MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Supplement to 9/16/13 MPWMD Board Packet

Attached are copies of letters received between August 13, 2013 and September 9, 2013. These letters are also listed in the September 16, 2013 Board packet under item 27, Letters Received.

Author	Addressee	Date	Topic
David Aranda	David Pendergrass	9/6/2013	No Paid Workers' Compensation Claims in 2012-13
Fred Meurer	David J. Stoldt	8/30/13	$200,000 Grant to Explore Local Water Projects
Tom Greer	David J. Stoldt	8/30/13	Local Water Project Grant
Fred Meurer	Keith Israel	8/29/13	Ground Water Recharge and the Role of Storm and Non-Storm Water Flows
Sarah Hardgrave	David J. Stoldt	8/22/13	Pacific Grove Local Water Project Grant Application
David W. Balch	MPWMD Board	8/20/13	Peoples Moss Landing Desalination Project
Brian LeNeve	Dick Butler	8/20/13	Section 10(a)(1)(A) Permit Application
Ernest D. Mill	David J. Stoldt	7/11/13	Water Availability for 8100 Valley Greens Drive, Carmel

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Special District Risk Management Authority

Maximizing Protection. Minimizing Risk.

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MPWMD

September 6, 2013

Mr. David Pendergrass
Board Chair
Monterey Peninsula Water Management District
PO Box 85
Monterey, California 93942-0085

Re: No Paid Workers' Compensation Claims in 2012-13

Dear Mr. Pendergrass:

This letter is to formally acknowledge the dedicated efforts of the Monterey Peninsula Water Management District's Governing Body, management and staff towards proactive loss prevention and workplace safety. Your agency's efforts have resulted in no "paid" workers' compensation claims for program year 2012-13. A "paid" claim for the purposes of this recognition represents the first payment on an open claim during the prior program year. This is a great accomplishment!

It is through the efforts of members such as Monterey Peninsula Water Management District that SDRMA has been able to continue providing affordable workers' compensation coverage to over 399 public agencies throughout California. In fact, 242 members or 61% in the workers' compensation program had no "paid" claims in program year 2012-13.

In addition to this annual recognition, members with no "paid" claims during 2012-13 earn 2 credit incentive points (CIPs) thereby reducing their annual contribution amount. Also, members without claims receive a lower "experience modification factor" (EMOD) which also reduces their annual contribution amount.

As SDRMA is dedicated to serving its members and preventing claims, we would appreciate your agency taking a moment and sharing with us what made your District successful in preventing work related injuries. Our goal is to incorporate your successful ideas and suggestions into our loss prevention programs to benefit all members of SDRMA. Please forward any ideas or suggestions to Dennis Timoney, SDRMA Chief Risk Officer at dtimoney@sdrma.org.

On behalf of the SDRMA Board of Directors and staff, it is my privilege to congratulate the Governing Body, management and staff of Monterey Peninsula Water Management District for their commitment to proactive loss prevention and safety in the workplace.

Sincerely,
Special District Risk Management Authority

David Aranda, President
Board of Directors

August 30, 2013

David J. Stoldt, General Manager
Monterey Peninsula Water Management District
P.O. Box 85
Monterey, CA 93942-0085

Subject: $200,000 Grant To Explore Local Water Projects

Dear Mr. Stoldt:

We have reviewed your letter dated August 1, 2013 regarding the above and have decided that we will not apply for funds at this time. In the process of discussing options and ideas, we believe what is needed more than any other study, is a comprehensive examination of what role storm water and dry weather flows (SW/DWF) can play in solving the region's water shortage problems. This fundamental research should look at the opportunities that exist throughout the entire region including at least all of the Monterey Regional Water Pollution Control Agency's service area to harvest, store and utilize SW/DWF as raw water feed for potable and/or non-potable uses. If there is a monetary value to SW/DWF, this would help address another dire need; providing the cities with a way to finance their storm water regulatory programs.

One example of where opportunities exist is in the City of Monterey. There are two lakes, Del Monte Lake and Lake El Estero. Both of these lakes are managed, meaning that their levels are controlled. Prior to a storm event, the lake levels are lowered so that there is storage capacity. The water that is drained could be sent to a treatment system located either in the City or to a regional treatment system where it could be used for potable or non-potable feed water. There are other lakes on the Peninsula that could be managed in a similar manner, thereby maximizing the amount of water that could be captured and treated. Storm water regulations already prohibit the discharge of dry weather flows into certain ocean waters designated as Areas of Special Biological Significance (ASBS). The State Water Resources Control Board also is able to designate certain ocean waters as State Water Quality Protected Areas (SWQPA), which also carries a DWF prohibition. So as time goes on, there will be more of a call to divert SW/DWF into either a sewer system or a system designed to carry these flows separately for treatment because of new SWQPAs, additional ASBS restrictions or other increases in regulatory restrictions.

We would suggest that future allotments of MPWMD funds be used as grant match for State funds that would come from the various Integrated Regional Water Management Program (IRWMP) fund sources. This would first require that the IRWMP have a regional SW/DWF utilization study. We would be happy to assist in the formulation of a description of such a project.

Sincerely,

Fred Meurer
City Manager

FLY MONTEREY
Monterey Regional Airport

200 Fred Kane Drive, Suite 200
Monterey, CA 93940
(831) 648-7000
(831) 648-7026 FAX

August 30, 2013

David Stoldt, General Manager
Monterey Peninsula Water Management District
5 Harris Court, Building G
Monterey, CA 93940

RE: Local Water Project Grant

Dear Mr. Stoldt:

This letter is provided in response to Monterey Peninsula Water Management District's (MPWMD) recent solicitation for Local Water Project grant applications. The Monterey Peninsula Airport District (MPAD) is interested in utilizing grant funding to conduct a feasibility study on the reuse of existing wells that have been used for groundwater remediation.

BACKGROUND

Groundwater contamination on the northwest side of Monterey Regional Airport related to historic operations of the Naval Auxiliary Air Station (NAAS) Monterey was discovered in 1990. The Army Corps of Engineers determined that Department of Defense (DoD) fuel storage and aircraft maintenance activities was the source of contamination, and therefore eligible for DoD environmental remediation. A series of extraction, reinjection, and monitoring wells with "in situ" treatment systems were installed by the Corps on- and off-airport.

After eleven years and $18M, the Corps of Engineers and the California Regional Water Quality Control Board have determined that remediation efforts have been highly effective and may be completed in the next several months (see attached Corps PowerPoint presentation).

PROPOSAL

The Corps of Engineers remediation closure plan calls for the ultimate destruction of the wells and removal of equipment. Corps staff has indicated that some of the wells may be usable as sources of water supply and that they are willing to facilitate retention and transfer of on-airport wells for productive reuse.

MPAD recognizes the substantial investment that has been made in developing this system of wells, conveyance lines, and a storage tank that is on the airport. This is an asset that may be able to be

directed to existing and future on- and off-airport needs. We would like to conduct a feasibility study on whether and how the wells may be reused for the benefit of the airport, its neighbors, and the community.

SCOPE OF STUDY

After consulting with MPWMD staff, a two-phased approach to assessing the future potential of the wells would be appropriate. The grant request would address Phase 1 only and pertains to the on-airport wells and remediation infrastructure.

Phase 1 – Data Collection and Review

- Review all existing hydrogeo data and put into a useful format;
- Confirm current field conditions of the treatment system wells;
- Generate a preliminary range of concepts on how the wells may be developed and potential receptors of the water supply;
- Report with determination of feasibility and recommendations.

Phase 2 -- if reuse is considered feasible to this point and not risk-averse:

- Pump tests of the on-airport wells;
- Determination of sustainability of pumping, and long-term well production and maintenance costs;
- Estimated costs of alternatives.

Following an in-house assessment of the Phase 1 recommendations and consideration of liability of pursing options and whether additional funding is available, MPAD may choose to proceed to Phase 2.

The Phase 1 study will be conducted by a local hydrogeologist. Preliminarily, we believe the Phase 1 feasibility analysis would cost in the range of $10,000 to $15,000. MPAD believes that, in addition to staff time, the existing well infrastructure is an asset that may be considered a match in-lieu of funds.

SUMMARY

This proposal is preliminary and subject to refinement following initial review by the MPWMD. MPAD sees the feasibility study and potential reuse of the wells as highly consistent with and complementary to MPWMD's goal of seeking a variety of small water projects that may (1) help offset the losses of Cal Am's reduced supply of Carmel River aquifer water for existing uses, and/or (2) provide water for future projected uses in the area.

MPAD requests that the MPWMD consider this grant for a feasibility study. We are pleased to pursue this worthwhile endeavor and hope that you will find it suitable for your support.

Sincerely,

Tom Greer
General Manager

Attachment: US Army Corps of Engineers PowerPoint presentation

U. S. Army FUDS Environmental Restoration Program Naval Auxiliary Air Station Monterey Status Update

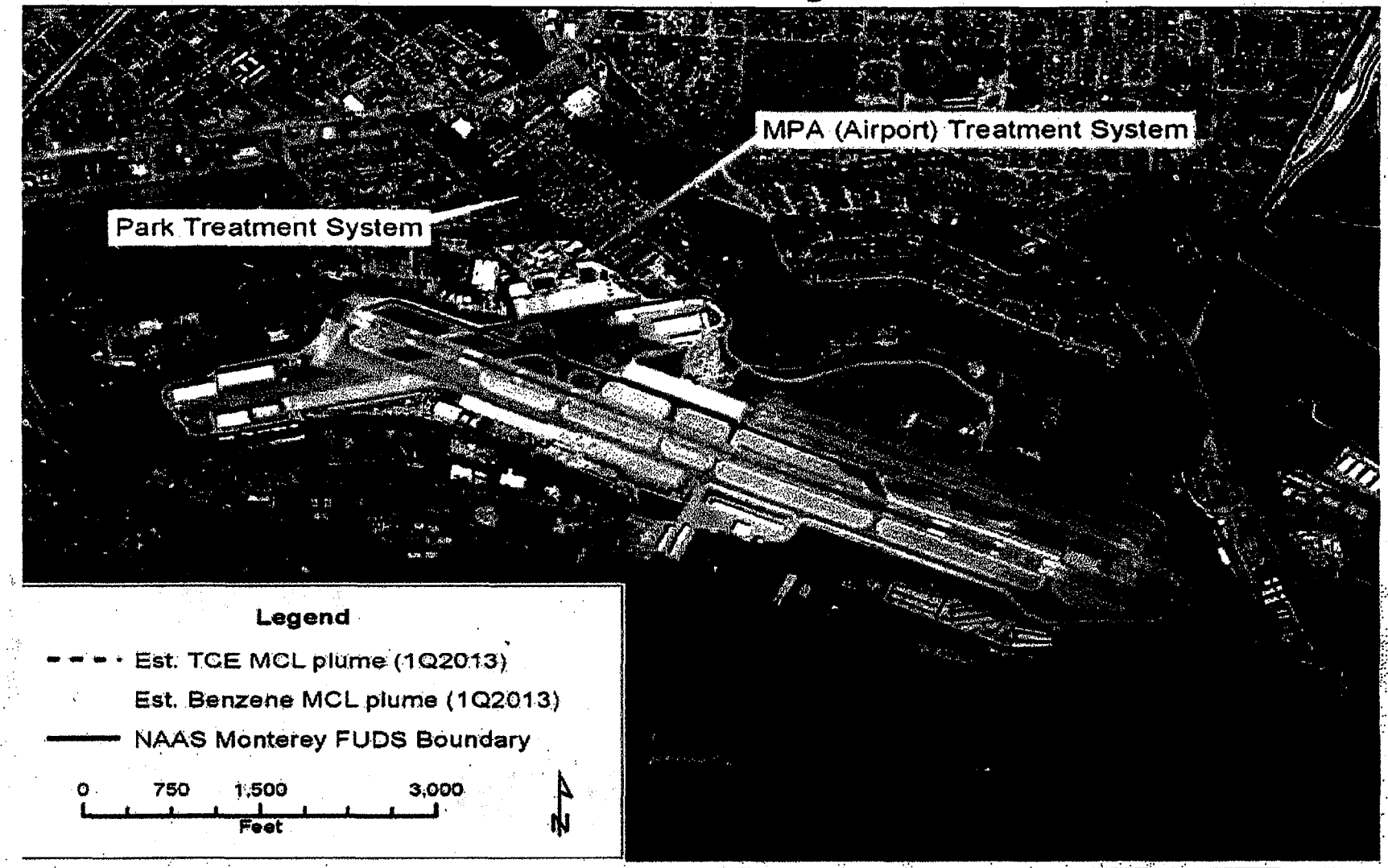
14 August 2013

Jerry Vincent, Chief, BRAC/FUDS Section
U.S. Army Corps of Engineers
Sacramento District

Introduction

- History
- Operations
- Air Permeability Test
- Conclusion
- Questions/Issues

NAAS Monterey FUDS



SITE HISTORY
Naval & Joint Operations

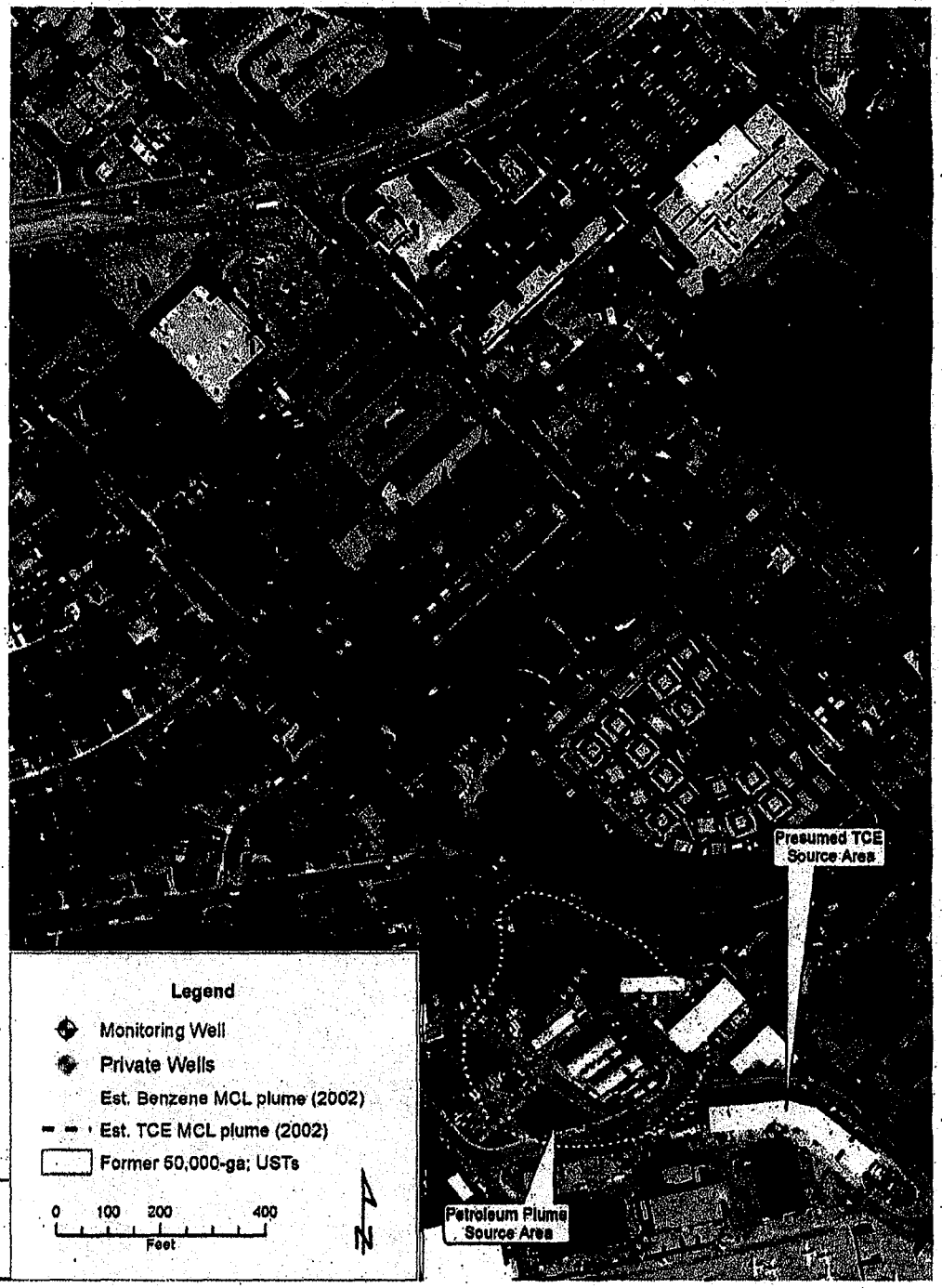
- The Department of Navy leased approximately 455 acres from the Monterey Peninsula Airport District (MPAD) in 1942 creating the Naval Auxiliary Air Station (NAAS) Monterey.
- In 1946, MPAD was granted joint and equal use of the landing facilities without terminating the original agreements dated in 1942.
- Between 1972 and 1982, the Naval Postgraduate School at Monterey continually renewed the lease from MPAD, which included the use of underground fuel storage tanks and supporting pipelines in the cantonment area at the north end of the property.
- November 22, 1982, MPAD released the Department of the Navy from its lease of the 455-acre parcel.

