

GOVERNANCE COMMITTEE
FOR THE
MONTEREY PENINSULA WATER SUPPLY PROJECT

EXHIBIT 20- C

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

FINAL MINUTES
Regular Meeting
Governance Committee
for the
Monterey Peninsula Water Supply Project
December 1, 2015

- Call to Order:** The meeting was called to order at 10:05 pm in the conference room of the Monterey Peninsula Water Management District offices.
- Members Present:** Jason Burnett, representative for Monterey Peninsula Regional Water Authority
Jeanne Byrne, representative for Monterey Peninsula Water Management District (alternate to Robert S. Brower, Sr.)
Robert MacLean, representative for California-American Water
- Members Absent:** David Potter, Monterey County Board of Supervisors
Robert S. Brower, Sr., Monterey Peninsula Water Management District
- Pledge of Allegiance:** The assembly recited the Pledge of Allegiance.
- Public Comments:** Michael Warburton, representing the Public Trust Alliance (PTA), stated that this is the wrong project, in the wrong place, at the wrong time. The only reason it has the remotest chance of looking like it might be the right project is by not looking at the most obvious things shaping the Monterey Peninsula community. Less than 1% of the agricultural use of the Salinas River can solve the urban water problem. The committee is looking at concentrating half a billion dollars of public infrastructure in an increasingly vulnerable coastal zone. At the same time the Monterey Peninsula will be repairing and replacing its transportation infrastructure, this project will require that it replace its drinking water infrastructure. The scale of business interruption that will happen on the Peninsula to bury the pipeline is unnecessary and it's time to begin speaking about some of these things. *Burnett advised Warburton that the EIR on the Pure Water Monterey Project has been certified. The project would bring water from Salinas to the Monterey Peninsula.* Warburton responded that none of that water can be used in the wealthy parts of the community based on the distribution points.

Presentations

1. **Progress Report from California-American Water on the Monterey Peninsula Water Supply Project Including Updates on Production from Test Slant Well; Desalination Project Design; and Design and Procurement of Conveyance Facilities**

Ian Crooks reported that the slant test well is operational and performing better than expected. Salinity is approaching 90%. In April when pumping began the salinity was 70%. At the next committee meeting Crooks will present a trend line. When production wells are installed and operating at full production, the salinity levels should increase beyond 90%. He stated that the amount of water pumped from the inland areas is minimal – most of the water produced is coming from the ocean side of the well. The percentage of water that comes from the inland areas must be returned to the basin.

Public Comment: **(a) George Riley** expressed a concern that the test well would have been operated less than 18 months when the California Public Utilities Commission (CPUC) and California Coastal Commission (CCC) consider permits for this project. He stated that long-term effects of pumping cannot be confirmed because the test period was interrupted. He asked how the EIR/EIS could be completed, and how water rights issues could be settled without an uninterrupted pumping database. **(b) Michael Warburton**, PTA, asked if there was any update on how the location for the test well was determined. If desal will be done anywhere in California it might make sense to locate the investigation and test somewhere where the project is necessary. Every agency and group seems to be trying not to look at the obvious solution for the water problems in the community. There are three rivers flowing in and known technology which could be fortified against the weather problems. It seems crazy to sink a well in a marine sanctuary that is of principal economic significance in the area. There are a lot of environmental impacts that are not addressed. It would be good if the scientists or engineers could give an assurance that this is a good location for the test well.

Svindland reported that the working group met and all test well data from start-up of the well in April through June has been used to recalibrate the model. The data will be incorporated into the new draft EIR. Cal-Am expects that the recalibrated model will result in more realistic assumptions. The test well should be operational until permits are issued and it may be used as a production well for the desalination project. **MacLean** noted that all test well data is on the desal project website and is available to the public. **Burnett** stated that it is important to collect as much data as possible to inform decision makers, but there can be no delay in moving forward, especially since there is more data than expected and the data shows higher production with greater salinity than was anticipated. The settling parties supported the test well, and a decision must be made on awarding the RFP.

Action Items

2. **Review and Develop Recommendation on California American Water Notification #10 – Execution of Construction Contract for the Monterey Peninsula Water Supply Project Source Water Slant Wells**

Crooks provided information on Notification #10. His presentation can be viewed on the Governance Committee website.

Public Comment: **(a) George Riley** stated that he signed the settlement agreement, but later withdrew his support for the slant well portion due to the time period for collection of test well data. He expressed concern about the possibility of stranded costs that must be paid by the local rate payers, such as occurred with the failed Regional Water Supply Project. State agencies that support subsurface intakes require a feasibility analysis. The Huntington Beach project feasibility study was far more robust regarding the test well, than the data anticipated for the local project. There are still unresolved feasibility questions, and the settlement agreement states that Cal-Am makes the determination regarding feasibility. Riley opined that Cal-Am's desal project is on the fast track, is over budget, and that not enough attention has been paid to the quality of the feasibility criteria. **(b) Michael Warburton**, PTA, stated that as the project moves forward and decision making frameworks are discussed, there is talk of risk. One risk that has not been discussed is that alternative projects are not being evaluated, particularly non-desal projects. It looks like the responsible agencies and public officials are avoiding looking at certain things. They are actually paying costs to avoid looking at them. This involves legal expenses. It is becoming more and more expensive to avoid looking at the real risks and conditions. There is time – circumstances have changed since the settlement agreement was signed. They have changed so significantly that I totally changed my position. Five years ago I said that a publicly operated and financed desalination project might be the most reasonable answer, and this is not. I have learned a lot while looking at climate science and experiences of local governments. It is an expensive proposition to maintain this Rube Goldberg scheme. **(c) Jim Cullem**, