

**GOVERNANCE COMMITTEE
FOR THE
MONTEREY PENINSULA WATER SUPPLY PROJECT**

California American Water • Monterey County Board of Supervisors
Monterey Peninsula Regional Water Authority • Monterey Peninsula Water Management District

EXHIBIT 23-C

**FINAL MINUTES
Regular Meeting
Governance Committee
for the
Monterey Peninsula Water Supply Project
*August 25, 2014***

Call to Order: The meeting was called to order at 1:45 pm in the conference room of the Monterey Peninsula Water Management District offices.

Members Present: Jason Burnett, Chair, representing Monterey Peninsula Regional Water Authority (JPA)
Robert S. Brower, Sr., Vice Chair, representative for Monterey Peninsula Water Management District
Robert MacLean, representative for California American Water

Members Absent: David Potter, representing Monterey County Board of Supervisors

Pledge of Allegiance: The assembly recited the Pledge of Allegiance.

Public Comments: No comments

Agenda Items

The Chair received public comment on each agenda item.

Action Items

1. Approve Draft Minutes of July 16, 2014 Governance Committee Meeting

Public Comment: Michael Warburton, representing the Public Trust Alliance, requested that the comments he made at the July 16, 2014 meeting under the Public Comments item be amended to state that any move to use ratepayer money to pay for a desalination plant for Monterey County before reasonable alternatives are investigated, is very likely to result in violations in public utilities, securities, environmental water law and constitution on both state and federal levels.

On a motion by Brower and second of Burnett, the July 16, 2014 committee meeting minutes were approved as presented on a unanimous vote of 2 – 0 by Brower and Burnett.

2. Approve Response to California American Water re Request for Proposal for Test Slant Well Construction

Public Comment: (1) **Tom Rowley**, representing Monterey Peninsula Taxpayers Association, asked if the proposed monitoring wells could be converted to water supply wells. (2) **Michael Warburton** opined that the Governance Committee’s proposed response to California-American Water (Cal-Am) is inadequate and does not protect the public interest. The project proponents have moved ahead based on presumptions, and the Governance Committee should examine those presumptions. He expressed hope that the Governance Committee would seek to protect the public interest and not focus entirely on protection of business interests.

Ian Crooks, Engineering Manager for Cal-Am’s Coastal Division, responded to questions from the committee. He noted that bids will be due on September 5, 2014. The notice to proceed should be issued by September 19, 2014. He stated that monitoring wells are a valuable tool for groundwater monitoring programs, but would not be used for water supply as they are too small for that purpose.

On a motion by Burnett and second of Brower, the committee authorized submission of the response letter to California-American Water as presented. The motion was approved on a vote of 2 – 0 by Burnett and Brower.

3. Receive Report, Discuss and Provide Direction on the Value Engineering Final Report for the Cal Am Desalination Facility

Richard Svindland and Ian Crooks reviewed Cal-Am’s response to recommendations BD-6; E1 through E7; M-4; TP-1 through TP-11; and RS-2. Comments from the Governance Committee are listed below.

- E-2 If recommendation were to be followed, it would affect plant sizing, and reliability (with more pumps, operation could continue if some pumps were down). Committee noted that any change affecting plant size would be a concern to the community. Many parties to the litigation have agreed that 9.6 MGD is recommended or 6.4 mgd with a groundwater replenishment project.
- TP-1 Cal-Am representatives said that this change could cause an increase in brine concentration to the outfall, and operation of outfall to the National Marine Sanctuary, which could increase costs. Through use of slant wells, it is possible that the source water will require less treatment and result in increased plant efficiency. Committee asked if the plant could be designed to use 45% recovery rate and later increase the recovery. CAW responded that yes, if conditions change, modifications could be made to increase recovery.
- TP-4 Committee asked that the report include the annual and life-cycle cost savings associated with elimination of sulfuric acid treatment from the process.
- TP-7 Committee clarified that if this change were implemented, a one-month delay in project completion would result. However, due to the time extension recently granted by the California Public Utilities Commission (CPUC), this delay would not inhibit timely completion of the project.

