

EXHIBIT 20-I

ADDENDUM

to the

**Sand City Water Supply Project
Final Environmental Impact Report
(State Clearinghouse #2004041133)**

CAL-AM INTERCONNECTION

City of Sand City

September 2007

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The California Environmental Quality Act (CEQA) recognizes that between the date an environmental impact report has been certified and the date the project is fully implemented, one or more of the following changes may occur: 1) the scope of the project may change; 2) the environmental setting in which the project is located may change; 3) certain environmental laws, regulations or policies may change; and/or 4) previously unknown information can arise. CEQA requires a Lead Agency to evaluate these changes to determine whether or not they are significant or otherwise substantially effect the conclusions in a previously certified environmental document.

In 2005, the City of Sand City certified the Final EIR for the Sand City Water Supply Project (2005 Final EIR). The purpose of this Addendum is to analyze the environmental impacts of proposed modifications to the water supply project.

The CEQA Guidelines (Sections 15164 and 15162) describe a process for evaluating the potential significance of new information. The process can reach one of three conclusions:

- (1) The new information does not result in the identification of a new significant environmental impact not already addressed in the EIR, and it does not identify a substantial increase in the magnitude of a previously-identified significant environmental impact. Therefore, no additional environmental review is required.
- (2) The new information does result in identification of a new significant environmental impact not previously disclosed in the EIR and/or it identifies a substantial increase in the magnitude of a previously-identified significant environmental impact and no mitigation is included in the project that will reduce the impact to less than significant. Therefore, preparation of a Supplemental EIR is required.
- (3) In order to make a determination of whether the existing EIR is adequate or whether preparation of a Supplemental EIR is warranted, further technical studies are required.

As stated in Section 15164 (d) of the CEQA Guidelines, the decision-making body shall consider the Addendum with the Final EIR prior to making a decision on the project.

The project evaluated in the 2005 Final EIR is the construction and operation of a 300 acre-feet per year reverse osmosis (RO)/desalination facility and potable water distribution system to serve customers in Sand City. Water to be treated at the facility will be obtained from the shallow groundwater aquifer near Monterey Bay (also known as the Aromas Sands aquifer). The project is intended to provide water for existing and future development in accordance with the planned development, goals and objectives of the City's General Plan, Local Coastal Plan and Redevelopment Plan. The new water supply project addressed in 2005 was designed to be independent from the regional California-American Water Company (Cal-Am) water supply for the Monterey Peninsula.

Under existing conditions, the water demand in Sand City is approximately one-third of the capacity of approved RO/desalination facility. The City of Sand City is now proposing that the RO/desalination facility be constructed and the full production capacity of 300 acre-feet of water be made available to the regional water purveyor for the Monterey Peninsula, Cal-Am. In the near term,

most of the water produced at the RO/desalination facility will be used as current water replacement within the regional system to reduce pumping from the Carmel River Basin and/or the Seaside Groundwater Basin.¹ The amount of water available for current water replacement will decrease slowly over time as future development allowed under the Sand City General Plan will increase water demand over current usage. The City of Sand City anticipates in-fill growth in Sand City to occur over the next 10 to 20 years.

The purpose of this Addendum is to analyze the impacts of constructing a new interconnection with the Cal-Am regional water supply system, allowing the use of most of the water produced at the proposed Sand City RO/desalination plant to reduce water demand on the Carmel River and/or Seaside Groundwater Basin in the near term (see *Section 3.0 Description of the Proposed Changes to the Project*). The Sand City Water Supply Project will also be modified by removing additional water storage and water main loops from the project.