FORMERLY USED DEFENSE SITE (FUDS) INVESTIGATION

- In September 1991, the Sacramento District of the USACE completed an *Inventory Project Report* (INPR) for NAAS Monterey that included site visits and a records review. The results of the INPR concluded that the facility was formerly used by the DoD and was therefore eligible for inclusion in the FUDS program.
- The INPR documented the following environmental issues or potential source areas for contaminants:
  - Use and subsequent removal of multiple underground storage tanks (USTs);
  - Testing, removal, and disposal of abandoned transformers;
  - Former fire fighting practice area;
  - Military dump site; and
  - Firing ranges.

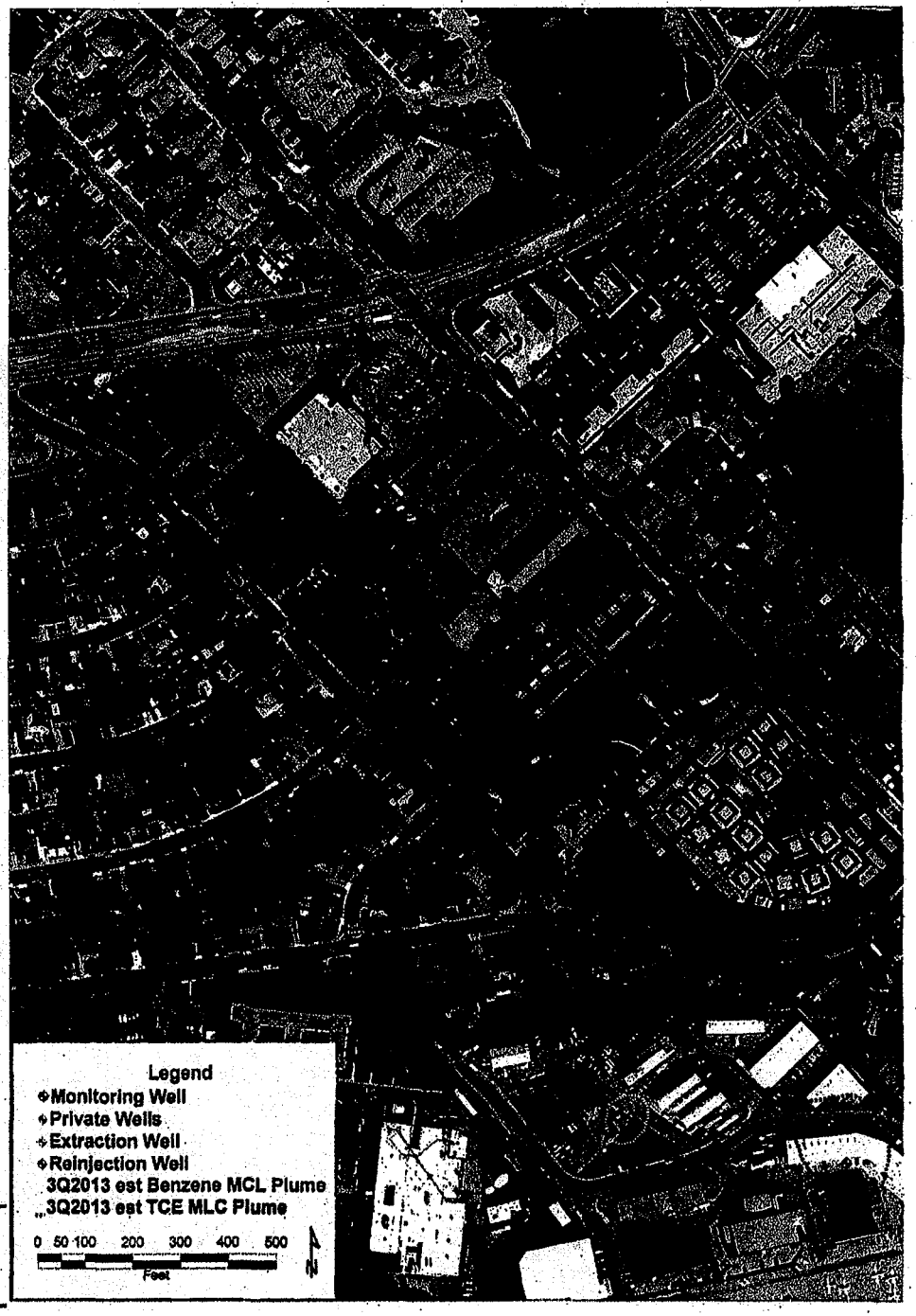
Groundwater Contamination POL & TCE

- Groundwater contamination related to historic operations at NAAS Monterey was discovered at the MRA in 1990.
- There are currently two known groundwater contaminant plumes at the former NAAS Monterey FUDS: the Petroleum Oil and Lubricant (POL) plume and the Trichloroethene (TCE) plume.
- The presumed source areas for both groundwater plumes are located in the northwestern portion of the MRA in the light industrial park.



NAAS Monterey Well Program

- **Wells**
  - **24 Monitoring wells**
    - ✓ 14 MW on the Airport
    - ✓ 1 MW in the Park
    - ✓ 8 MW in the community
  - **4 Extraction Wells**
    - ✓ 3 on the Airport
    - ✓ 1 in the Park
  - **12 Reinjection Wells**
    - ✓ 6 Reinjection wells on the Airport
    - ✓ 6 Reinjection well at the Park
  - **5 Private Wells used for monitoring**



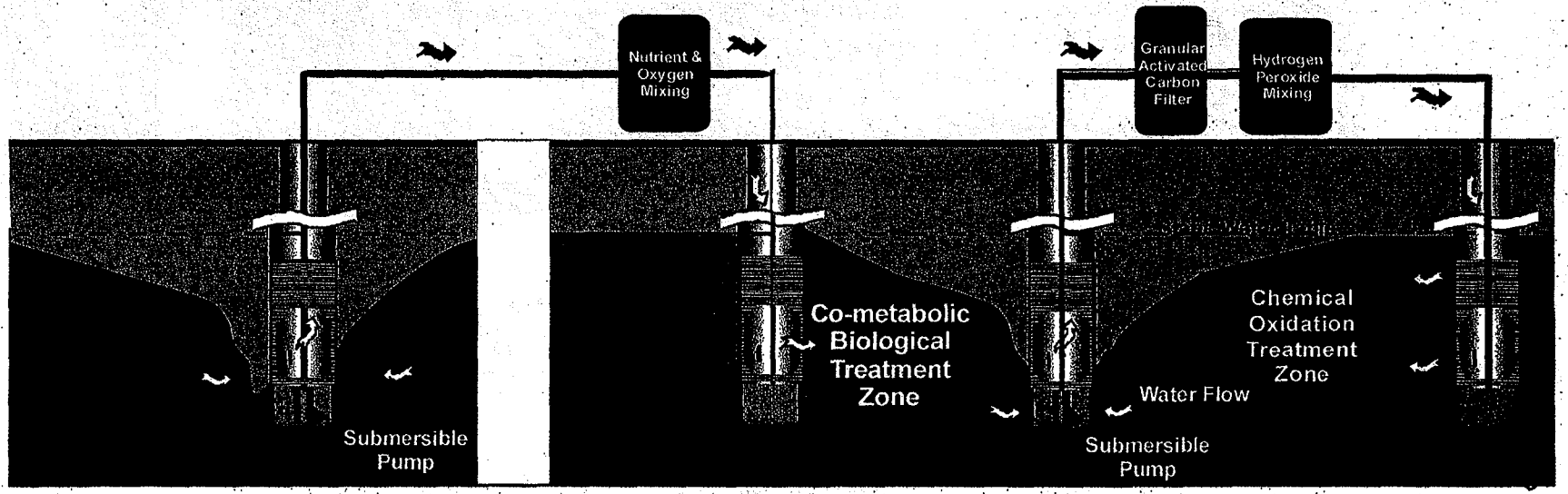
Enhanced *In Situ* Biodegradation

Enhanced *in situ* biodegradation treats both the Trichloroethene (TCE) and Petroleum Oil and Lubricants (POL) plumes located on the airport property.

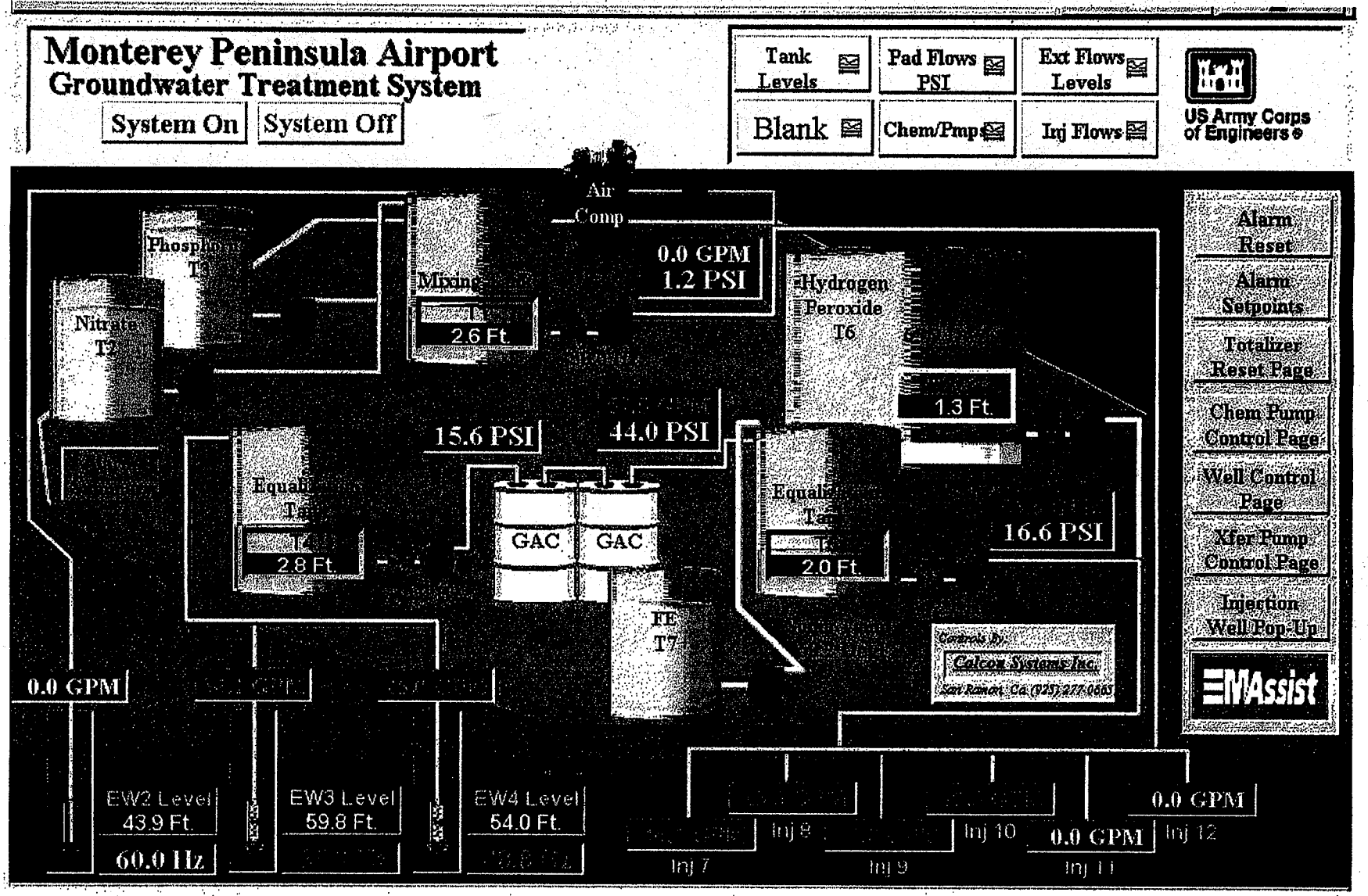
Step 1: POL-contaminated water is extracted into a tank where oxygen and nutrient microbes are added. The water is re-injected into the groundwater table at the location of the TCE plume.

Step 2: The POL plume serves as food for the microbes to stimulate biodegradation within the TCE plume. This process, known as co-metabolism, results in the break down of both contaminants within the groundwater table.

Step 3: The water is extracted from the groundwater table, filtered through granular activated carbon, and re-injected into the groundwater table down gradient of the TCE source area.



