

*Presented at 5/28/13  
Governance Committee  
Meeting  
Item 3*

**CRITERIA FOR THE GWR RECOMMENDATION  
BY THE  
GOVERNANCE COMMITTEE  
FOR THE  
MONTEREY PENNINSULA WATER SUPPLY PROJECT**

**A. Purpose and Intent.** The criteria below are intended for use by the Governance Committee in making<sup>1</sup> the “GWR Recommendation” as to whether Cal-Am should build, in Application A.12-04-019, a 6.4 MGD desalination plant combined with a water purchase agreement for the product water of the Groundwater Replenishment (GWR) Project of the Monterey Regional Water Pollution Control Agency (MRWPCA) or, alternatively build a 9.6 MGD desalination plant without a water purchase agreement for the GWR product water.<sup>2</sup> In determining whether completion or substantial compliance is demonstrated on the following criteria, the Governance Committee shall take into consideration the relative progress and the comparative stages of development of each of the two projects, Cal-Am’s Desalination Project and MRWPCA’s GWR Project.

**B. The Criteria.**

1. The CEQA process for the GWR Project is complete, with a certified Final Environmental Impact Report<sup>3</sup>, the MRWPCA has approved the Project, and the status of required permits is consistent with the published project schedule.
2. Agreement or agreements in place to secure the source water(s) required for recommended project, and with no then-present written objections to any such agreement(s), or with legal determinations obtained of the validity of the agreement(s).
3. The California Department of Public Health (CDPH), to the extent feasible, has expressed a reasonable level of acceptance or approval as to the GWR Project treatment process, injection and overall permitting, consistent with a) the stage of development of the Project and b) with

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<sup>1</sup> Assuming the California Public Utilities Commission (CPUC) approves California American Water Company’s (Cal-Am’s) participation in the Agreement to Form the Governance Committee.

<sup>2</sup> The same, or similar, criteria may be used by the CPUC at such time as it may review the GWR Recommendation of the Governance Committee upon submittal of same by Cal-Am for a Tier 2 Advice Letter.

<sup>3</sup> With no pending lawsuit challenging the FEIR, or if there is a lawsuit, no injunction staying the Project and the MRWPCA (as lead agency) indicting its intent to proceed with the Project in any event.

uniform standards to be adopted by CDPH in 2013 per SB 918 for water recycling criteria for indirect potable water reuse for groundwater recharge, or in the absence thereof, interim standards.

4. Approve GWR plus the 6.4 MGD desal plant even if the combination comes with a modest revenue requirement premium over 9.6 MGD desal, provided that the premium does not exceed the following:
  - a. if GWR is anticipated to be operable sooner than the desal project by at least one year, the premium shall not exceed the lesser of \_\_\_ percent of the estimated cost of the Desalination Infrastructure (as defined in the Governance Committee Agreement) or \$\_\_\_\_\_; and
  - b. if GWR is not anticipated to be operable sooner than the desal project by at least one year, the premium shall not exceed the lesser of \_\_\_ percent of the estimated cost of the Desalination Infrastructure or \$\_\_\_\_\_.
  - c. comparisons between the estimated costs of the GWR project and desal project shall be made based upon the most recent cost estimates for the respective projects as refined through the engineering process.
5. The GWR Project is on schedule to be operable prior to the then-effective date of the Cease and Desist Order of the State Water Resources Control Board or, if not, on schedule to meet or beat the Desalination Project schedule.
6. Preliminary design for the GWR Project is at least at the 10% level (so that an accurate project cost estimate can be generated) or is at a level similar to or more advanced than the level of design for all cost components of the Desalination Project.
7. The required wholesale water purchase agreement has been drafted and the parties thereto (Cal-Am and the MPWMD) have reached substantial agreement on the terms of the agreement.
8. A project funding plan, in sufficient detail as would be required to qualify for a State Revolving Fund loan, is in place.

C. **The Process.** The timing and process for consideration and action by the Governance Committee on a GWR Recommendation is set forth at length in Section V.D of the Governance Committee Agreement. Additional procedures as necessary for the Governance Committee's consideration of the matter should include a public hearing at a regular or special meeting of the Governance Committee, upon 30 days' prior written

notice to all parties to Application A. 12-04-019, and full opportunity for MRWPCA to present reports and evidence to demonstrate to the Governance Committee completion of or substantial compliance with the above-stated criteria.