3.0 DESCRIPTION OF THE PROPOSED CHANGES TO THE PROJECT

The project proposes modifications to the Sand City Water Supply Project evaluated in the January 2005 Final EIR. A schematic of the revised water supply system is shown in Figure 1. The new or revised components of the project include:

- Construction of a 900 foot pipeline within existing, paved street rights-of-way from the planned RO/desalination facility to a new interconnection with the existing regional water supply system operated by Cal-Am (Figures 1 and 2). The new interconnection will be located near the intersection of Roberts Avenue and Olympia Avenue in Seaside and will allow for delivery of water from the RO/desalination facility to the Cal-Am system for distribution. The new water supply pipeline will be eight (8) inches in diameter.
- Sale and delivery of all of the 300 acre-feet of water produced at the RO/desalination facility to Cal-Am. The regional water supplier will continue to supply existing and future water users in Sand City.
- Approval of a new Water Entitlement for Sand City by the Monterey Peninsula Water Management District for an additional 206 acre-feet of water per year. The entitlement will be for future uses allowed under the Sand City General Plan adopted in 2002.
- Under the revised project, 850,000 gallons of proposed water storage (in two tanks) and 7,000 linear feet of new water mains within the City will not be constructed. The storage tanks and pipelines were to have provided water storage and a new water main loop system for reliability and conveyance of fire flows once Sand City was disconnected from the existing regional water supply system. Since Sand City will remain connected to the Cal-Am system, the additional water storage and water main loop system will not be required.
- A connection for an emergency back-up water supply from the Marina Water District is no longer proposed.

¹ Sand City is located on the Monterey Peninsula, an area with limited potable water supply. The new water supply project addressed in 2005 was designed to be independent from the Carmel River and the regional California-American Water Company (Cal-Am) water supply, which is restricted by the State Water Resources Control Board under Order 95-10 due to overdrafting. Subsequently, in 2006, the Monterey Superior Court (*California American Water v. City of Seaside, Case Number M66343*) determined that the potable water in the Seaside aquifer system is also in overdraft, and preparation of a Seaside Basin Monitoring and Management Plan is required to deal with overdraft and seawater intrusion conditions.

- Relocation of the RO/desalination facility within the 0.8 acre property west of Catalina Street between Elder Avenue and Shasta Avenue. The facility will be located approximately 90 feet to the west of its previously proposed location (Figure 2).

No basic changes in the design of the water extraction wells, the horizontal injection well, and RO/desalination facility are proposed. The project will continue to be designed to supply potable water at a rate of up to 300 acre-feet per year. A revised version of the project description from the Final EIR, with text revisions shown, is provided in Appendix B.

This analysis assumes that, like the approved project, implementation of the revised project will provide water to accommodate future residential, commercial and industrial development allowed under the Sand City General Plan adopted in 2002. The proposed revisions to the project are described in more detail below.

3.1 PROPOSED INTERCONNECTION

As shown on Figures 1 and 2, water from the RO/desalination facility will be conveyed in an underground 8-inch plastic pipe easterly along Shasta Avenue, and south along Catalina Street to Roberts Avenue, near Olympia Avenue in the City of Seaside. The 8-inch water line will connect to an existing 14-inch water main in Roberts Avenue operated and maintained by Cal-Am.

3.2 REVISIONS TO THE RO/DESALINATION FACILITY SITE PLAN

The proposed project included a RO/desalination facility and two large storage tanks on a 0.8 acre property on the south side of Elder Avenue. Under the revised project, Sand City will not establish an independent water distribution system and no water storage tanks will be required. The water treatment facility will be located on the west side of the property, closer to the Highway 1 embankment. The project still includes feed water and concentrate discharge pipelines from Elder Avenue to Bay Street and Tioga Avenue. The net annual production and delivery of treated water for and to water customers will remain at 300 acre-feet per year.

Water treatment with disinfectants (such as sodium hypochlorite) will remain the same as described in the 2005 Final EIR. Water produced at the facility will be mixed on-site with water from the existing Cal-Am Water Distribution System. The purpose of this mixing is to reduce the potential for accelerated corrosion in metal water distribution pipelines within the Cal-Am system. Water used for mixing will be obtained via a service connection with the existing 6-inch water main in Shasta Avenue (Figure 1). Potable water for a sink at the facility (in a rest room) will also be obtained from the existing Shasta Avenue connection.

