




MPWMD Special Board Meeting October 8, 2014

Item 2: Externalities Study

Triple Bottom Line Analysis

The background of the top half of the slide is a photograph of waves crashing on a beach, with white foam and dark water.A vertical photograph on the left side of the slide shows a river flowing over rocks, with water splashing and creating white foam. The surrounding area is lush with green trees and bushes.

Triple bottom line is an accounting framework with three parts: social, environmental, and financial. These three divisions are also called the three Ps: people, planet, and profit, or the "three pillars of sustainability".

To do so involves the evaluation of “externalities”

What Are Externalities?

In economics, an **externality** is the cost or benefit that affects a party who did not choose to incur that cost or benefit. For Pure Water Monterey, examples include:

- Timely construction and implementation relative to State-mandated Cease and Desist Order
- Security of supply due to diversification of resources (reliability)
- Statewide Recycled Water Policy objectives
- Statewide Ocean Plan objectives
- Statewide AB-32 carbon objectives (social cost of carbon)

Examples, Continued

- Regional and National Marine Sanctuary objectives
- Potential reduction of storm water flow to Areas of Special Biological Significance (ASBS)
- Potential reduction of impaired waters from agricultural drainage
- Groundwater benefits in the Seaside Basin
- Hedge against future energy costs
- Mitigation effects relative to desalination plant brine discharge
- Community Values

Why Are Externalities Important?

- Cost of Pure Water Monterey is to be compared to the incremental or marginal cost of “upsizing” the desal plant
- Comparison will be very tight
- CPUC must consider community values
- EPA and others promote Triple Bottom Line

Respondents & Budget

Firm	Proposed Budget
Stratus Consulting <i>Boulder</i>	\$175,000 estimate (\$275,000 cap)
HDR Inc <i>San Diego, Ottawa, Sacramento</i>	\$193,738
The Brattle Group <i>San Francisco</i>	\$205,000