Brower, Potter and Burnett.

4. **Receive Report from California-American Water on Potential Additional Savings in Capital Costs for the 6.4 MGD Project Variant and Provide Direction as to whether to Invest in Further Study of Cost Savings**

Crooks presentation on this item can be viewed at the Water Management District office and on the Governance Committee website.

Public Comment: **(a) Jim Cullem**, Monterey Peninsula Regional Water Authority, suggested that one way to reduce project costs would be to eliminate the administration building and use the space within the desal facility that would be created when three RO units are removed. The facility could be expanded at a later date. *Crooks stated that the sound level of the desalination plant would be much too loud for the addition of an administrative office in that building.* **(b) Tom Rowley**, MPTA, asked for clarification of the cost difference between the 9.6 mgd and 6.4 mgd desalination facilities. *Crooks confirmed that the cost differential between the 6.4 and 9.6 mgd plant is \$16 million.* **(c) David Stoldt**, MPWMD, stated that there are still concerns about size and cost differentials; however, the committee should not make a decision about resizing the facility. The CPUC has been advised that if the project were sized for future growth, the future water users could pay. He noted that the Office of Ratepayer Advocates is looking at some other cost saving measures. He recommended that a value engineering study on the 6.4 mgd plant should not be conducted.

Brower offered a motion that the project should proceed as planned without a value engineering study on the 6.4 mgd plant. The motion was seconded by Potter, and approved on a vote of 3 – 0 by Brower, Potter and Burnett.

Discussion Items

5. **Suggest Items to be Placed on Future Agendas**

Items suggested for consideration at a future meeting of the committee are the usual project updates, and the value engineering study on conveyance facilities. There was agreement among the committee members that the Water Management District will issue the RFQ without formal review and direction from the committee.

Public Comment: **(a) Tom Rowley**, MPTA, thanked Burnett for the key role he played on the committee in advancing a water supply solution. **(b) Michael Warburton**, PTA, thanked Burnett for his participation on the committee. Warburton stated that he did not know if the committee members believed that planning circumstances have not changed or what the rationalization is for not discussing this issue. He asked if Burnett knew why changed

circumstances had not been discussed. *Burnett stated that there may be a disagreement on what has changed and what the range of options are to address any change. He thanked Warburton for the suggestion.* (c) **George Riley** stated that Burnett had set the example for what leadership looks like.

Adjournment: The meeting was adjourned at approximately 4:25 pm.



Arlene M. Tavani,
Clerk to the MPWSP Governance Committee