Treated/mixed water will flow from the water treatment facility to a new 8-inch water line in Shasta Avenue to the interconnection with the existing Cal-Am Water Distribution System, as described in Section 3.1, above.

3.3 REVISIONS TO THE WATER DISTRIBUTION SYSTEM

The project evaluated in the 2005 Final EIR included approximately 7,000 feet of new water distribution mains in a looped system. The water mains would have been built within existing

roadway segments of Elder Avenue, Ortiz Avenue, Catalina Avenue, California Avenue, Park Avenue, Scott Street, California Avenue, East Avenue, and Fir Avenue.

The revised project will maintain existing connections to the Cal-Am Water Distribution System that already serves the Monterey Peninsula and establish a new direct interconnection with the proposed RO/desalination facility. The 7,000 feet of new water mains described in the 2005 Final EIR will not be required to meet fire flow delivery or other water distribution requirements and are no longer proposed.

3.4 USES OF THE FINAL EIR AND ADDENDUM

Under the revised project, several additional approvals will be required to allow for interconnection of the RO/desalination facility with the Cal-Am Water Distribution System and a water entitlement for future uses in Sand City. The Final EIR and Addendum will provide decision-makers in the City of Sand City, Responsible Agencies, and the general public with relevant environmental information to use in considering the currently proposed project. These documents will be relied upon to satisfy the requirements of the California Environmental Quality Act (CEQA) for environmental review. Discretionary actions may include the following approvals. Approvals not listed in the 2005 Final EIR are underlined.

- | | |
|---|--|
| City of Sand City | <ul style="list-style-type: none">• Project Approval• Award Public Works Contracts• Street Opening Permit• Grading and Building Permits• Coastal Development Permit• <u>Operating Lease with Cal-Am</u> |
| California Coastal Commission | <ul style="list-style-type: none">• Coastal Development Permit |
| California Department of Public Health | <ul style="list-style-type: none">• Domestic Water Supply Permit |
| California Department of Transportation | <ul style="list-style-type: none">• Encroachment/Crossing Permit |
| Regional Water Quality Control Board | <ul style="list-style-type: none">• National Pollutant Discharge Elimination System Permit (NPDES) for construction• Waste Discharge Requirements for concentrate disposal |
| City of Seaside | <ul style="list-style-type: none">• Encroachment Permit (<u>for pipeline in City streets</u>) |
| County of Monterey, Environmental Health Department | <ul style="list-style-type: none">• <u>Well Drilling Permit</u> |
| Monterey Peninsula Water Management District | <ul style="list-style-type: none">• Water Distribution System Permit (<u>for Interconnection to Cal-Am Water Distribution System</u>)• <u>Water Entitlement</u> |

California Division of Occupational Safety
and Health

- Water Distribution System Permit (allowing new and expanded connections to Cal-Am Water Distribution System in Sand City)
- Mining and Tunneling Permit (for any borings over 30 inches)

4.0 ENVIRONMENTAL IMPACTS OF PROPOSED CHANGES TO THE PROJECT

The discussion below updates relevant existing setting information, and describes changes in environmental impacts between the currently proposed project and the previously evaluated project in the 2005 Final EIR. An Environmental Checklist was prepared that compares the environmental impacts of the currently proposed project with those addressed in the 2005 Final EIR. The Environmental Checklist is located in Appendix A of this document. Environmental issues specifically discussed in this Addendum to the Final EIR include the following: *Hydrology and Water Quality* and *Utilities and Growth Inducement*. No notable changes or issues in other subject areas would result from the changes in the project or new information.

