

Memorandum of Understanding
Regarding
Source Waters and Water Recycling

September 19, 2014

A Lesson in Trust



LEGEND

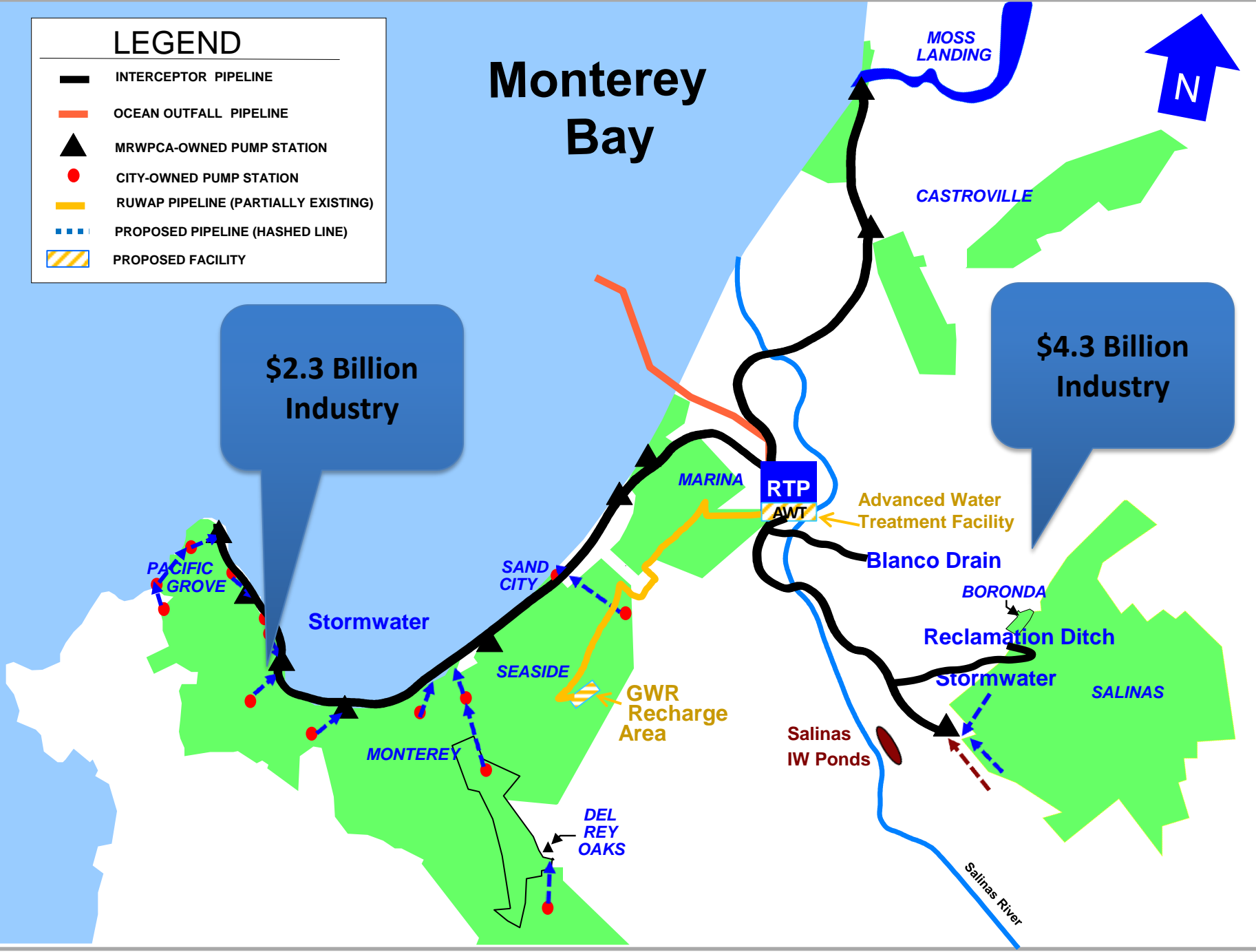
- INTERCEPTOR PIPELINE
- OCEAN OUTFALL PIPELINE
- MRWPCA-OWNED PUMP STATION
- CITY-OWNED PUMP STATION
- RUWAP PIPELINE (PARTIALLY EXISTING)
- PROPOSED PIPELINE (HASHED LINE)
- PROPOSED FACILITY

Monterey Bay



\$2.3 Billion Industry

\$4.3 Billion Industry



Phase I Sources

- Sources to be Developed
 - Salinas agricultural wash water
 - A portion of Reclamation Ditch water
 - Blanco Drain water
 - A portion of Tembladero Slough water
 - Stormwater (Salinas & Monterey)
 - Storage of winter water for Summer use
 - Modifications to SVRP
- Projected Amounts (Revised)
 - 4,320 AFY for GWR (41%)
 - 5,969 AFY for CSIP (57%)
 - 248 AFY to build up drought reserve (2%)
- Projected Costs
 - Rate study is condition precedent
 - Only pay for water delivered
 - Capital costs subject to 3rd-Party review
 - Capital costs shared based on pro rata water made available

Source Water Example



Timing and Strategy for Phase I Sources

Immediate Sources

- Salinas agricultural wash water
- Stormwater (Salinas & Monterey)
- Storage of winter water for Summer use
- Modifications to SVRP

Surface Water Sources

- Administrative permits for <3 cfs for Reclamation Ditch, Tembladero Slough, and Blanco Drain within 12 months
- Modifications of Reclamation Ditch and Blanco Drain to 6 cfs; Additional 12-18 months
- “Remainder permit” for rest of Reclamation Ditch and Tembladero Slough; Could take 3-4 years and require additional EIR

Key Features of Proposed MOU

- 5-Party Agreement
- An “Agreement to Agree” on Definitive Agreement
- WRA receives all wastewater from existing members
- PCA is obligated to develop full list of “incremental” sources
- PCA has a firm volume of the incremental sources for GWR
- Introduction of low-cost “interruptible” treatment rate
- Waives Capacity Charges
- Capital cost sharing only based on sources developed
- Introduction of drought reserve
- MCWD’s entitlements are preserved

MOU “Off Ramps”

- Negotiation of a Definitive Agreement
- Water Rights - Only pay for facilities that deliver water
- Acceptable results of a rate study
- Acceptable results of 3rd-Party review of capital and operating costs
- Successful Proposition 218 process



Multi-Benefit Outcomes

Growers/MCWRA

- Commits all existing wastewater to CSIP
- Status quo maintained at worst case
- Expands water available to CSIP
- Creates benefits from winter wastewater previously discharged
- Accelerates physical treatment solution for impaired surface waters
- Creates low cost interruptible rate
- Combats decline in water due to conservation
- Builds drought reserve
- Shares capital costs of facilities and water rights acquisition; Credit for unproven effects of Ag Wash Water pond infiltration and percolation
- Resolves cost accounting concerns
- Ends confusion over Amendment 3

MCWD

- Monetize unused RUWAP pipeline

MRWPCA/MPWMD

- Gets first priority on “incremental” additional new sources for GWR
- Reduces discharges
- Diversifies water supply options
- Shares capital costs of facilities and water rights acquisition
- Resolves cost accounting concerns
- Ends confusion over Amendment 3
- Address ASBS stormwater concerns

Salinas

- Avoids investment in Industrial Ponds
- Creates revenue stream
- Able to reduce industrial customer rates
- Secures new economic development opportunities without Capacity Charge
- Relief from stormwater permit issues
- Gains in operating flexibility at Ponds
- Improves emergency sewage by-pass flow operations at no cost to City