Control Panel Airport



Airport System

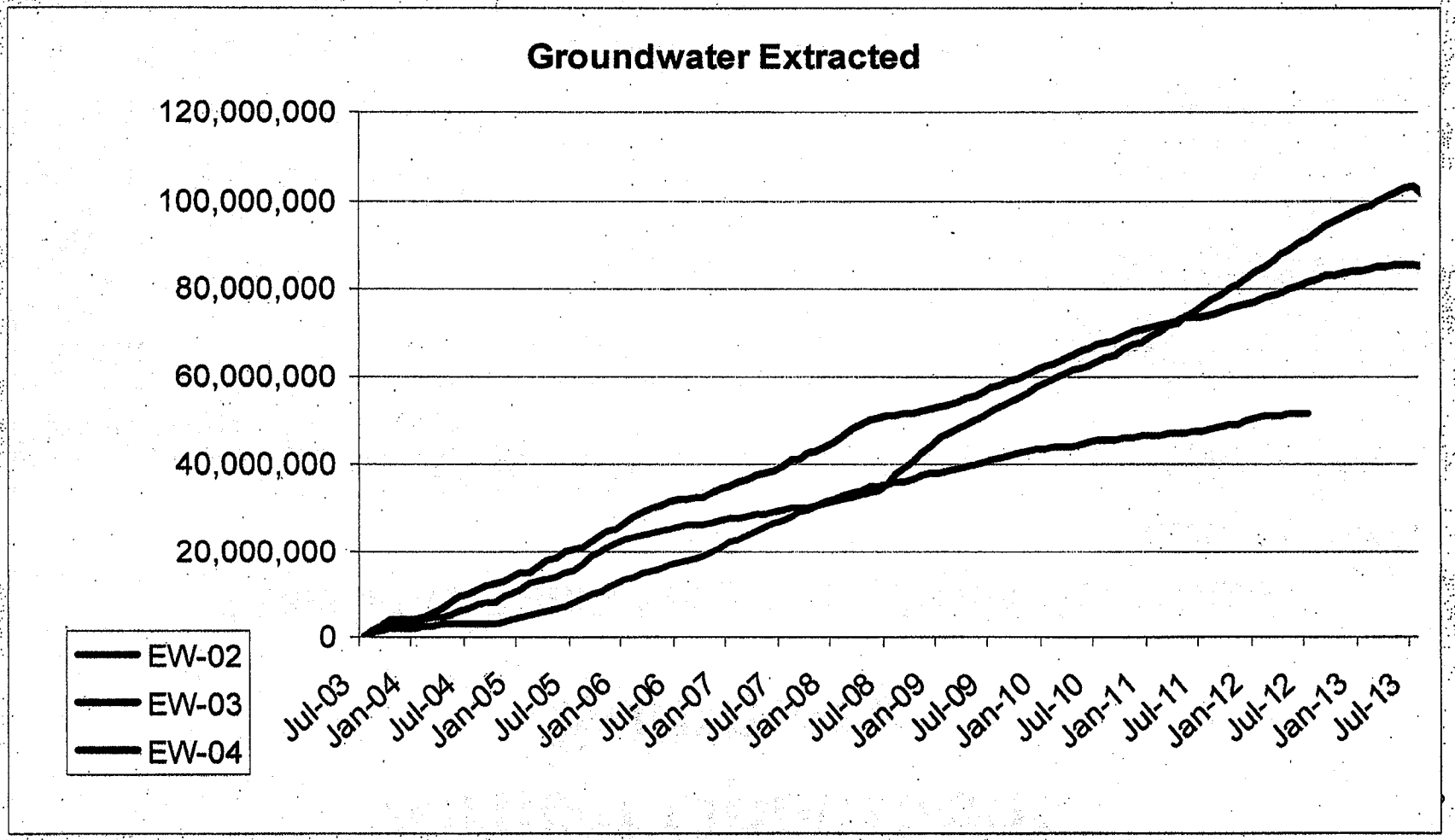
Airport System

Airport Operations Summary

Cumulative Totals Summary, Airport Operations

Parameter	Total Through June 2013
Groundwater Extracted	
Total	239,637,869 gallons
TCE Plume	188,245,236 gallons
POL Plume	51,392,633 gallons
Groundwater Treated	191,040,751 gallons
Groundwater Reinjected	238,424,623 gallons
Mass Removed by Carbon Treatment (calculated)	
TCE	38.96 pounds
Benzene	5.17 pounds
Mass Removed *In Situ* (estimated)	not calculated

Airport Operations Groundwater



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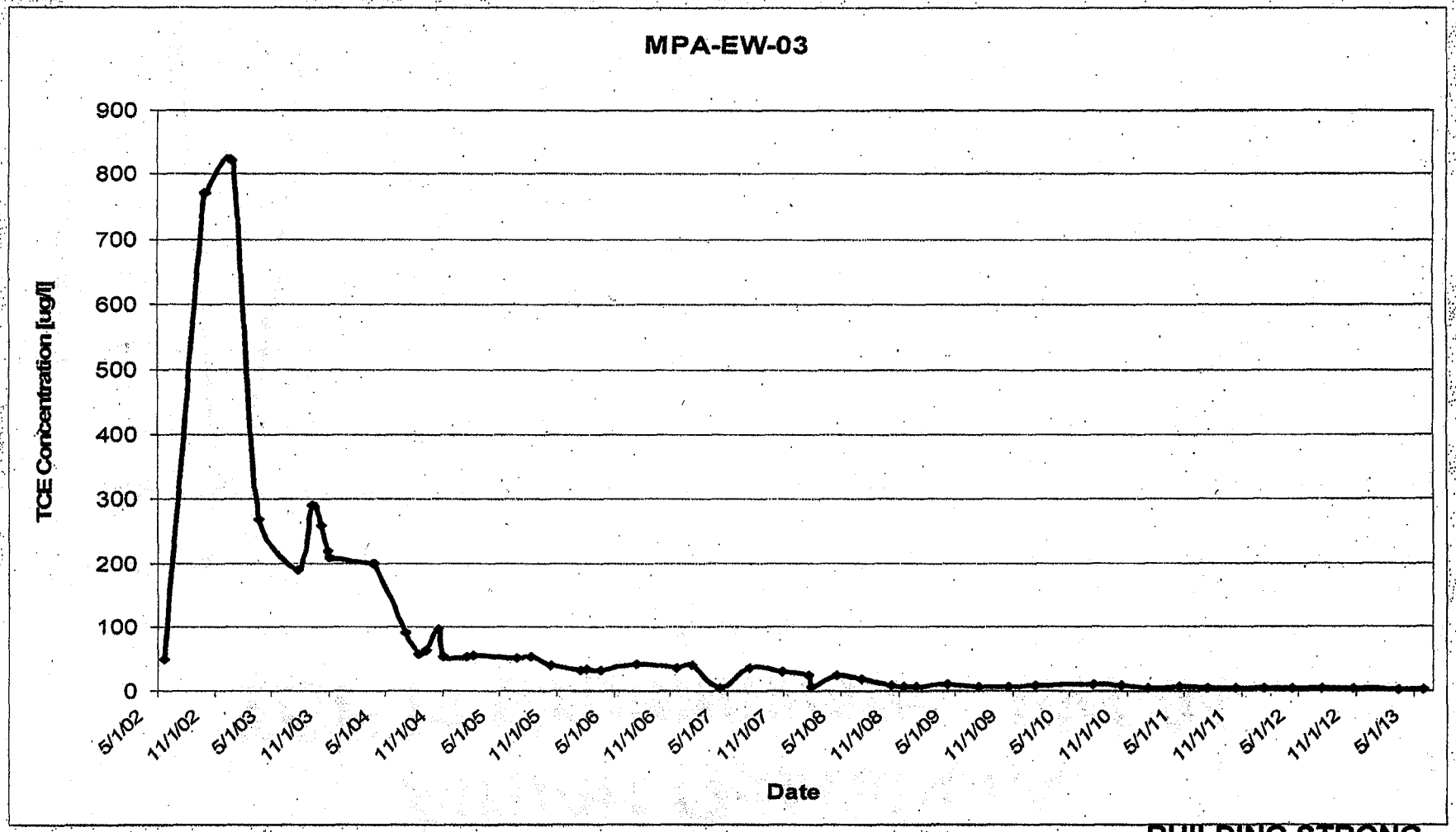
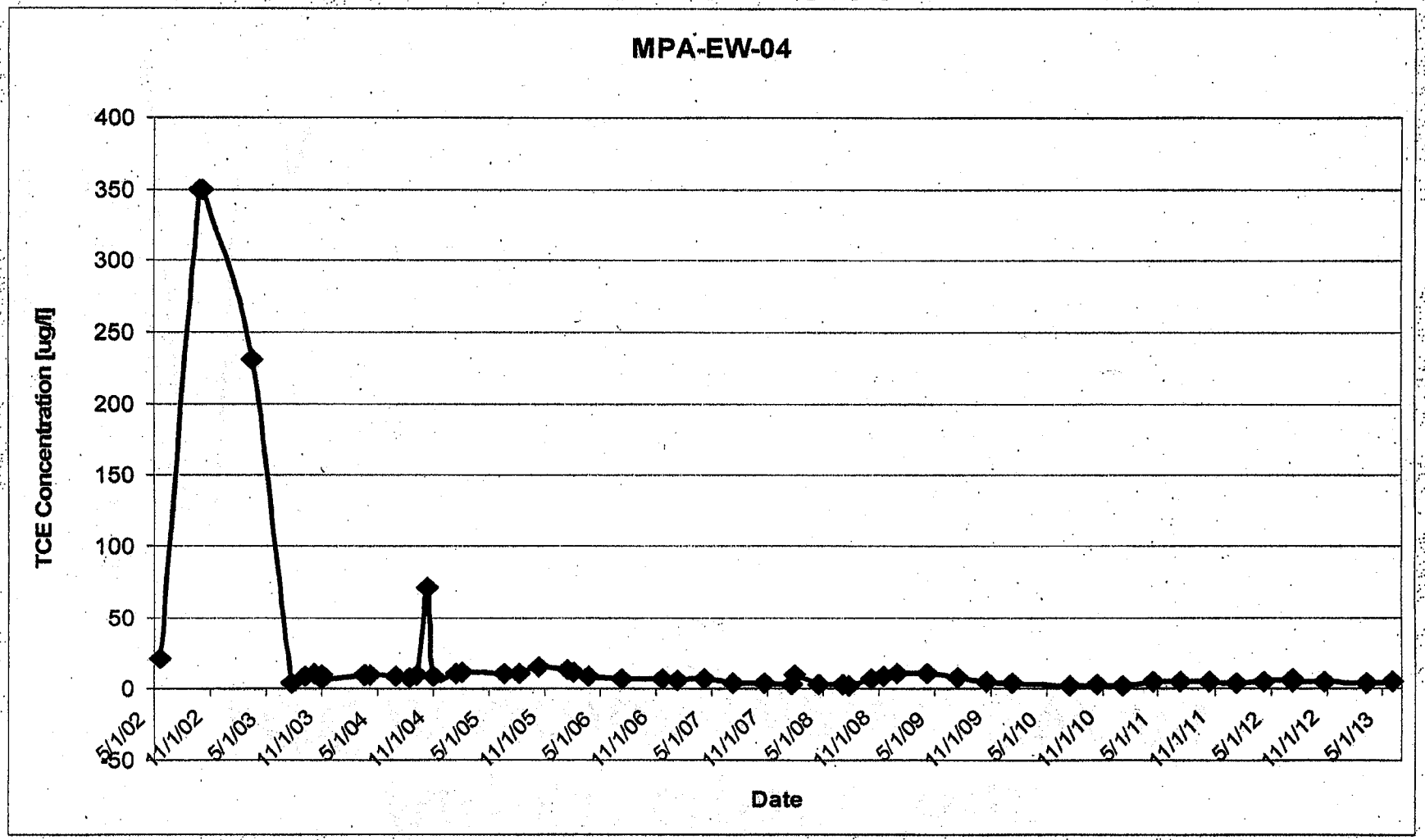
Airport Operations
TCE in Groundwater: EW-03



Airport Operations
TCE in Groundwater: EW-04



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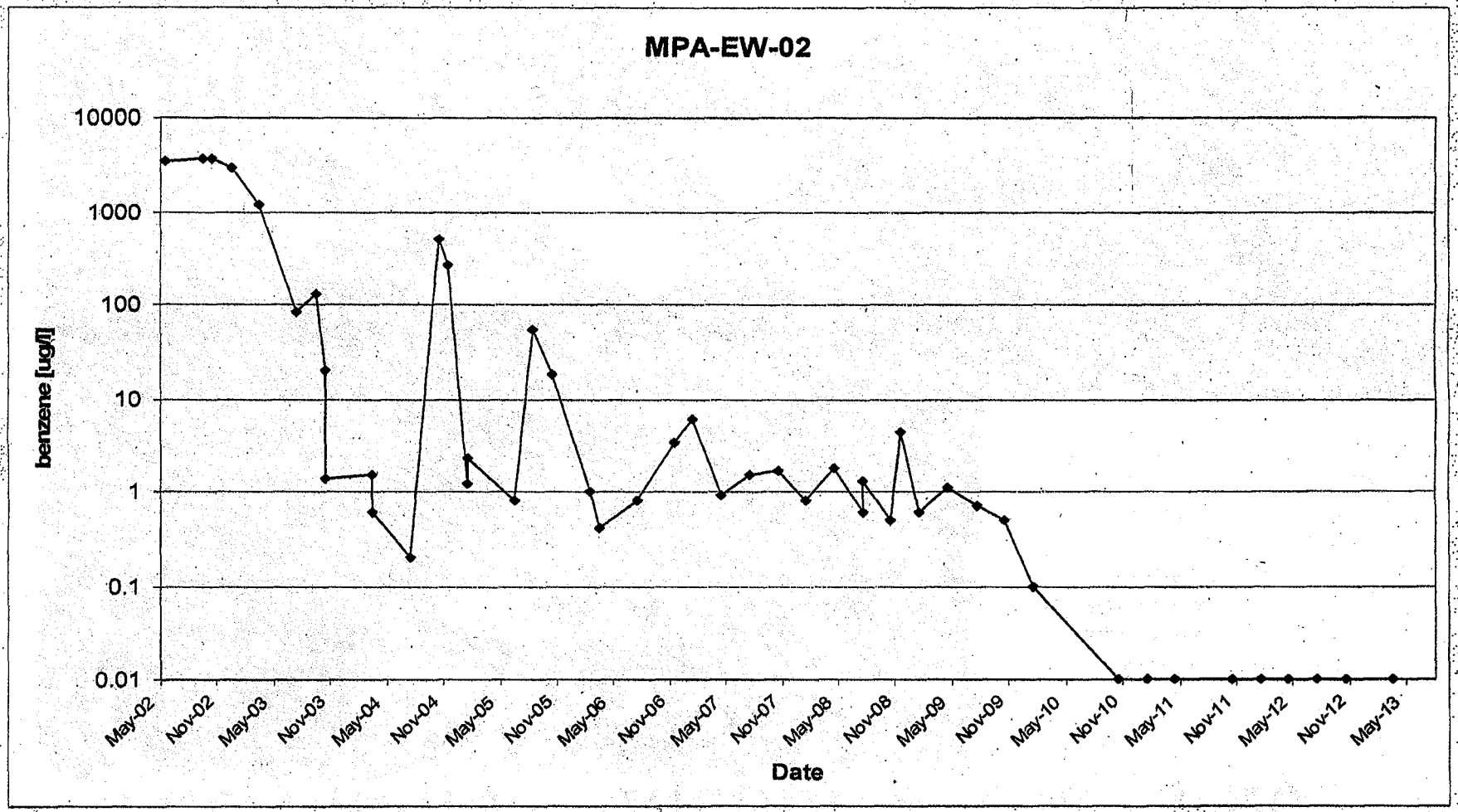
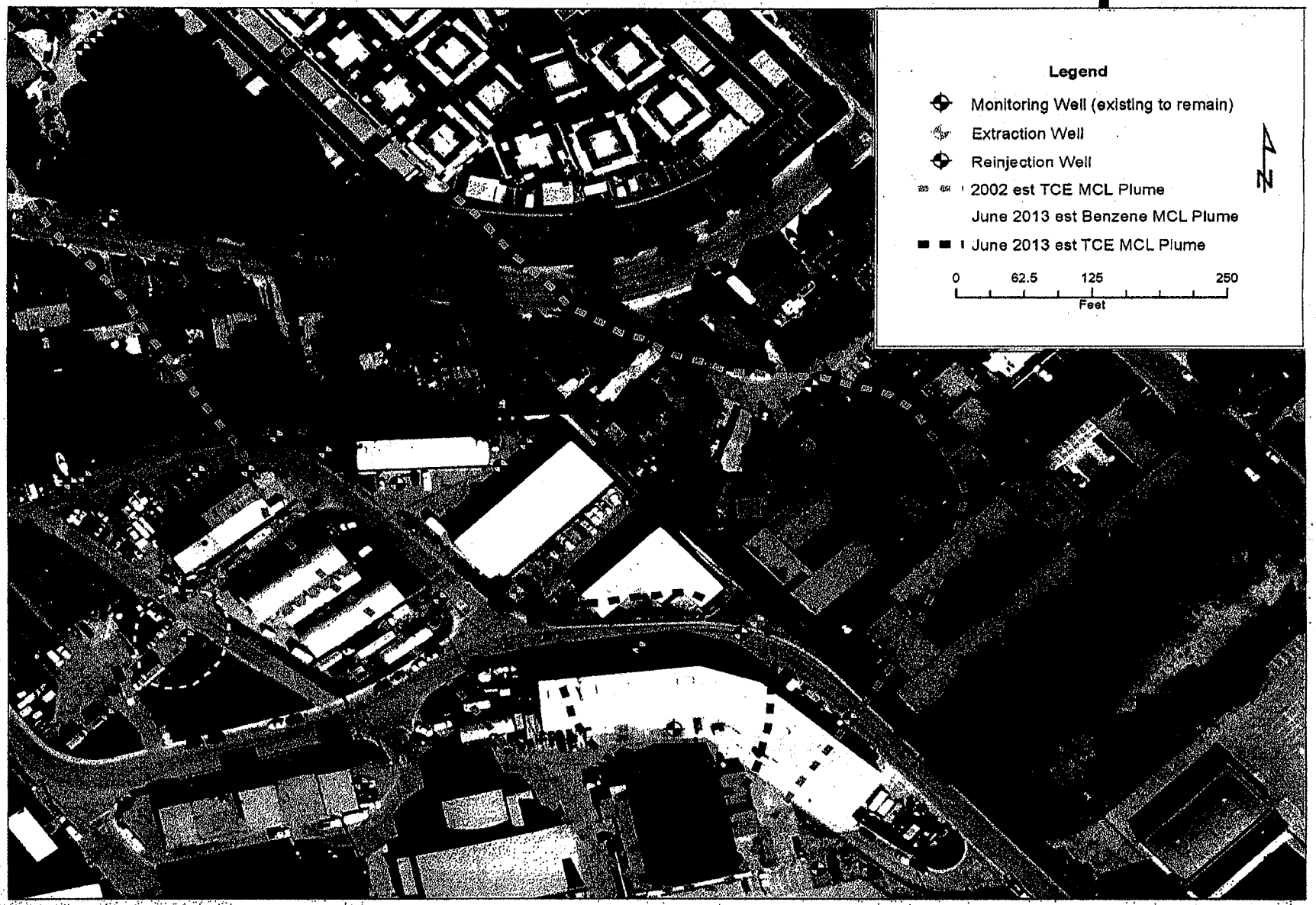
Airport Operations
Benzene in Groundwater: EW-02