- TP-9 Cal-Am representatives stated that the review of alternatives will be completed prior to the September 17, 2014 meeting of the Governance Committee.
- TP-10 Committee agreed that an expenditure of \$225,000 to evaluate the mean size of sand granules so that pump screens can be designed properly, would be a wise expenditure.
- TP-11 Cal-Am representatives say they will review this, but have concerns that implementation would result in increased iron and manganese to the outfall.
- RS-2 The committee requested that this be carefully analyzed, so that the information is available before State Water Resources Control Board hearings on this issue. There should be a plan to accelerate construction so that operation could begin as soon as possible, especially in the event that drought continues. (Cal-Am's current plan is that partial operation of the plant could begin after the first six months of construction.) There are permitting and environmental considerations to plan for, if construction were to be accomplished in shifts at night. A final decision on whether to implement shifts could be made after 60% design work is complete. Cal-Am will investigate this, and also ask the test well drillers to provide a quote for operation with 1, 2 and 3 shifts.

Public Comment: Michael Warburton stated that the value engineering team did not address the major question; there was no evaluation of California American Water's desalination plant versus another water supply alternative. According to Mr. Warburton, legal circumstances have changed since the time that the Public Trust Alliance expressed support for a desalination project solution. At this present time, reallocation of public water is of most importance. Administrators of Salinas' water have a responsibility to the entire county, not just to agricultural interests, so that a small amount of water could solve the Monterey Peninsula's urban water problem. He noted that the urban preference has not disappeared in Monterey County and it's extremely important for the Governance Committee, the Mayors and utilities to engage what that means.

Brower offered a motion to delay action until the next committee meeting when more information will be available, including a plan for acceleration of the construction schedule as discussed under recommendation RS-2. The motion was seconded by Burnett and approved on a vote of 2 – 0 by Brower and Burnett.

Reports to Committee

4. Progress Report from California-American Water on Development of Monterey Peninsula Water Supply Project Desalination Plant

Crooks reviewed the Monterey Peninsula Water Supply Project Anticipate Schedule, updated on August 25, 2014. He reported that final publication of the project EIR is set for July 2015. California Coastal Commission (CCC) approval is expected to occur in February or March 2016. He noted that if the Public Utilities Commission and the CCC could process the applications in parallel, the CCC could approve the slant well portion of the project first. Under that scenario, slant well construction would not be delayed by the Snowy Plover nesting season. Crooks

agreed to develop information on the implications of parallel process of the permits, and make his analysis available to Burnett for future discussions with John Laird at the California Natural Resources Agency.

Public Comment: (1) Michael Warburton expressed support for meetings with John Laird regarding the project timeline, as he believes it is not clear that constitutionally delegated officers that protect the public trust understand their duties. However, Warburton opined that the desalination project has been driven by presumption, ambition and knee-jerk protection of property which people might not own. He expressed support for broadening public discussion and understanding of what is at stake, but also noted his concern that accelerating the construction schedule could have a deleterious impact on that aspect of the project. **(2) Tom Rowley** stated that several years ago the Monterey City Council decided to not pursue Pueblo Water Rights due to the high cost and potential years-long legal battle associated with that effort. Rowley stated that at this time, the community cannot avoid the deadline it is under to develop a water solution. Possibly at some future date the community can take the time necessary to divide up water from the Salinas Basin.

Discussion Items

5. Suggest Items to be Placed on Future Agendas

Committee members proposed the following agenda items: review the Value Engineering Report, and review bids for construction of monitoring wells.

Public Comment: Michael Warburton suggested that the Governance Committee address the question of changed circumstances regarding the desalination project. Is this a problem that will not be solved in our lifetime, or is there a legal responsibility to solve this in the public interest? The committee should be interested in finding out if circumstances have changed based on climate change, vulnerabilities of coastal locations, drought, and new information on groundwater movement. He suggested that legal experts could determine if it would be easier to solve this now than it was 20 years ago.

Adjournment

The meeting was adjourned at approximately 3 pm.