



Monterey Regional Water Pollution Control Agency

*"Dedicated to meeting the wastewater and reclamation needs
of our member agencies, while protecting the environment."*

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EXHIBIT 3-B

MEMORANDUM

TO: MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

FROM: BOB HOLDEN, PRINCIPAL ENGINEER, MRWPCA

DATE: FEBRUARY 7, 2014

SUBJECT: GROUNDWATER REPLENISHMENT MID-YEAR BUDGET
ADJUSTMENT

Over the last 10 days MRWPCA Staff has been reviewing the proposed mid-year budget adjustment to identify any potential reductions. As a result, we have now identified two areas that combined will reduce the proposed increase and one area of increase. The overall reduction is from \$1,557,714 to \$1,389,714.

The first area is internal labor (\$125,000). This reduction is in accordance with limits on our 2013 Joint Agreement. This labor will instead be billed in the future as part of the cost of GWR water to the Seaside Basin.

The second area is Public Outreach (\$83,000). Previously, our joint outreach efforts included Outreach Consultants from each Agency. From both coordination and cost perspectives, we think it is better for the MPWMD to take the lead on public outreach. Also, due to some delays in producing updated outreach materials, our media effort will be less in this fiscal year.

The third area is Water Rights (\$40,000). Previously, the water rights budget was just to look at the Reclamation Ditch/Tembladero Slough system. After discussion it was decided to increase the scope of work for the MPWMD consultant to also include the Blanco Drain system.

Joint Powers Authority Member Entities:

Boronda County Sanitation District, Castroville Community Services Water District, County of Monterey, Del Rey Oaks, Fort Ord, Marina Coast Water District, Monterey, Moss Landing County Sanitation District, Pacific Grove, Salinas, Sand City, and Seaside.

Cost Breakdown

The budget adjustment is now segregated into three categories: CPUC, Independent Advisory Panel (IAP), and CEQA. The CPUC costs are mostly due to changes to be more responsive to the Settlement Agreement Criteria established in August 2013 and due to the change in the GWR decision date. The IAP costs are specifically related to Settlement Criterion # 4 and the process of obtaining CDPH and RWQCB approvals. IAP comments were obtained in late October 2013. The CEQA category includes the costs related to changes in the project due to comments associated with the Notice of Preparation (June 2013). The overall requested budget adjustment is now updated below.

Expenses	Increase	%
CPUC	\$564,213	41%
IAP	\$288,194	21%
CEQA	\$537,307	39%
Total	\$1,389,714	

The previous cost breakdown was:

Total Budget GWR and Public Outreach	\$4,080,000
SRF Feasibility Grant	\$74,883
BOR Title 16 Grant	\$149,791
MPWMD Portion	\$2,831,495
MRWPCA Portion	\$943,831

The new budget after adjustment is:

Total Revised Budget GWR and Public Outreach	\$5,389,714
SRF Feasibility Grant	\$74,883
BOR Title 16 Grant	\$149,791
MPWMD	\$3,836,281
MRWPCA	\$1,328,760

Below are the specific components in the adjustment along with associated explanation. We plan on attending your Board meeting to respond to any

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Board/Public questions.

The major increases in funding relate to:		Additional FY14	Note	CPUC	IAP	CEQA	Total
Criteria (established after budget estimating)							
0	Legal support for bifurcation and criteria						
	Jim Mc Tarnaghan--Perkins-Coie	75,000	1	75,000			75,000
	Coordination with CPUC						
	Past meetings & extra modeling--Todd	2,213	2	2,213			2,213
	Future meetings--Todd, E2, Cole, Trussell	25,000	3	25,000			25,000
	Internal Labor	50,000	4	50,000			50,000
1	Completion of CEQA (added 30-day statute of limitations)		5				
2	Permit						
	Permit Coordinator Margie Nellor, DDA	15,000	6		15,000		15,000
3	Source Water						
	CEQA review of RUWAP pipeline as part of negotiations	40,000	7			40,000	40,000
	Bypass/Pumping/Treatment of Other waters--Kimley-Horn	89,145	8			89,145	89,145
	Prelim design for pumping water from Salinas Ponds--K-H	62,063	9			62,063	62,063
	Water Rights	130,000	10	130,000			130,000
4	CDPH-IAP						
	Permit Coordinator (see item 2 above)						
	Source Water						
	Additional sampling (Eurofins)	48,000	11		48,000		48,000
	2-month bypass of as many source waters as available	30,000	12		30,000		30,000
	Missing data--Brezack	14,770	13		14,770		14,770
	CEC Source Control Program--Margie Nellor, DDA	18,000	14		18,000		18,000
	Additional Alternatives						
	Blanco Drain & Pipeline Conceptual Design--E2	68,588	15			68,588	68,588
	Reclamation Ditch Conceptual Designs--E2	68,588	16			68,588	68,588
	Treatment						
	Pilot-additional sampling						
	Eurofins	23,000	17		23,000		23,000
	TOC Analyzer	32,000	18		32,000		32,000
	Injection						
	Monitoring Well						
	Additional monitoring within drill hole	6,246	19		6,246		6,246
	Additional testing of water and soil extractions	101,178	20		101,178		101,178
	Permanent Easements and PG&E						
	New alignments--Cole	35,000	21			35,000	35,000
	Pipeline/perc pond--E2	54,852	22			54,852	54,852
	Alternative well sites--Todd	39,843	23			39,843	39,843
	Additional Modeling--HydroMetrics	29,740	24			29,740	29,740
	Engineer's Report--Brezack, Sheikh, SPI, Trussell	0	25				
5	Schedule						
	PE review--include in FY15						
6	10% Design						
	E2-Move AWT & In-Plant piping	49,488	26			49,488	49,488
7	Funding Plan						
	SRF General Application-Brezack	10,000	27	10,000			10,000
	Grant Applications	30,000	28	30,000			30,000
8	Water Purchase Agreement	10,000	29	10,000			10,000
9	Revenue Requirement						
	Externality Evaluation	80,000	30	80,000			
CPUC Change Decision Date from December 2014 to July 2015							
	Legal opinion for Design Build or Public/Private Partnership	40,000	31	40,000			40,000
	Technical Consultant to map Design Build process or Public/Private	50,000	32	50,000			50,000
	Need for Design Prior to SRF Loan--additional costs 14/15						
	Public Outreach	62,000	33	62,000			62,000
Totals UR 502 & UR 506		1,389,714		564,213	288,194	537,307	1,309,714