4.1 HYDROLOGY AND WATER QUALITY

4.1.1 Update of Water Supply Regulatory Overview (Regional Groundwater)

Since preparation of the 2005 Final EIR, the Superior Court in Monterey County has ruled that the potable water bearing layers of the Seaside Groundwater Basin are in overdraft (*California American Water v. City of Seaside*, Case Number M66343, 2006). The Court's ruling establishes the Natural Safe Yield for the potable water bearing aquifers of the Seaside Groundwater Basin and requires pumping in those aquifers to be reduced to the Natural Safe Yield level over time. Preparation and implementation of a Seaside Basin Monitoring and Management Plan is required by the Court. The purpose of the Plan is to monitor the existing and future condition of the Basin and to manage the Basin as a perpetual source of water for beneficial uses. Actions that will be taken under the Plan include: monitoring of current overdraft conditions and the present threat of potential seawater intrusion into the Coastal Subarea of the Basin; development and import of supplemental water supplies for the purpose of eliminating Basin overdraft and the associated threat of seawater intrusion; and establishment of procedures that will be implemented to address seawater intrusion.²

The Court also ruled that Sand City has the exclusive right to withdraw Brackish Water from the Aromas Sands aquifer to be used as the source of supply for the desalination facility subject of the Final EIR.

The State Water Resources Control Board Order 95-10 remains in effect for diversions of water from the Carmel River Basin by Cal-Am. Based on consultation with the State Water Resources Control Board in January 2006, water produced at the proposed RO/desalination facility would be exempt from the one-to-one replacement requirement for new water sources in Order 95-10, however. Water

² Seaside Basin Monitoring and Management Program *in* Seaside Groundwater Basin Watermaster Board Request for Proposals to Provide Consulting Services for Managing And Implementing the Seaside Basin Monitoring And Management Program, September 29, 2006. [<http://www.ci.seaside.ca.us/pw%5Cpdf%5CRFPWater.pdf>]

would be extracted from the Aromas Sands aquifer of the Seaside Groundwater Basin, which is exempt from Order 95-10.

4.1.2 Overview of the Impacts of the Revised Sand City Water Supply Project

The 2005 FEIR evaluated the potential hydrology impacts that would result from implementation of Sand City Water Supply Project. At the time of preparation of the FEIR, the water distribution system in Sand City was proposed to be disconnected from the Cal-Am Water Distribution System. With the new treatment system, the water supplied by the RO/desalination plant being available to Cal-Am would effectively reduce the pumping from the Carmel River Basin for water users on the Monterey Peninsula. The 2005 Final EIR estimated that Cal-Am water used in Sand City was then approximately 135 acre-feet per year (during 2003/2004). Subsequently in 2006, annual water use in Sand City was 94 acre-feet.³

Under the revised project, Sand City will not be disconnected from the Cal-Am regional water supply system. The proposed RO/desalination facility will supply 300 acre-feet of potable water to the Cal-Am water distribution system per year. In the near term, most of the water produced at the RO/desalination facility will serve as current water replacement within the regional system to reduce pumping from the Carmel River and/or the Seaside Groundwater Basins which are currently in overdraft. In the long-term, growth in Sand City and associated water demand, will occur in conformance with the Sand City General Plan adopted in 2002. Over time, as new development in Sand City is constructed and occupied, some of the new water supply from the RO/desalination facility will be used to serve future development or redevelopment projects in Sand City. The water will not be used directly from the RO/desalination facility, but supplied from the overall regional water distribution system as a mixture from various sources, including the RO/desalination plant. Under the revised project, water available for future projects will be allocated by the City from a 206 acre-feet/year additional water entitlement. The water entitlement for Sand City will be approved by the Monterey Peninsula Water Management District. The 206 acre-feet per year water entitlement is consistent with the previous project description of permanently replacing existing supplies of Cal-Am water provided to Sand City (now 94 acre-feet per year) and reducing pumping in overdrafted aquifers.

New service connections at future developments in Sand City will be subject to the conservation rules of the Monterey Peninsula Water Management District. Future development also will be subject to review by the City of Sand City to ensure that adequate water supplies are available. A mitigation measure adopted in the Mitigated Negative Declaration for the Sand City General Plan (2002) requires future projects to demonstrate the availability of water through existing allocations, proven water rights or the successful acquisition or production of new supplies.⁴ This currently proposed project does not alter any of the policies or procedures implemented by the District and the City to achieve water conservation.