TCE Plume reduction at the Airport



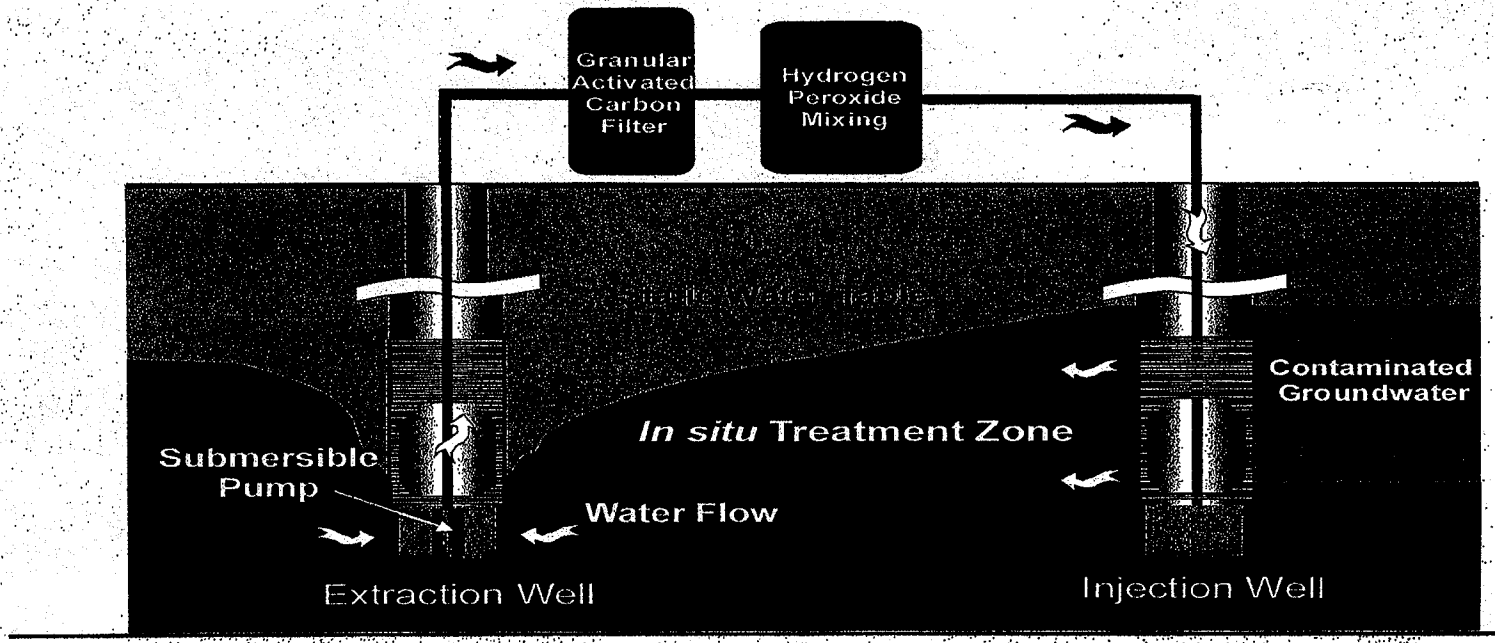
Benzene Plume reduction at the Airport

In Situ Chemical Oxidation

In situ chemical oxidation is used to treat the TCE plume in the community park.

The TCE-contaminated groundwater is extracted from a well and filtered through granular activated carbon and released into a tank. Hydrogen peroxide is injected into the water, mixing with naturally occurring iron compounds to form hydroxyl radicals, resulting in the break down of contaminants.

The water is re-injected into the groundwater table where contaminants are broken down to carbon, water and other non-hazardous compounds.



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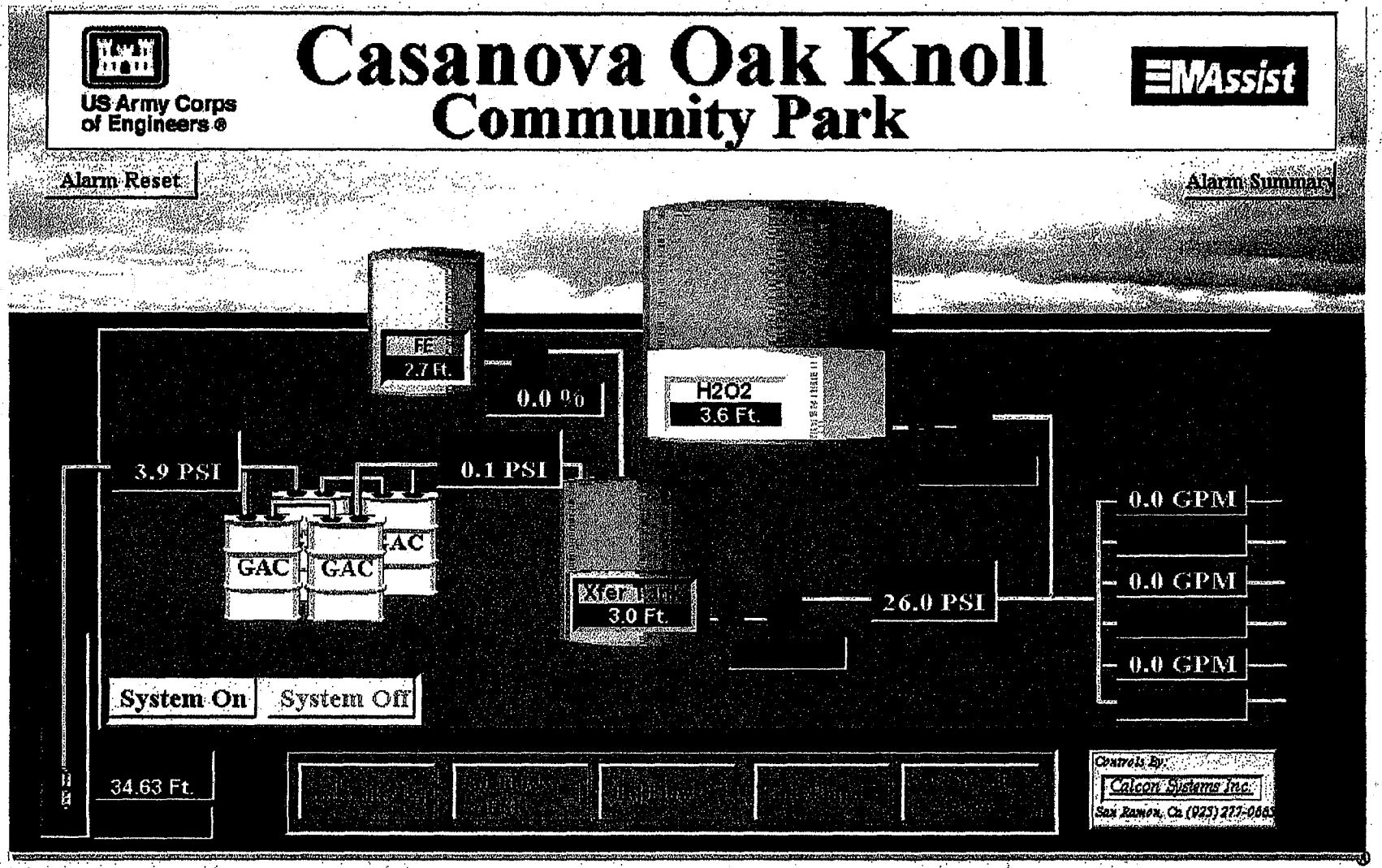
Control Panel Park

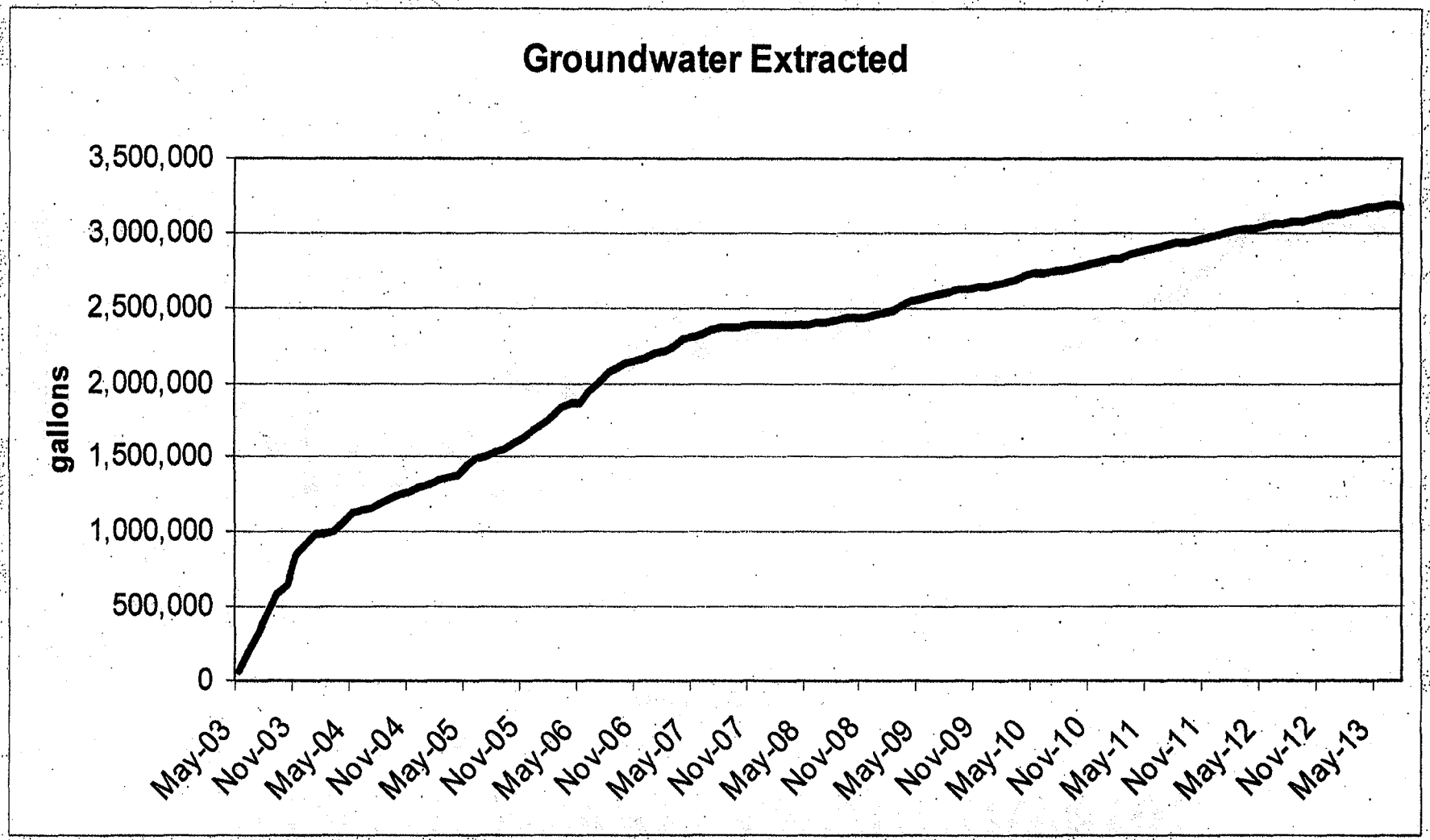


Park Operations

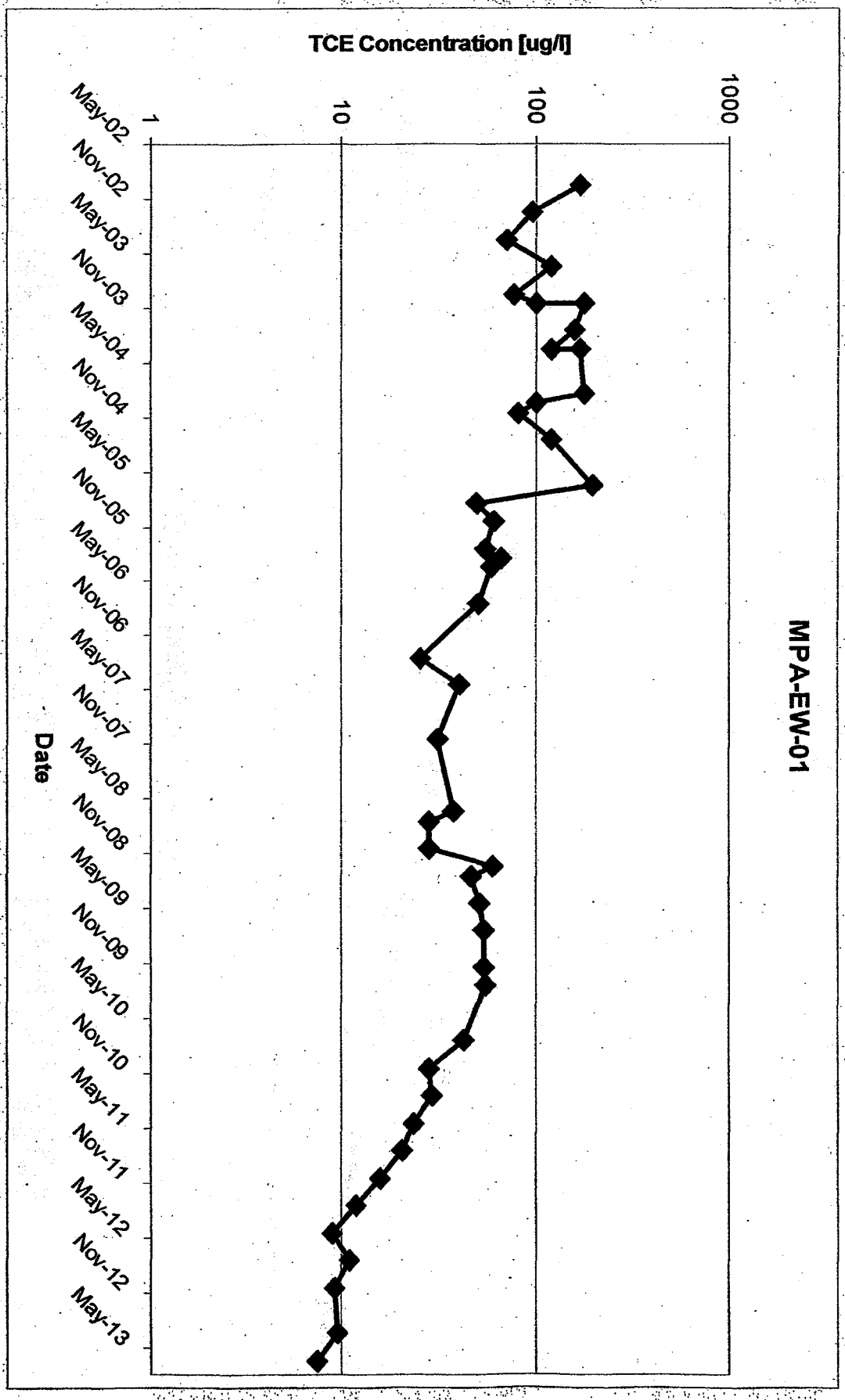
Cumulative Totals Summary, Park Operations