An explanation of each line item follows.

1. Last summer's CPUC Settlement process resulted in the need for special CPUC legal counsel. We chose Perkins Coie who provided and provides the needed expertise.

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2. There is much overlap between the CPUC CEQA and GWR CEQA processes. The GWR CEQA process now includes Cal Am's Monterey and Seaside Pipelines as those pipelines are needed for Cal Am to fully utilize the GWR water. Both CEQA analyses need to include the effect of brine and concentrated on MRWPCA's ocean outfall. The Seaside Groundwater Basin modeling needs to reflect how Cal Am will manage water in that aquifer once GWR is in operation. We met with Todd Engineers and HydroMetrics to coordinating our groundwater modeling. We have met to coordinate Cal Am pipelines that will go to the Regional Treatment Plant. We have met and will continue to meet about the ocean outfall.
3. We will continue to meet to coordinate diffuser modeling, pipeline alignments, and other areas and anticipate additional time (expense) from MRWPCA consultants.
4. More MRPWCA staff have become involved with GWR through coordination with CPUC, through providing documents to consultants, through water sampling and analyses, etc. In addition, much of the work to set up the Advanced Treatment Plant pilot facilities was performed by MRWPCA staff rather than by an outside contractor. At the current rate of work, the internal labor budget should be increased by \$50,000. No increase in MPWMD reimbursement is anticipated as the two MRWPCA reimbursable employees are expected to remain within the original budget.
5. Changes in the Criterion #1 to include the 30-day statute of limitations may not be possible with or without a budget increase.
6. A permits coordinator (Margie Nellor, DDA) will help satisfy Criterion #2. Ms. Nellor has gone through this process before for other similar California water projects.
7. In the original budget we did not expect to perform additional CEQA work related to utilization of the RUWAP pipeline for product water transport. MCWD recommended extra CEQA review.
8. When MRPWCA initiated the NOP process for GWR it was expected that there would be a pump station and pipeline from the Salinas Industrial Water Treatment Facility (SIWTF) Ponds to the Regional Treatment Plant (RTP). Consultants and staff have concluded that there were better and less expensive means of getting the water to the RTP. This adjustment will allow Kimley-Horn's to develop a preliminary design (10%) for a new bypass system for storm water and Ag wash water at the Salinas Pump Station (SAPS) side. This extra work is related to better utilizing source water within Criterion #3. The work will be performed by an engineering consultant and the results utilized by the GWR CEQA team.
9. Similar to comment number 8, Kimley-Horn's original scope of work took water from the ponds only to the RTP. This work is for the preliminary design (10%) to pump water (Ag Wash, Storm Water, or other) from the SIWRF Ponds to the SAPS. This extra work is related to better utilizing source water within Criterion #3. The work will be performed by an engineering consultant and the results utilized by the GWR CEQA team.
10. These are MPWMD's estimated consultant costs to review the water rights of the Blanco Drain, Reclamation Ditch, and Tembladero Sough. These could be important alternate water sources within Criterion #3.
11. Criterion #4 requested evidence that CDPH or the RWQCB will accept GWR. The plan to achieve this criterion was to get a letter from the Independent Advisory Panel (IAP)

suggesting the likelihood of that approval. The IAP met in October 2013 and requested additional water sampling for chemicals of emerging concern and others for alternate water sources (also related to Criterion #3).