Impacts to Groundwater

The key question regarding groundwater is whether the revised project will directly or indirectly result in new adverse impacts to groundwater levels or supply. The potential for the revised project to result in direct or indirect impacts is described below.

³ Source: Cal-Am Water Company, for Water Year 2005-2007.

⁴ Mitigation Measure 3.16.2 from the Sand City General Plan Mitigated Negative Declaration (2002) states: *Any and all development within the City may proceed only upon the demonstrated availability of water through existing allocations, proven water rights, or the successful acquisition or production of new supplies. Project specific environmental review will be required.*

Direct Impacts

Like the project evaluated in the 2005 Final EIR, brackish water will be removed from the Aromas Sands aquifer near Monterey Bay. Treated water from the RO/desalination facility will be produced at a rate of 300 acre-feet per year. The annual rate of extraction of brackish water from the Aromas Sands aquifer will not change and there will be no new or different impacts to the Aromas Sands aquifer or the potable water bearing aquifers of the Seaside Groundwater Basin.

Indirect Impacts to the Carmel River and/or Seaside Groundwater Basin

As noted above, the existing Cal-Am water distribution system uses the Carmel River Basin and the Seaside Groundwater Basin as its principal sources of water supply. As also noted above, both of those existing sources of supply are presently being overdrafted.

As revised, the Sand City Water Supply Project will remain connected to the existing Cal-Am water distribution system. The project will supply an additional 300 acre-feet of water to the existing Cal-Am water distribution system. Withdrawal of water from the Cal-Am water distribution system is regulated by the Monterey Peninsula Water Management District. As revised, the project could ultimately withdraw up to 206 acre-feet of water back out of the Cal-Am system for use in Sand City, beyond existing uses.

One positive environmental effect of the project identified in the Final EIR would have been to reduce demand on the Carmel River Basin and the Seaside Groundwater Basin by the amount of water being used in Sand City at the time the City was disconnected from the Cal-Am water distribution system. As revised, the project will continue to have that positive effect and the project will have the additional positive effect of reducing demand on those resources up to 300 acre-feet per year in the near term.

The revised project, therefore, would not degrade or deplete groundwater resources.

Conclusion: The revised project, in the near term, will reduce water demand from the Carmel River Basin and the Seaside Groundwater Basin, more than the project evaluated in the 2005 Final EIR. In both the near-term and long-term, the revised project would not degrade or deplete groundwater, either directly or indirectly. **[No New Adverse Impacts]**

Impacts to Water Quality

Groundwater Quality

The operation of the injection well, including the annual rates of production, will be the same as that described in the 2005 Final EIR. The revised project, therefore, would not result in new impacts to either the Aromas Sands aquifer or Monterey Bay.

Drinking Water Quality

The one modification to water production at the RO/desalination facility is the mixture of treated RO water with potable water from the existing Cal-Am water distribution system. The revised project, like the project evaluated in the 2005 Final EIR, will be subject to current drinking water standards, including State of California Department of Public Health regulations. The proposed mixing of

treated RO water and potable water from the Cal-Am system, in conformance with state and federal standards and regulations, would not result in new environment impacts.

Conclusion: The project addressed in the 2005 Final EIR has been modified by a proposed interconnection with the Cal-Am Water Distribution System. The currently proposed project would not result in a new significant impact to groundwater quality or drinking water quality. [No New Impact]

4.2 UTILITY INFRASTRUCTURE AND GROWTH INDUCEMENT

The 2005 Final EIR addressed a project that included construction of a water supply facility and water distribution infrastructure to serve existing and planned development in Sand City. The revised project includes a new interconnection between the proposed water supply facility and the existing regional water distribution system for the Monterey Peninsula. With this interconnection, the previously proposed local water distribution system improvements (consisting of two water storage tanks and 7,000 linear feet of new water mains) will not be needed. The proposed interconnection will include 900 linear feet of new water mains in paved streets.