Parameter	Total Through June 2013
Groundwater Extracted	3,184,615 gallons
Groundwater Treated	3,184,615gallons
Groundwater Reinjected	2,601,328 gallons
Mass Removed by Carbon Treatment (calculated)	
TCE by filtration	2.03pounds
TCE *in situ*	0.65 pounds
Total TCE	2.68 pounds

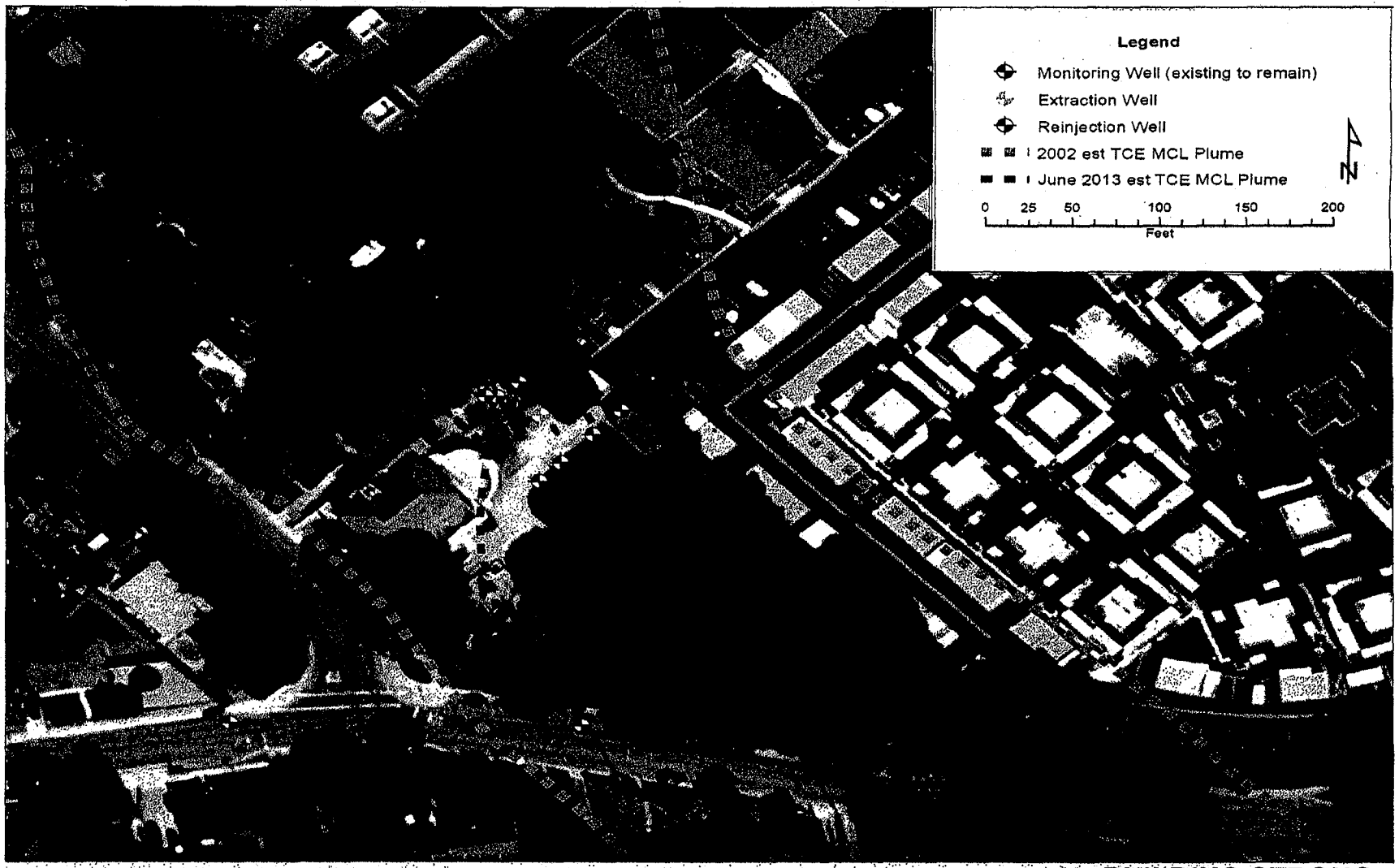
Park Operations Groundwater



TCE in EW-01 Groundwater



TCE Plume Reduction at the Park



AIR PERMEABILITY TESTING ACTIVITIES

- To investigate the viability of soil vapor extraction as a potential remedial measure for the Site, vapor extraction tests were conducted at wells MPA-MW-02, MPA-MW-03, MPA-MW-11, and MPA-MW-12. Testing at each well involved the following:
  - Attach extraction piping to the wellhead;
  - Apply vacuum and initiate soil vapor extraction;
  - Conduct a step test of applied vacuum versus flow rate;
  - Continue vapor extraction at a flow rate that maximizes mass removal while minimizing water production; and
  - Periodically monitor vacuum influence and advective air flow rate at surrounding monitoring wells.

AIR PERMEABILITY TESTING ACTIVITIES (April 22 – May 31)

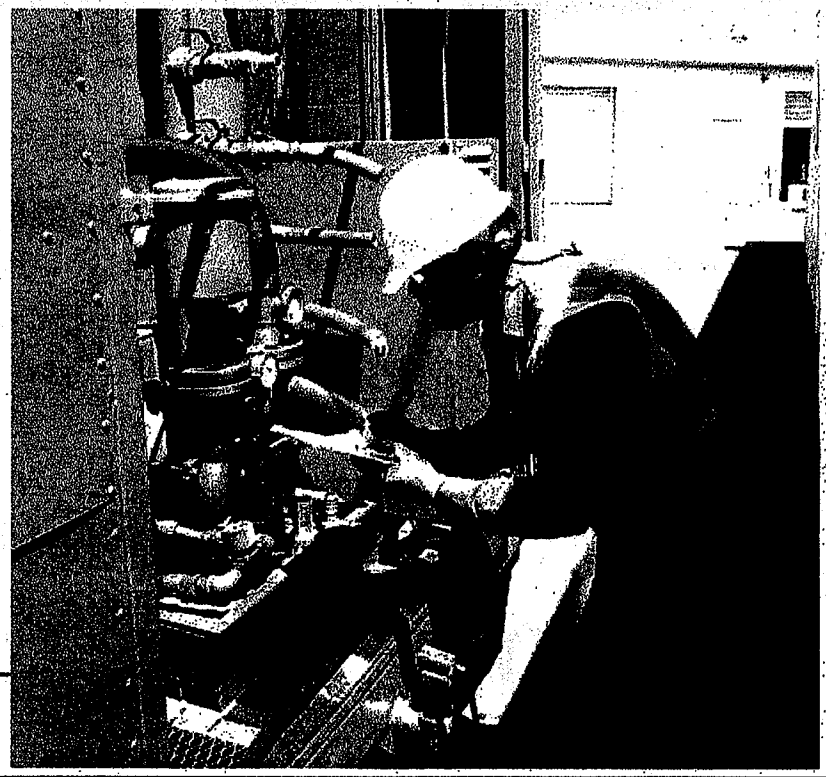
- **Well MPA-MW-02**
  - Vapor extraction testing was conducted at well MPA-MW-02 using a mobile truck-mounted extraction unit equipped with a thermal oxidizer.
  - The thermal oxidizer is capable of treating the total hydrocarbon concentrations at well MPA-MW-02 more efficiently then granulated carbon.

- **Mass Removal - Well MPA-MW-02**
  - Approximately 9,300 pounds of total petroleum hydrocarbons and 6 pounds of Benzene were removed over a period of 718 hours of run time.
  - Mass removal rate for total petroleum hydrocarbon ranged from approximately 11 to 13 pounds per hour.

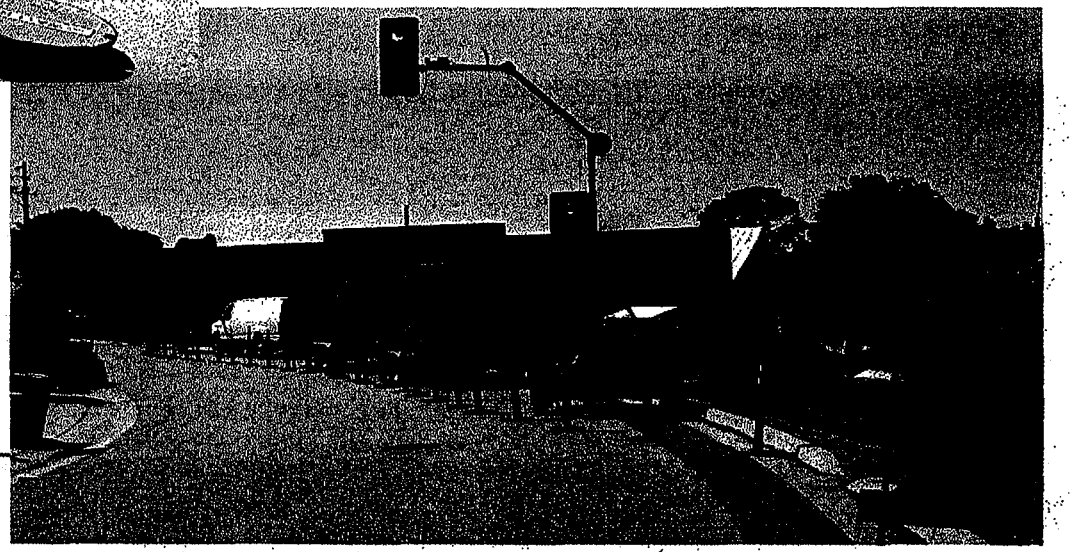
AIR PERMEABILITY TESTING ACTIVITIES (April 22 – May 31)

- Laboratory analytical results were used in conjunction will flow rates and run times to calculate the masses of TCE and total petroleum hydrocarbons which were extracted from wells MPA-MW-11 & MPA-MW-12.

- Mass Removal MPA-MW-11
  - Approximately 9 pounds of TCE and 90 pounds of total petroleum hydrocarbons were removed over a period of 448 hours of run time.
- Mass Removal - Well MPA-MW-12
  - Approximately 1.35 pounds of TCE and 1.57 pounds of total petroleum hydrocarbons were removed over a period of 101 hours of run time.



AIR PERMEABILITY TESTING ACTIVITIES (April 22 – May 31)



Conclusion

- **Quarterly well monitoring & sampling data reports, the annual Treatability System operational reports and the Remediation System Evaluation report indicate:**
  - **The treatability system at the park has reduced and captured the residual TCE that left the Airport.**
    - ✓ **Reduced concentrations of TCE from to 330 µg/L in 2002 to 5.9 µg/L in 2013**
    - ✓ **Removed 2.68 lbs of TCE**
    - ✓ **The treatability system is no longer needed due to the hydraulic capture of the TCE plume at the Airport.**
    - ✓ **Regulatory concurrence will result in the system being disassembled.**
  - **The treatability system at the Airport has successful reduced and captured the plume.**
    - ✓ **Removed 38.96 pounds of TCE and 5.17 pounds of Benzene**
    - ✓ **Various remediation options exist for the TCE plume which include dual phase extraction (air and water), *in-situ bioremediation (injection of a carbon substrate), in-situ* chemical oxidation, or soil vapor extraction and monitored natural attenuation.**
    - ✓ **Abandon select monitoring wells with remaining wells under a reduced monitoring plan.**

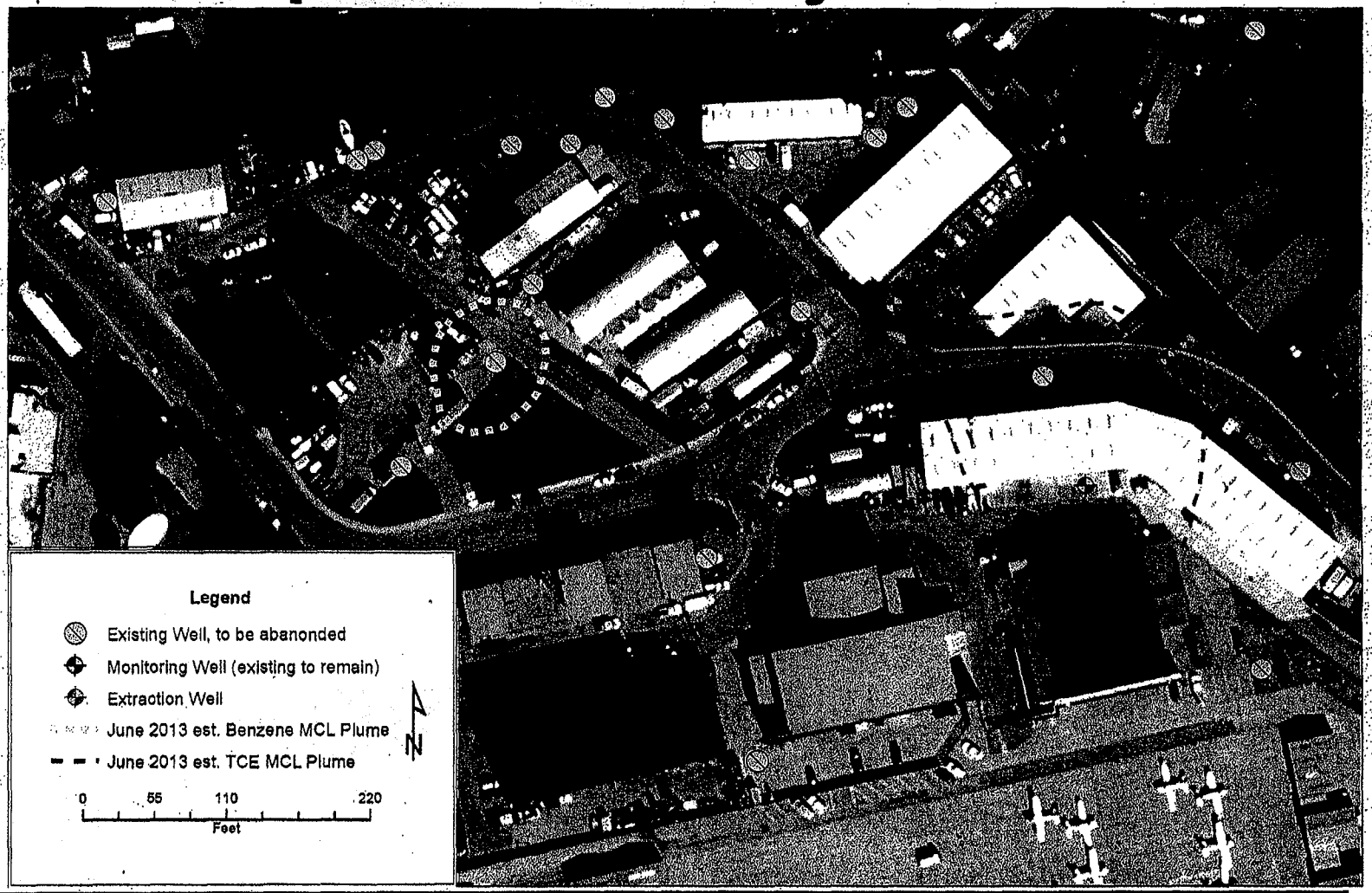
Conclusion (cont.)