12. The IAP wishes for the pilot test to be performed with as close to the water quality as possible. They believe a two-month bypass of Ag wash water into the SAPS and RTP plus addition of Lake El Estero water and possibly Salinas storm water will make for a better pilot study. We assume that an incremental transport and treatment rate of about \$370/mg (power and chemicals) will be used for this water and that no connection fee should be charged. The City of Salinas has agreed to pay one-half the incremental cost for this test (tentatively March and April 2014) if these costs are accurate. Flows are estimated to be 2 mgd during March and 3 mgd during April.
13. The IAP identified source waters data that they wanted to see. Brezack & Associates Planning developed the data and we sent it to the IAP.
14. The IAP stressed the importance of the enhanced source control program needed for CDPH project approval. They recommended starting to develop the new program immediately. Ms. Nellor has prepared these programs in the past.
15. The IAP is concerned that MRWPCA has not secured source waters yet. They recommended pursuing alternate water sources. A preliminary design (10%) of the Blanco Drain collection, pumping, and piping system is needed by the GWR CEQA team. E2 is quite familiar with Blanco Drain and the expected pump and piping systems.
16. A preliminary design of the Reclamation Ditch and Tembladero connection will do the same for that water source as for Blanco Drain (Item 15).
17. The IAP reviewed the consultant's pilot sampling scheme. They recommended adding additional advanced water treatment pilot testing.
18. The IAP recommended that MRWPCA purchase a Total Organic Carbon (TOC) Analyzer. They gave two reasons. First, they wanted more TOC measurements as part of the pilot study. Two, they wanted MRWPCA to get familiar with TOC analyzers as they are a mainstay of ongoing reverse osmosis work.
19. The IAP requested "cased hole induction logging" which was not anticipated within the Monitoring Well.
20. The IAP requested more extensive water quality analyses of six groundwater samples (\$29,665), six more extensive mineralogy analyses (\$8,287), eight more extensive core leaching analyses (\$25,202), and they wanted the creation of a groundwater quality and geochemical model (\$38,025). All these items will help in the permit approval (Criteria #2 and #4).
21. The IAP identified that project delay often results in obtaining commercial power. They also recommended starting the permanent right-of-way process with the City of Seaside. After viewing the site, it was determined that alternate piping alignment, well placement, and percolation pond location(s) should be considered to reduce or eliminate that risk. This budget item is for the product water pipeline realignment, hydraulic review, and energy use analyses.
22. This budget item is for the preliminary design of the work described in Item #21, above, for the product water between wells, backwash water piping, power conduit, motor

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control center building(s), and backwash pit alternatives.

23. This budget item is for the work to prepare alternate well locations and documents for City review and to begin the right-of-way process for the work described in Item #21, above.
24. The result of the alternate well locations (Items #21, 22, and 23, above) require hydrogeological modeling of each new location. HydroMetrics is the author of the Seaside Groundwater Basin's model used by permission of the Watermaster.
25. CDPH, attending the IAP meeting in October 2013, requested that we begin developing a draft Engineer's Report as the most important step towards getting the CDPH fully on board with GWR (Criterion \$4). The IAP later indicated that a concept report could get much of the same result which was discussed with CDPH. Though CDPH accepts the idea of a concept report they wish to see a draft Engineer's Report as soon as possible. The Engineer's Report is scheduled to begin in July 2014, so costs are not included in this fiscal year.
26. In presenting the detailed layout to the IAP in October 2013, the CEQA team realized that a larger footprint was desirable for the Advanced Water Treatment Facility (AWTF). The AWTF was moved from a field south of the RTP Administration Building and south of the flag pole to a field between the storm pond and the RTP entrance gate. The cost to modify the various drawings and avoid conflicts is included here. Also, the cost for preliminary design of the in-plant piping is included.
27. The State Revolving Loan (SRF) personnel in Sacramento requested in January 2014 that MRWPCA submit the general application for SRF funding now.
28. There are several new opportunities for grant applications to try to reduce project costs.
29. MPWMD is developing a draft Water Purchase Agreement (WPA) during this fiscal year. WPA review was expected in FY15.
30. MPWMD will task a consultant to provide the externality evaluation mentioned in the settlement agreement.
31. The CPUC decision date was moved from December 2104 to July 2015. The only way to complete GWR by the end of 2016 is by using design build or public/private partnership. We need a legal review of how MRWPCA can enter into a design build or private/public contract.
32. As an amendment to Item #31, above, we need a consultant to help us to map out the design built and/or public/private partnership process so that we will be ready by the July 2015 decision date.
33. Public outreach lead is now shifted to the MPWMD. Because of decisions by the outreach group, the mid-year adjustment can be reduced to the \$62,000 addition for MPWMD's consultant media plans.