4.2.1 Physical and Environmental Effects of the Revised Project

The revised project is smaller in scale on the east side of Highway 1 as a result of the proposed interconnection with the regional water supply system.

The environmental impacts associated with construction of extraction wells, the injection well, and RO/desalination facility will be the same as the project evaluated in the 2005 Final EIR. The revised project will avoid possible construction impacts to black legless lizards from trenching for water main pipelines in the vicinity of Scott Street. Energy use during construction will also be reduced as fewer pipelines and no large storage tanks will be installed.

Conclusion: The proposed construction of water supply infrastructure would not result in environmental impacts of greater severity than those addressed in the 2005 Final EIR. It will result in less impact.

4.2.2 Growth Inducement

The 300 acre-feet per year production rate of the proposed RO/desalination facility would not change under the revised project. The way the water is distributed to existing and future users would change however; from service to water users in Sand City only to conveyance of the water produced at the facility to the regional water distribution system.

Under the revised project, existing uses would continue to be supplied under existing allocations and entitlements. Future development in Sand City would be supplied from a 206 acre-foot per year water entitlement approved by the Monterey Peninsula Water Management District in consideration of the new water supply delivered from the proposed RO/desalination facility.⁵

The 2005 Final EIR concluded that, based on existing use rates (in 2003/2004) for residential and commercial uses, projected water demand would be approximately 311 acre-feet per year, somewhat less than maximum build-out allowed in the 2002 General Plan. The 2005 Final EIR also concluded

⁵ Future developments could also be served by other water supplies and entitlements; however, other water sources are not within the scope of this environmental review and are not considered further.

that incorporation of water conservation measures in future projects could lower use rates and the resulting water demand to 300 acre-feet of potable water per year (the proposed yield of the RO/desalination facility). The exact mix of future development in Sand City is not known at this time and there are variables in terms of water conservation, green building design, and other factors that will determine future water demand. The estimates are still anticipated to be within the final range of water demand for Sand City for the future development described in the 2005 Final EIR.⁶

As discussed in *Section 4.1.2*, future projects in Sand City will be required to demonstrate the availability of water through existing allocations, proven water rights, or the successful acquisition or production of new supplies as a part of project-specific environmental review. It is possible that once the proposed 206 acre-feet per year of water is allocated, some future development allowed under the 2002 General Plan would not be approved unless additional water supplies were obtained. As the proposed water entitlement is not greater than projected future water use in the 2005 Final EIR, the proposed water entitlement would not induce new growth beyond that addressed in the 2005 Final EIR.

Conclusion: The 300 acre-feet per year RO/desalination facility and proposed water entitlement would serve planned development and would not induce new growth not previously considered in the 2005 Final EIR.

⁶ The Monterey Peninsula Water Management District, as part of planning for environmental review of the proposed Coastal Water Supply Project in Moss Landing, has prepared estimates of future demand for local jurisdictions on the Monterey Peninsula. The estimate of future demand for Sand City is 386 acre-feet per year, including a 20 percent contingency. This long-term projection was accepted for evaluation purposes by the City of Sand City for the Coastal Water Supply Project in February 2007. This would allow for more than the anticipated development addressed in the 2005 Final EIR, but not more than buildout of the 2002 General Plan.

5.0 CONCLUSION

Based upon the previous analysis and discussion, it is concluded that the proposed project would not result in any new significant environmental impacts not previously discussed in the EIR, there have been no changes in circumstances in the project area that would result in new significant impacts or more severe impacts, and the magnitude of previously identified environmental impacts would not be substantially different from those associated with the originally approved project. For these reasons, an Addendum is the appropriate document to enter this new information into the administrative record for the project and no further environmental review is required or warranted under CEQA.

Pursuant to CEQA Guidelines Section 15164(c), this Addendum will not be circulated for public review, but will be included in the public record file for the Sand City Water Supply Project Final EIR.

By:

Steve Matarazzo
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Date