- **Air Permeability Testing results/conclusions:**
  - Data confirmed that vapor extraction is an effective method for removal of residual TCE and petroleum hydrocarbons remaining in the vadose zone.
  - The large calculated radius of influence (ROI) is likely the result of high permeability sand layers which concentrate the vapor flow within distinct layers. This results in vacuum influence at large distances from the extraction well. Significant mass removal from a single extraction point is probable.
  - The presence of both chlorinated solvents and petroleum hydrocarbons may complicate the selection of a vapor treatment technology if soil vapor extraction is considered as a means for remediating residual contamination.
  - ~30 days of operation resulted in 10.35 pounds of TCE and 6 pounds of Benzene.

Path Forward
Proposed Remedy – MRA

- **Draft Final Feasibility Study, Decision Document, and Proposed Plan scheduled to be issued for public comment in September**
  - **Five action alternatives considered: dual phase extraction (soil vapor and groundwater); in-situ bioremediation (injection of a carbon substrate); in-situ chemical oxidation, groundwater extraction and treatment; soil vapor extraction and monitored natural attenuation; and monitored natural attenuation**
  - **Proposed remedy is soil vapor extraction to remove remaining TCE source and monitored natural attenuation for groundwater**
    - ✓ **abandon 2 extraction wells, 12 injection wells, and 15 monitoring wells**
    - ✓ **conduct intermittent vapor extraction at MW-11/12 to remove remaining TCE mass and continue periodic monitoring**

Path Forward
Proposed Remedy – MRA



•Questions???

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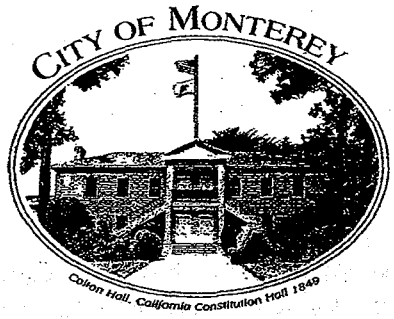

August 29, 2013

Keith Israel, General Manager
Monterey Regional Water Pollution Control Agency
5 Harris Court, Building D
Monterey, CA 93940

Subject: Ground Water Recharge and the Role of Storm and Non-Storm Water Flows

Dear Mr. Israel,

We are excited with the prospects of MRWPCA becoming a significant producer of water in our region and that the agency is leading the region in innovative solutions to our water shortage dilemma. Sewage is certainly one of the most reliable sources of any raw water that would be used to provide the needed water. Another source though is the region's storm water and dry-weather flows (SW/DWF).

Subsequent to our letter of comment to the Notice Of Preparation (NOP) dated July 2, 2013, you met with a number of City staff to discuss our comments. We are unambiguously supportive of the MRWPCA's Ground Water Recharge (GWR) project as it was described in the NOP for the Environmental Impact Report for that project.

The purpose of this letter is to encourage your agency to support a significant regional water planning effort. The City of Monterey is dedicated to support such an effort in any way that we can. This planning effort should have specific and focused goals laid out such that it does not take a decade to complete, nor result in a ream of expensive to produce, but worthless paper.

We have performed some large-scale and very preliminary analysis of the quantity of water that could be provided just by water bodies within the City of Monterey's control taking into account only storm water. Our preliminary analysis shows that with as little as ten inches of annual precipitation which is a severe drought year, if just the 85th percentile storms were captured and treated, it would provide approximately 2000 acre feet of water per year. Of course the challenge is being able to transport and treat the flows which we estimate would have a peak flow rate of 300 MGD. As we understand, the Monterey sewage pump station has a reserve capacity of around 10 MGD, which is far below the capacity needed. Clearly, there is not capacity for MRWPCA to convey the 85th percentile SW flows from the Pacific Grove/Monterey Peninsula region unless there is an integrated, controlled system that can temporarily store as much water as possible so that the flows can be moderated to match the existing system's capacity or the system capacity is increased to accommodate the flows or some combination of both approaches. It also shows that prior to capacity being apportioned to any one entity for SW flows; there should be a rationale and an agreement around how that capacity is apportioned.

SW/DWF has the potential for providing a significant source of raw water that could be fed into a regional potable water treatment system and it could benefit the efforts to use a reverse osmosis water treatment system. Once again though, a study needs to be conducted to determine how best to transport the water to the treatment plant (whether

through the sewerage system or a new dedicated system); how much water could be gained; what would it cost (especially in relation to using saline water); what would be the environmental impacts and benefits and how could such a system be optimized. This may require the centralized control of reservoirs and lakes so that the scarcest commodity, storage, can be properly managed and therefore also require inter-agency agreements.

To summarize:

- A regional study is needed to examine the opportunities to harvest as much of our SW/DWF as possible considering all factors.
- Storage capacity is the weakest link in any SW/DWF use scenario and we need a plan to determine how best to manage the surface and sub-surface reservoirs in our area.
- Prior to any commitments to convey and treat SW flows via the existing sewerage systems, agreements need to be reached on how to apportion the existing capacity.
- We ask that the MRWPCA support the effort to fund and accomplish the above-mentioned study through grant funds, providing technical support and information.

Sincerely,

Fred Meurer
City Manager

c: Mike McCarthy, Assistant City Manager
Hans Uslar, Deputy City Manager Plans & Public Works
Chip Rerig, Chief of Planning, Engineering & Environmental Compliance
Tom Reeves, City Engineer
Jeff Krebs, Senior Engineer
Jim Cullem, Executive Director, MPRWA
Lesley Milton, Water Authority Clerk
Thomas Frutchey, City Manager, City of Pacific Grove,
300 Forest Avenue, Pacific Grove, CA 93950
Robert MacLean, President, California American Water,
1033 B. Avenue, Suite 200, Coronado, CA 92118
David Stoldt, General Manager, Monterey Peninsula Water Management District,
5 Harris Court, Bldg. G, Monterey, CA 93940

August 22, 2013

David J. Stoldt, General Manager
Local Projects Application
Monterey Peninsula Water Management District
PO Box 85
Monterey, CA 93942-0085

RE: **Pacific Grove Local Water Project Grant Application**

Dear Mr. Stoldt:

The City of Pacific Grove is pleased to submit the attached application for funding from the Monterey Peninsula Water Management District for the Pacific Grove Local Water Project (PGLWP). The City is requesting $100,000 in funding from MPWMD this fiscal year, matched by a city contribution of $100,000. The PGLWP will produce a non-potable water supply as an offset to the existing use of 125 to 500 AFY of potable water use that has historically been supplied by Cal Am.

The PGLWP provides direct benefits to Cal Am water service ratepayers who reside within the District by providing a new replacement water supply that strengthens the water supply portfolio available to the community; this project will increase and diversify water supply sources by providing a drought resistant, sustainable replacement source, thereby freeing the increment of water previously dedicated for use. The PGLWP will assist Cal Am in meeting requirements of the State Water Resources Control Board (SWRCB) Cease and Desist Order (CDO).

We look forward to your consideration of our request and to continuing to work together collaboratively to address water issues facing the Monterey Peninsula region.

If you have any questions, please contact me at (831) 648-5722 or shardgrave@ci.pg.ca.us.

Sincerely,

Sarah Hardgrave
Environmental Programs Manager
City of Pacific Grove

cc: Thomas Frutchey, City Manager

City of Pacific Grove Local Water Project Grant Application Form

DATE: 22, August 2013

Eligibility Summary

Project Geographic Eligibility:	The City of Pacific Grove and the Pacific Grove Local Water Project (PGLWP) are within the geographic boundaries of the Monterey Peninsula Water Management District ("District"). Benefits of the PGLWP accrue to all California American Water Company (Cal Am) water users within the territory of the District, including but not limited to water users within the City of Pacific Grove, the Pebble Beach Community Services District/Carmel Area Wastewater District, the Presidio of Monterey, the City of Monterey, and unincorporated portions of the County of Monterey.
Project Sponsor:	The City of Pacific Grove ("City") is the Project Sponsor and is a public entity located within District boundaries.
Project Purpose Eligibility:	The PGLWP will produce a non-potable water supply as an offset to the existing use of 125 to 500 AFY of potable water use that has historically been supplied by Cal Am. The PGLWP provides direct benefits to Cal Am water service ratepayers who reside within the District by providing a new replacement water supply that strengthens the water supply portfolio available to the community; this project will increase and diversify water supply sources by providing a drought resistant, sustainable replacement source, thereby freeing the increment of water previously dedicated for use. The PGLWP will assist Cal Am in meeting requirements of the State Water Resources Control Board (SWRCB) Cease and Desist Order (CDO). As an ancillary benefit, the PGLWP will assist the City in meeting SWRCB requirements to protect water quality and habitat from degradation in the Pacific Grove Area of Special Biological Significance (PGASBS) and also

assist meeting regulatory compliance requirements of the California Ocean Plan.

Matching Requirement: The City of Pacific Grove has thus far committed $182,000 to the ongoing development of the PGLWP.

The City will commit to provide matching funds of $100,000, equivalent to 50% of the requested grant funds. On June 19, 2013, the City adopted a reimbursement resolution for this purpose.

Requirements

1) Project Sponsor: City of Pacific Grove

2) Type of entity: Public entity

3) Project Title: Pacific Grove Local Water Project (PGLWP)

4) Project Sponsor Contact Information: Ms. Sarah Hardgrave
Environmental Programs Manager
City of Pacific Grove
2100 Sunset Drive
Pacific Grove, CA 93950
(831) 648 5722 ext. 202
shardgrave@ci.pg.ca.us

5) Project Geographic Location: City of Pacific Grove (Phases I & II)
PBCSD Service Area in Pebble Beach & City of Monterey (Phase III)

6) Project Purpose and Description.

a. Description of the project – facilities, operations, direct water supply benefits, and ancillary benefits.

Facilities:

The PGLWP project consists of the design, construction, and operation of facilities to divert and treat raw sewage at the retired Pt. Pinos Wastewater Treatment Plant and to use this local reclamation source to replace Cal Am water supplies historically used for irrigation purposes.

The first phase of the PGLWP project consists of the following major facilities:

- Sewer diversion structure in Asilomar Avenue;
- Approximately 1,300 feet of sewer diversion pipeline;

- Restoration of 5,600 feet of abandoned sewer force main for capture and delivery of dry and wet storm system flows to the Pt. Pinos Wastewater Treatment Plant
- Restoration of the retired Pt. Pinos Wastewater Treatment Plant 1-acre site;
- New 0.2 mgd membrane bioreactor (MBR) package treatment plant consisting of the following general components:
  - Headworks
  - MBR Treatment Tanks
  - Disinfection
  - Waste pump and pipeline back to MRWPCA collection system
- Conversion/refurbishment of 620,000 gallons of storage capacity in retired sludge digester and clarifier.
- A new distribution pump station and approximately 1,300 feet of recycled water delivery pipelines.
- Onsite improvements to existing irrigation equipment for Title 22 compliance at the Pacific Grove Municipal Golf Links and El Carmelo Cemetery.
- Relocation of the existing sewage pipeline at Ocean View/17th Tee restrooms to new treatment plant.

Future phases of the PGLWP project will incorporate additional facilities for the interception and redirection of dry and wet weather storm flows, as well as their capture and storage for reclamation. This later phase of the PGLWP project and related facilities are currently under evaluation through the Southern Monterey Bay/ Monterey Peninsula Integrated Regional Water Management (IRWM) Plan update, funded by the IRWM Planning Grant that is being managed by MPWMD and the City of Monterey. The IRWM project scope will result in 40% design plans and complete CEQA review this fiscal year. The funding requested here is separate from and does not overlap with these ongoing efforts.

Operations:

The City of Pacific Grove will select a professional service operations contractor to maintain the daily operations, testing and management of the PGLWP. The City will maintain responsibility for oversight of all PGLWP project operations. Additionally, the City will maintain its role as the site manager for all City lands irrigated with the PGLWP product water.

Direct Water Supply Benefits:

The PGLWP will produce a direct water supply of 125 to 500 AFY (0.1 to 0.45 MGD). This non-potable recycled water will be used to irrigate City-owned property and other non-potable irrigation sites within the City and other nearby vicinities (e.g., Pacific Grove Unified School District properties, Presidio of Monterey sites, and lands within the PBCSD service area). This

new water supply will also offset Cal Am's existing unlawful diversions from the Carmel River, and assist the community's efforts to comply with the SWRCB Cease and Desist Order, Order 2009-060. Water created by the PGLWP will be a new water supply for the Monterey Peninsula that will strengthen the overall water supply portfolio for CalAm, and increase and diversify locally available water supply sources.

In the first phase, water produced by the PGLWP will derive from raw sewage as its source of supply; it will accordingly be drought resilient. Later phases of the PGLWP project will incorporate dry and wet weather storm water flows, and further diversify and strengthen its supply reliability.

Ancillary Project Benefits:

- **Potable Water Offset:** The PGLWP will reduce the volume of water CalAm will need to produce to meet potable water needs throughout its Monterey District. Specifically, the PGLWP will create a potable water offset of 125 to 500 AFY (0.1 to 0.45 MGD) that can be devoted to other uses in the Cal Am system.

- **Reduce Desalination Plant Operations:** The PGLWP will reduce the daily operational volume of product water required from Cal Am's proposed seawater desalination project. This will reduce energy consumption, reduce greenhouse gas emissions, reduce operating expenses, and reduce operational costs for chemicals and equipment used to operate CalAm's seawater desalination plant. Energy required for the PGLWP, per unit of water produced, is less than that anticipated for the Cal Am seawater desalination process.

- **Water supply reliability, conservation, and efficiency of use:** By replacing potable water with non-potable water for irrigation use, the City shall continue to closely manage and improve its irrigation water demand efficiencies. This will include appropriate irrigation zoning; conversion to ET based irrigation controllers, nozzle replacement to matched precipitation technology and other measures to conserve water.

- **Ocean water quality improvements:** Diversion, capture, treatment and recycling of dry and wet weather storm water flows will eliminate their discharge into the Ocean. Flows captured, diverted and recycled by this project derive both from the City, and also from the New Monterey area of the City of Monterey. This will to improve and protect the receiving water quality and habitat of the Pacific Grove Area of Special Biological Significance (ASBS). Diverted dry and wet weather storm water flows will be incorporated into the source water for the proposed PGLWP Project.

- **Recycling or reuse of wastewater consistent with SWRCB Recycled Water Policy:** The PGLWP proposes to recycle raw City wastewater for the production, distribution and reuse consistent with the SWRCB Recycled Water Policy. The project will increase the use of recycled water from municipal wastewater sources that meets the definition in Water Code Section 13050(n), in a manner that implements state and federal water quality laws. The PGLWP will strictly adhere to the state's water recycling criteria in Title 22 of the California Code of Regulations, and all applicable state and federal water quality laws.

- **Reduction of non-point source pollution and point source discharges, consistent with the California Ocean Plan:** The PGLWP will eliminate the discharge of dry weather flows and reduce wet weather flows that currently collect in and are discharged from the City's storm water system. Additionally, a portion of the dry weather flows from the New Monterey area of the City of Monterey will similarly be captured, diverted and recycled. The PGLWP shall reduce non-point and point source pollution that would otherwise flow into the PGASBS.

