

EXHIBIT 22-B

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## Group outlines desal pilot plant

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Competition over who will build a desalination plant in Moss Landing heated up Monday as officials from the county and California-American Water Co. detailed plans to partner with Duke Energy to build a pilot plant.

By next year, the group plans to have a small plant on the Duke property producing 60,000 gallons of desalted water a day. While the partnership verifies the quality of that water, it will be used for production purposes by Duke.

The pilot plant would be a test run for a larger plant, likely located at or near Duke to make use of the water that is discharged from its cooling systems to dilute the desalination plant's brine before it is discharged to the Monterey Bay. Officials from Cal-Am and the Monterey County Water Resources Agency said they are in negotiations with Duke for that long-term project.

But North Monterey County residents and environmentalists are worried that the project could do harm to Monterey Bay and their pocketbooks.

Originally envisioned to supply an alternative water source to reduce draw from the Carmel River, the plant's mission has been expanded to provide up to 20,000 acre-feet of water per year for any Monterey County coastal community that wishes to buy in.

The plans are in direct competition with a desalination plant planned by the Pajaro-Sunny Mesa Water District, which plans to construct a plant at the defunct National Refractories industrial site next door to Duke. It is the only other site with intake and outfall pipes into the Bay.

The California Coastal Commission and Monterey Bay National Marine Sanctuary have indicated they will not approve new intake systems on the Bay except for research purposes. Rachel Saunders, spokeswoman for the sanctuary, said Friday it was very unlikely the sanctuary would approve two desalination plants at Moss Landing because of concerns over service duplication and cumulative impacts to the bay.

Marc Del Piero, attorney for Pajaro-Sunny Mesa, said he was surprised at Duke's apparent plans to participate with the county and Cal-Am.

He said he was told by Duke General Manager Gene McCrillis within the past month that Duke would not allow use of its outfall for desalination because of ongoing litigation by the Voices of the Wetlands concerning discharge from its cooling system.

McCrillis attended Monday's meeting but left immediately and was not available to comment.

"I'm surprised and somewhat disappointed that there's a different standard," Del Piero said, "but obviously Cal-Am must have made them an offer they couldn't refuse."

Bill Philips, assistant general manager for the water resources agency, said there was still room for Pajaro-Sunny Mesa, which delivers water to North Monterey County and Moss Landing, to participate in the county project or purchase water from it.

Neither Philips nor Cal-Am general manager Steve Leonard detailed the expected costs for the project, which would include 24 miles of pipeline to deliver water to various communities. The group is in discussion with the Transportation Agency of Monterey County to lay the pipeline along existing rail lines.

Monterey County Supervisor Lou Calcagno said he wasn't concerned about the competition between the county's project and Pajaro-Sunny Mesa's.

"At this point its probably healthy to have two competing projects," Calcagno said.

Leonard said his company is the superior choice.

"We are responsible to solve the problems with the Carmel River and we're going to move forward and we'll work with anyone we need to make it happen, including Pajaro-Sunny Mesa," said Cal-Am's Leonard.

About 70 people attended Monday's town hall meeting. Most expressed skepticism and distrust in the written questions they passed to the front, worrying especially about the project's cost to local rate payers.

"Moss Landing is concerned we're going to be paying a water bill like down in Carmel and I don't think that's fair," said one woman who did not identify herself during the meeting.

Others expressed concern about the environmental impacts on Elkhorn Slough and the Bay. Marine biologist Andrew DeVogelaere, coordinator for the sanctuary's research into the effects of the outfall from Duke's cooling system on Elkhorn Slough, said wildlife in the area are in distress, but he has not determined if the cause is Duke's discharge or some other natural process.

Larry Gallery, project coordinator from RBF Consulting, said the firm's "modeling" of the project shows little cause for concern.