

Submitted by staff
at 6/19/12 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 making¹ 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 desal plant without a water purchase agreement for the GWR product water.² 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 Desal 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, the MRWPCA has approved the Project, and the status of required permits is consistent with the published project schedule.
2. Agreements or other determinations are in place ~~or reasonably advanced in progress~~ to secure the source water(s) necessary to produce at least 3,500 afy for recommended project.
3. The advisory committee appointed by the California Department of Public Health to monitor the _____, to the extent feasible, has expressed a reasonable level of acceptance or approval as to the GWR treatment process, injection and overall permitting, consistent with the stage of development of the Project.
4. The ~~estimated~~ first-year revenue requirement to pay for the of water of from the GWR Project (including an estimate of debt equivalency balancing if estimated to be necessary) is \$ _____ or less.³

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¹ 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.

² 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.

³ This number will be determined by the parties to proceeding A.12-04-019.

5. The GWR Project is on schedule, as verified by a letter issued by an engineer licensed in California, 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 desal project schedule.
6. Preliminary design for the GWR Project is at least at the 10% level, represented by a basis of design report, (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 the entire desal project.
7. The required wholesale water purchase agreement has been drafted and the parties thereto (Cal-Am, MRWPCA and the MPWMD) have reached substantial agreement of the terms of the agreement.⁴
8. A project funding plan, sufficient in detail 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.

⁴ Language may be considered and inserted here relative to the parties negotiating in good faith and not unreasonably withholding consent to an agreement.