- **Reduction of carbon-based emissions consistent with California AB32 goals:** The PGLWP will recycle 125 to 500 AFY of wastewater as a substitute for the current use of potable water. Cal Am has proposed to replace its illegal diversion from the Carmel River with a new seawater desalination plant. The PGLWP will reduce the daily operational volume of product water required to be produced by Cal Am's seawater desalination project. The seawater desalination project would need to produce the 125 to 500 AFY of potable water through a more energy intensive reverse osmosis process plus regional distribution pumping that would produce significantly more carbon-based emissions than the MBR process of the PGLWP. The PGLWP therefore results in a reduction of carbon-based emissions consistent with CA AB32 goals.

- **Storm Water capture and reuse consistent with California ASBS policy goals:** The PGLWP will capture, divert, treat and recycle dry weather, non-storm water discharges and the 85th percentile wet weather flows (design storm requirement for ASBS). The PGLWP will therefore comply with the state ASBS policy goals by ensuring that these flows do not cause or contribute to a violation of the water quality objectives in Chapter II of the Ocean Plan nor alter natural ocean water quality in the PGASBS.

- **Groundwater recharge:** The PGLWP will reduce the demand of potable water from CalAm by 125 to 500 AFY and create a new supply of equal volume. This reduction in potable water demand and creation of recycled water supplies will contribute directly to a reduction of the groundwater

withdrawals that would otherwise be necessary by Cal Am from the planned MRWPCA Groundwater Replenishment Project (GWR). Therefore, the PGLWP will have a positive effect on the GWR Project and will contribute to the management, recharge and replenishment of the Seaside Aquifer. Additionally, the PGLWP will seek to optimize its management and use of dry and wet weather storm flows by contributing to the source water for irrigation reuse or diversion to the RTP for inclusion in the source water supply to the GWR.

- **Environmental mitigation, fisheries protection, or habitat restoration:** The PGLWP will reduce the demand of potable water from CalAm by 125 to 500 AFY and create a new water supply of equal volume. This reduction in potable demand and creation of recycled water supplies will directly contribute a reduction of Cal Am's illegal diversions from the Carmel River. The PGLWP is scheduled to be fully functioning before December of 2016 and will therefore effectively reduce Cal Am's Carmel River diversions several years before the proposed seawater desalination facility is operational.

b. Describe capacity (acre-feet and/or MGD) in annual, seasonal, or monthly terms.
   - Phase I = 125 AFY/0.1 MGD
   - Phase II = 225 AFY/0.2 MGD
   - Phase III = 500 AFY/0.45MGD

c. Describe all project participants and roles for successful execution.
   - Phase I = City of Pacific Grove
   - MPWMD to coordinate with CalAm on the recycled water distribution system expansion from the initial demands in Phase I to future phases.
   - MPWMD to coordinate with MRWPCA for the incorporation of dry and wet weather storm system flows into the GWR.
   - Phase II = City of Pacific Grove; CalAm for distribution system expansion to serve non-municipal demands within the City of Pacific Grove.
   - Phase III = City of Pacific Grove; MPWMD; PBCSD/CAWD for purchase of additional recycled water; City of Monterey or construction of pipelines; Presidio of Monterey (POM); CalAm for distribution system expansion to serve non-residential irrigation demands.

d. Project Phase:
   The PGLWP is currently completing its Facility Planning and is now completing a Facilities Plan report. Portions of the effort to date have been funded by a grant from the State Water Resources Control Board, who will approve the report and make the project eligible for a low interest loan from

the California Clean Water State Revolving Fund program (CWSRF). The City has so far invested $182,000 in this effort.

This grant request is for additional funds required for the initial and final design; CEQA documentation; regulatory permitting & solicitation/procurement of a Design-Build-Operate (D-B-O) Contractor and application for CA CWSRF low interest loan for construction funding.

7) District Goals:

- *Can the Project provide water supply to the District for drought/rationing reserve (i.e. water that is not supplied to a beneficial use immediately upon project completion) and if so, how much?*

  Yes, the PGLWP could provide non-potable water for irrigation and other non-potable purposes. Additional treatment capacity could be constructed in Phase I of the project that could provide up to 375 AFY of recycled water. Recycled water could be provided by truck-fill delivery and a connection to Phase II and Phase III irrigation sites.

- *Can the Project provide water supply to the District for potential future reallocation to the jurisdictions (i.e. water that is not supplied to a beneficial use immediately upon project completion) and if so, how much?*

  Yes, the PGLWP could provide non-potable water for irrigation and other non-potable purposes. In Phase I, at least 125 AF of current potable water use would be replaced, making this supply of potable water potentially available for reallocation. Additional treatment capacity could be constructed in Phase I of the project that could provide up to 375 AFY of recycled water. Additionally, the City could reconfigure it sewage collection facilities to divert additional sewage to the PGLWP. This additional recycled water could be reallocated to other recycled water demand sites, and served by the expansion of the proposed distribution system.

- *Can the project be run in a manner that would provide surplus production that could be "banked" into the Seaside Groundwater Basin utilizing the District's Aquifer Storage and Recovery project?*

  Yes, additional surplus capacity and production outside of the irrigation season could be allocated for banking into the District's ASR Project. This can occur in one or both of the following ways: (1) diversion of dry and wet weather flows above those that would be recycled for irrigation needs would be conveyed to MRWPCA for inclusion in the GWR project, and (2) construction of additional facilities to provide advanced treatment of the PGLWP water could be constructed pursuant to the California Department of Public Health

requirements for indirect potable reuse. The conveyance facilities between the PGLWP and the ASR project would also need to be constructed.

- *Are there multiple benefits to the region or the State as described in section 6, above?*

  Yes, the PGLWP results in multiple benefits to the region and the state from the potential expansion of the project to:

  a. Provide a drought/rationing reserve,
  b. Provide a potential future reallocation to the MPWMD's jurisdictions,
  c. Provide surplus water production that could be "banked" into the Seaside Groundwater Basin. Reduce desalination plant operations and costs.
  d. Ensure water supply reliability, conservation, and efficiency of use.
  e. Improve ocean water quality improvements.
  f. Recycle and reuse of wastewater consistent with SWRCB Recycled Water Policy.
  g. Reduce non-point source pollution and point source discharges, consistent with the California Ocean Plan.
  h. Reduce carbon-based emissions consistent with California AB32 goals.
  i. Capture and re-use storm water reuse consistent with California ASBS policy goals.
  j. Enable groundwater recharge by reducing the groundwater withdrawals otherwise needed by Cal Am. Enable environmental mitigation, fisheries protection, and habitat restoration

8) Technical Feasibility of Project. Information about the project and include as exhibits or define links to documents or websites for future reference.

The PGLWP is technically feasible. The project proposes to construct facilities that are now commonplace in their application for the treatment, distribution and use of recycled water. Examples of similar projects, using the same technology at the same and greater capacities occur throughout the region, the state, the nation and internationally.

Examples of similar projects operating locally and throughout the state include:

a. **CAWD/PBCSD Wastewater Reclamation Project & Recycled Water Distribution System:** This system was constructed in 1994 to produce and distribute approximately 1,000 AFY of recycled water to irrigate the golf courses at Pebble Beach, Peter Hay, Cypress Point, Poppy Hills, Spyglass Hill, Monterey Peninsula Country Club, and Spanish Bay. Much in the same way that the PGLWP will create a new recycled water supply for local irrigation, the regional benefits extend to the water supply diversity throughout the CalAm service area through the creation of a potable water offset. The safe and effective treatment and use of recycled water has been a model for similar projects throughout the world. For additional information see the following internet website: http://www.cawd.org/reclamation.html

b. **Castroville Seawater Intrusion Project (CSIP):** The MRWPCA began facilities planning to provide wastewater management services to northern Monterey County, California, in 1975. The CSIP was developed by MCWRA in conjunction with the MRWPCA. This project delivers up to 14,000 AFY of recycled municipal wastewater to approximately 12,000 acres of agricultural lands surrounding Castroville. It is the world's largest water recycling facility designed for raw food crop irrigation. The recycled water is blended with groundwater to provide a supply adequate to meet the irrigation needs of the CSIP service area. MRWPCA has a history of research on the safe and effective use of recycled water for agricultural, golf course and other irrigation practices. More information can be found at the following internet website: http://www.mrwpca.org/recycling/index.php

c. **Central Contra Costa Sanitary District (CCCSD):** Wastewater from more than 448,000 residents and 3,000 businesses in central Contra Costa County is treated at CCCSD's facility in Martinez, CA. They distribute over 600 AFY to landscape irrigators, corporation yards, private soil farms and concrete recycling and batch plants. In 1998, CCCSD expanded the recycled water system to Pleasant Hill and added golf courses, parks, and city and college campuses as recycled water customers. In May 2005, CCCSD began providing recycled water to the new Contra Costa County Animal Shelter. This is the first dual-plumbed facility in Contra Costa County, using recycled water inside the building to wash down dog kennels. CCCSD uses almost 400 MG per year of recycled water for process water at their wastewater treatment plant and for landscape irrigation. More information on CCCSD's recycled water program can be found at the following interned website http://www.centralsan.org/index.cfm?navId=159

d. **The Sanitation Districts of Los Angeles County (LACSD):** LACSD owns and operates one of the largest wastewater recycling programs in the world meeting the water supply needs for more than five million people. The total volume of recycled water currently supplied by LACSD for reuse is 76.25 MGD (85,448 AFY) on 14,387 acres in 30 cities plus Los Angeles County Unincorporated Areas. Since inception they have produced 2,497,638 AF (813.6 billion gallons) of recycled water.

A total of 602 of the individual reuse sites used use 13.659 MGD (15,306 AFY) of recycled water for landscape irrigation. Reuse sites include 23 golf courses, 104 parks, 101 schools, 195 commercial and office buildings 107 roadway greenbelts, 27 public facilities, 21 nurseries, 17 residential developments, 11 churches, and 7 cemeteries.

LACSD's annual recycled water report can be found at the following Internet address:
http://www.lacsd.org/civica/filebank/blobdload.asp?BlobID=7644

9) Project Schedule. Describe basic project schedule milestones including, but not limited to feasibility study, conceptual design, CEQA/NEPA Process, other permits required, etc. Major milestones included in the schedule are as follow:

• Completion of Facility Planning Report	– October 18, 2013
• Conceptual Design Development	– October 18, 2013
• CEQA Documentation	– June 12, 2015
• Regulatory Permitting	– November 25, 2015
• Procure Design-Build-Operate Contractor	– May 30, 2014
• Project Commissioning	–June 27, 2016

10) Project Financing. Describe project capital costs and construction schedule, even if the project is currently applying only for "planning phase" projects. For "planning phase" projects, also describe costs for solely that phase and sources of funding.

- Capital costs for the PGLWP Phase I are currently anticipated to be $3,700,000.00. The current vision for the construction schedule is to fast track completion of the project design engineering and construction by the selection of a Design-Build Contractor. The D-B Contractor would be selected by May 30, 2014. Full construction including start-up would be completed within one year. Funding source: California CWSRF Loan Funds, Water Purchase Agreement with CalAm for any customers in addition to the City of Pacific Grove
- Approximately $182,000 has been expended to date for project planning. An additional $253,000 is planned for expenditure this year for project planning and design. Funding source: City General Fund, State Water Resources Control Board Facilities Planning Grant, MPWMD water project funding

Describe expected method of financing the capital costs of the project. If debt financing is envisioned, what is the source of debt repayment and security for the debt?

- The City currently anticipates obtaining a California Clean Water SRF low-interest loan. The loan would be structured with a 20-year maximum repayment period. Debt repayment would begin within one year after completion of construction and would be from the City of Pacific Grove's General Revenue Fund. The most recent interest rate for SRF financing is 1.9%.

  The SRF program requires that the City submit a resolution or ordinance adopted by the governing board that pledges one or more sources of existing revenue and funds as security for the financing agreement. A reserve fund may also be required. The pledged revenue and funds may be a special tax, user fees, or a special assessment, provided that the City has the authority to control and pledge the PRF. The City has not yet determined which of these options will be used as a form of debt security.

Demonstrate applicant's matching share.
To date the City has committed $182,000 to the project. On June 19, 2013, the City Council approved a contract for consultant services for the amount of $197,000 of which the City anticipates $100,000 would serve as its matching share to the grant from the MPWMD.

If the District does not provide a grant, how will the Applicant fund that amount and proceed with the project?

The City plans on obtaining a CWSRF low interest loan for the PGLWP. Without the grant from the MPWMD the City will need to repay the SRF loan. This will require that the City implement a special tax, user fees, or a special assessment. The City anticipates that the long-term benefit of the project will ultimately provide a return on the investment of capital funds that would otherwise be paid to CalAm for increases in the costs potable water supplies.

11) Annual Cost of Water. Describe the operating costs and capital cost recovery on an annual basis. Also describe on a cost per acre-foot of water produced per year. Provide detail. Describe annual and periodic renewal and replacement requirements.

Costs presented in this grant application are preliminary and therefore subject to revision. Costs are for the Phase I project to produce and deliver 125 AFY. Additionally, all cost estimates are based on the current preliminary nature of the engineering design completion and therefore include a +50% to -30% contingency.

Table 1 presents the current estimated capital costs for the PGLWP. It includes the annualized costs for both the capital and operations and maintenance costs. The only major annual / periodic renewal and replacement requirements are for power, membrane replacement, staffing and regulatory compliance and are included in the estimates.

TABLE 1 CAPITAL COST ESTIMATES	
FACILITY	ESTIMATED CAPITAL COST
Source Water Collection & Diversion	$473,200.00
Treatment Plant (1)	$2,696,900.00
Recycled Water Distribution	$529,900.00
TOTAL FACILITY CAPITAL COST	$3,700,00.00
ANNUALIZED CAPITAL COST (2)	$165,200.00
ANNUALIZED O&M (3)	$185,000.00
(1) Treatment Plant includes Admin/Laboratory, Headworks, MBR System, Disinfection, Solids Handling and Disposal.	
(2) Annualized Capital Cost based upon a 2%, 30 Year loan	
(3) O&M estimated at 5% of total capital includes power, membrane replacement, staffing, regulatory compliance	

Table 2 presents the current unit costs of the recycled water for the PFGLW.

TABLE 2 UNIT COST OF RECYCLED WATER	
Capital Cost per AFY	$1,321.65
O&M Cost per AFY	$1,480.02
Total Cost per AFY	$2,801.67
(1) Assumes retrofit of existing administration building	
(2) Assumes retrofit of existing headworks	
(3) Assumes MBR cost provided by Ovivo & includes headworks through disinfection	
(4) Assumes retrofit of existing clarifier & sludge digester tanks for onsite operational storage.	
(5) Equipment is defined as mechanical equipment or pipeline	
(6) Cost Estimating Factors pursuant to Table 4-6 of Watereuse Research Foundation, Decision Support System for Selection of Satellite vs. Regional Treatment for Reuse Systems, 2009.	

12) Land. Describe the site and/or right-of-way requirements and status. Identify any approvals to date.

The PGLWP recycled water treatment plant would be constructed at the 2.23 acre site of the retired Pt. Pinos wastewater treatment plant. The plant was retired from service in 1980, when the City became a member of the MRWPCA. The site has preserved the original structures, which will be integrated into use for the PGLWP to the maximum extent practical. Most notable is the existing wastewater clarifier and sludge digester that may be repurposed to provide storage or finished recycled water.

The site is fenced, and visually screened from the public view with a heavy growth of cypress trees and other vegetation along its entire perimeter. The following reconnaissance level field investigations have been completed to identify significant issues related to the PGLPW's ability to obtain relevant permits and to identify significant mitigation costs:

- Condition assessment of clarifier and sludge digester,
- Topographic Survey & deed restrictions,
- Wildlife Biology & Vegetation,
- Cultural Resources,
- Historical Resources.

No new approvals or rights-of-way are required for the PGLWP:

Treatment Plan Site: The City acquired the lands associated with the retired Pt. Pinos wastewater treatment plan in 1951 from the U. S. Government.

Distribution Pipelines: Recycled water pipeline will be constructed on City property, and in existing City rights-of-way.

13) Permits. Describe permits required, scheduled for approval, and already acquired.

- California Coastal Commission – Coastal Development Permit (pending). Approval anticipated by July, 2015.

- MRWPCA – Special Discharge Permit for the disposal of waste residuals back to the regional collection system (pending). Approval anticipated by July, 2015.

- Central Coast RWQCB - Wastewater Discharge Requirements (WDR) permit for the use of recycled water (pending). It is assumed for the purposes of this Facility Plan that the PGLWP is eligible to file for the State's General Waste Discharge Requirements for Landscape Irrigation Uses of Municipal Recycled Water (General Permit). Approval anticipated by July, 2015.

- Monterey Bay Unified Air Pollution Control District (MBUAPCD) – Authority to Construct and Permit to Operate (pending). Approval anticipated by July, 2015.

14) Consultants, Plans, and Bids. Describe the status of the proposed project as it relates to the hiring of key consultants, development of plans and drawings, and any bids that the Project Sponsor has already received.

Brezack & Associates Planning, LLC (B&AP) – Ongoing for Project Planning (funding assistance, planning, CEQA compliance, regulatory permit acquisition & DBO Contractor solicitation assistance).

D-B-O Contractor – A solicitation-procurement process will be conducted to select the best qualified/low bidder for the PGLWP. Work will include completion of project design engineering, contribution to CEQA analysis, construction and operations.

To date B&AP have coordinated the input of specialty contractors and vendors / representatives of key equipment manufacturers. B&AP has received initial estimates for inclusion in capital and O&M costs.

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J. KENNETH GORMAN
DAVID W. BALCH

August 20, 2013

File No. 6377.004

VIA EMAIL & U. S. MAIL

Mr. David J. Stoldt
General Manager MPWMD
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dstoldt@mpwmd.dst.ca.us

Board Members of MPWMD
5 Harris Court, Building G
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arlene@mpwmd.net

RE: Peoples Moss Landing Desalination Project

Dear Mr. Stoldt & Members of the Board:

We are legal counsel for the Peoples Moss Landing Desalination Project ("PML"). In that capacity, we write to request, and insist, that the Board refrain from taking action on item nos. 11 and 12 on tonight's agenda. Those items consist of a reimbursement agreement and option agreement between the District and DeepWater Desal, LLC, wherein the District agrees to reimburse DeepWater for half of its environmental and permitting costs, and in exchange, to receive an option to own and operate Phase I of the Desalination Plant.

The Agreements raise a number of significant concerns, including the following provisions:

- Exhibit 11-A declares an "official intent" to reimburse DeepWater's expenditures
- The District will be financing environmental and permitting fees for a private project, in advance of any CEQA analysis (Exhibit 11-A, par. 2; Exhibit 12-A, par. Background A, pars. 1.1-1.2.)

- The District expects to sell and deliver bonds and/or certificates of participation, up to an "expected maximum principle amount" of $200 million (Exhibit 11-A, par. 3)

- Exhibit 11-A "expresses the District's expectations as of this date with respect to the financing of the ***construction and acquisition*** of the Project" (Exhibit 11-A, par. 6)

- The District will fund the reimbursement obligation from proceeds from the MPWMD Water Supply Charge – the legality of which is already in litigation (Exhibit 12-A, par. 1.4)

- The District shall have the sole and exclusive option to own and operate Phase I of the Desalination Plant, with the option being exercisable within sixty (60 days following issuance of a Coastal Development Permit (Exhibit 12-A, par. 4.1)

- If the District exercises its option, then DeepWater "shall transfer sufficient title and interest to MPWMD for all improvements and appurtenances, site leases, agreements and/or contracts for source water, easements, and all other assets necessary for the location and operation of Phase I of the Desalination Plant" (Exhibit 12-A, par. 4.2)

- Once the option is exercised, the commercial fair value of the property shall be decided by a qualified valuation expert, whose opinion would be binding on the parties (Exhibit 12-A, par. 4.3)

The provisions mentioned above violate the California Environmental Quality Act ("CEQA"), Public Resources Code § 21000 *et seq.* PRC section 21100, subdivision (a) provides in pertinent part: "All lead agencies shall prepare, or cause to be prepared by contract, and certify the completion of, an environmental impact report on any project which they propose to carry out or approve that may have a significant effect on the environment."

CEQA compliance must occur before, not after, a public agency approves a project. *Save Tara v. City of West Hollywood (*2008) 45 Cal. 4th 116, 134. The CEQA Guidelines define "approval" as follows: [T]he decision by a public agency which commits the agency to a definite course of action in regard to a project intended to be carried out by any person. The exact date of approval of any project is a matter determined by each public agency according to its rules, regulations, and ordinances. Legislative action in regard to a project often constitutes approval. 14 CCR Section 15352(a).

Furthermore, with regard to private projects, approval is deemed to occur: "Upon the earliest commitment to issue or the issuance by the public agency of a discretionary contract, grant, subsidy, loan, or other form of financial assistance, lease, permit, license, certificate, or other entitlement for use of the project." 14 CCR Section 15352(b).

The purpose behind the rule that requires environmental review prior to agency approval is to ensure that a lead agency is neutral and objective and that its interest is in compliance with CEQA. "It is this neutral role which would cause [the lead agency] to reject the project or certify an EIR supporting one or more of the project alternatives or calling for mitigation measures to which the applicant is opposed. The agency's unbiased evaluation of the environmental impacts of the applicant's proposal is the bedrock on which the rest of the CEQA process is based. *Citizens for Ceres v. Sup. Ct.* (2013) 217 Cal. App. 4th 889, 917.

As the *Save Tara* court noted, "the later the environmental review process begins, the more bureaucratic and financial momentum there is behind a proposed project, thus providing a strong incentive to ignore environmental concerns that could be dealt with more easily at an early stage of the project . . . For that reason, EIRs should be prepared as early in the planning process as possible to enable environmental considerations to influence project, program or design . . . at a minimum an EIR must be performed before a project is approved, for "[i]f postapproval environmental review were allowed, EIR's would likely become nothing more than post hoc rationalizations to support action already taken." *Save Tara,* 45 Cal. 4th at 130-31; *see also id.* ("if, as a practical matter, the agency has foreclosed any meaningful options to going forward with the project, then for purposes of CEQA the agency has 'approved' the project").

In *Save Tara*, the California Supreme Court was confronted with the issue of whether a city's approval of an agreement with a corporation for the development of low-income housing prior to conducting environmental review constituted "approval" under CEQA. The city entered into an agreement to develop property conditioned upon subsequent environmental review and CEQA compliance. Before environmental review was complete, the city lent money to the developer for preparatory activities, announced publicly that it was determined to proceed with the project, and began relocating tenants whom the project would displace. *Save Tara*, 45 Cal. 4th at 140-142. The Supreme Court held that the city violated CEQA because it had committed itself to the project prior to fully evaluating its environmental effects. *Id.* at 142. Particularly significant to the court's analysis was the fact that the city promised to loan the developer over half a million dollars, a promise not conditioned upon CEQA compliance. *Id.* at 141.

Here, under the plain language of the CEQA Guidelines and implementing caselaw, approval of Resolution 2013-14 and the "Cost Sharing Agreement" would constitute approval of the project in violation of CEQA. First, the MPWMD is committing itself to give DeepWater $800,000 for "reimbursement" costs under Section 1.2 of the Agreement. Since the DeepWater project is private, and MPWMD is giving Deepwater financial assistance, approval of the Cost Sharing Agreement clearly constitutes approval under 14 CCR Section 15352.

Second, the District's proposed funding is for various activities, including CEQA review, permitting work, financing of construction, and financing for acquisition of the Project. Expenditures of these sums, including the authorization to issue up to $200 million in bonds, goes well beyond initial steps and constitutes a project approval for CEQA purposes.

Third, under 4.1 of the Agreement, MPWMD has the exclusive option to own and operate Phase 1 of the Desalination Plan, giving the agency a financial incentive to approve the project regardless of environmental impacts. It can hardly be argued that a MPWMD is a disinterested decision maker when it has such a huge financial stake in the approval of the Desalination Plant. Given this financial incentive, the District has" foreclosed any meaningful options to going forward with the project."

Fourth, the two documents are at odds with each other. Whereas Resolution 2013-14 states that the funding will be paid for via the sale of bonds, the Cost Sharing Agreement states that the funding will take place through the Water Supply Charge. Given the discrepancy between the two documents, the District has not clearly set forth the anticipated funding mechanism.

As we have addressed in previous correspondence, we feel that this entire evaluation has been flawed and biased, and we have concerns that this decision is being driven by favoritism. It is extremely important that this MPWMD decision be based upon accurate factual information, that the decision be an open process, that the applicants and the public have a full opportunity to provide information and comment. The applicants and the public need to feel as though the process has been thorough, accurate and free of bias. For this reason, PML respectfully requests that this matter be sent back to the Water Supply Planning Committee, with all necessary instructions.

Moreover, as specifically pertains to tonight's meeting, PML requests that Agenda Items Nos. 11 and 12 be taken off calendar. Passage of those items would violate clear CEQA norms and simply invites needless litigation.

Very truly yours,

JOHNSON, MONCRIEF & HART

By: _____
David W. Balch

Attorneys for Peoples Moss Landing
Desalination Project

Carmel River Steelhead Association
501 (c)(3) TIN 77-0093979
P.O. Box 1183
Monterey, CA 93942

Mr. Dick Butler
National Marine Fisheries
777 Sonoma Ave. #325
Santa Rosa, CA 95404-4731

August 20, 2013

Dear Mr. Butler:

Thank you for responding to the letter from CRSA which I signed on May 18, 2013. I apologize for not responding to your July 1, 2013 reply sooner, but I was out of town the month of July and I am just now getting caught up.

CRSA is quite happy and willing to meet with NMFS at any time to complete our section 10(a)(1)(A) permit application. CRSA submitted our original application in June of 2000 and as that application was never completed, we are quite anxious to complete the current application submitted in January of 2013. Not having a permit has caused us grief, confusion, and we believe caused loss of young steelhead the last several years. We realize everyone is busy but we believe CRSA's presence on the river is essential and we really wish to move the process along. We are therefore willing to meet with you at any time and at any place, and would request a date for a meeting and an anticipated date for completion soon.

CRSA would very much like to meet with NMFS or all parties to discuss the South-Central California Coast (S-CCC) steelhead recovery and rescue efforts being made on the Carmel River. As I mentioned in my original letter, we are quite concerned with the number of fish rescued the last several years, although this year after a slow start MPWMD stated they did rescue quite a few fish. If there is something going on that is preventing fry from surviving we all have an obligation to find out why, as well as discuss if there is anything more we can do or anything we should change. CRSA does have some ideas about this.

CRSA would again welcome working together with MPWMD as partners on the river and in the recovery effort. We believe we have made every effort to reach out to MPWMD and so far we have had no success. From what we have heard from various sources, MPWMD has stated several times that they want no part of working with CRSA. We remain hopeful that their attitude will change as the river and fish will benefit from a collaborative effort.

Please let me know when we can meet on any or all of these issues.

Sincerely,

Brian LeNeve
President Carmel River Steelhead Association

cc: Chris Yates, ARA, NMFS Long Beach
Jeffery Jahn, NMFS, Santa Rosa
David Stoldt, MPWMD Monterey
Margaret Paul, CDFW, Monterey

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7/11/13

Monterey Peninsula Water Management District
5 Harris Court, Bldg. G
Monterey, CA 93940

Attn: David J. Stoldt, General Manager
Ref: Water Availability for 8100 Valley Greens Drive, Carmel
Via: email & mail

Dear Mr. Stoldt,

Thank you for your letter of July 3rd in response to our request for a confirmation of ability to use water for the Carmel Canine Sports Center (CCSC) project proposal (PLN130352). Unfortunately it has not provided sufficient input for Planning staff to feel comfortable allowing the application to move forward through the County planning process and associated environmental review without further specificity, so we would like to request a letter of clarification from your office.

It is our understanding that the property proposed for the CCSC - parts of nine individual lots of record that have historically been farmed as a single unit supplied by the wells on site - can be used for agricultural purposes today without any new permitting, and can use up to 96 AFY of irrigation water supplied by the existing wells for that purpose. This is allowable under a deemed approved water distribution system permit for pre-MPWMD water systems, on the same basis as other pre-Water District agricultural operations in Carmel Valley. Should the CCSC proposal be denied, we will certainly consider pursuing that option. In fact, during the time required for reviewing our application we are moving forward to farm hay and vegetables, since these uses are currently allowed.

The CCSC proposal however is to use only the water needed to irrigate approximately nine acres of grass and 25-27 acres of hay & vegetables, including pasturage and water needed for the keeping of up to 50 sheep or the equivalent in animal units. In addition, we are requesting permission to treat approximately 1 acre-foot of water annually to potable standards to serve 2500 sq. ft. of development including modular restrooms, office, and clubhouse as well as drinking fountains for members and 24 event days per year of up to 250 attendees. Crop management would allow us to keep overall use on site below the current annual average over the past 10 years, which is 62.91 AFY according to the 5 July MPWMD letter from Ms. Stern. This would equate to a decrease in water use of approximately 33 AFY, or just over 35%, during CCSC's tenancy.

Calculations:

Proposed total CCSC use compared to use currently allowed for farming:

- 62 acre-ft/96 acre-ft = 64.58%

Proposed potable water use compared to irrigation use:

- 1 acre-ft/96 AFY = 1.04%
- 1 acre-ft/62.91 AFY = 1.59%

Since we do not believe that planting or changing crops requires a permit from the MPWMD, we ask that you provide a letter to the Planning Department clarifying that water for irrigation is available on site now and we are able to use it, which is clearly the case. We do understand that the request to allow a potable water system for non-irrigation use requires further review, but suggest that the quantity requested is such a small percentage of the total that it is reasonable to state that sufficient water is in fact also available for this purpose even within the lower amount calculated under the District's 10-year-average-use protocol (62.91 AFY) should it be allowed otherwise (i.e. through the ongoing MPWMD & Environmental Health permit processes).

The Wolter Properties appropriative rights permit application 30511 is currently being processed at the SWRCB, and per conversations with SWRCB staff there is no definite timeline for conclusion. Given their reported permit-processing backlog it appears highly unlikely it will be resolved in the near future. Given this, we believe it is not appropriate to require this project to address potential permit conditions that have not been accepted or imposed anywhere in Carmel Valley to date, such as the minimum flow requirement referenced in your letter of 7/3, nor should such considerations be applied to any review of the current proposal. However, we do recognize that the existing Eastwood permit does provide for interruption of pumping for limited periods at times critical for the health of the river. The irrigation modifications we are implementing at the Wolter site include creating an irrigation reservoir to provide sufficient reserve to support complying with such a condition should it be imposed as part of the Wolter SWRCB permit, as has been proposed by their attorney, Mr. Alex Hubbard, in correspondence with that body.

Finally, despite that Wolter Properties Application 30511 has not yet received an appropriative permit from the SWRCB, Wolter Properties nevertheless claims all historical and currently existing rights for the use of water on its property which include, but are not limited to riparian, overlying groundwater, pre-1914 and appropriative rights.

We thank you for your prompt help in providing documentation to move this project forward through the review process, and look forward to receiving the requested further clarification at your earliest convenience.

Thank you,

MILL CONSTRUCTION COMPANY

Ernest D. Mill
President

Cc: Steve Mason & John Ford, Monterey County RMA – Planning Dept., via: email

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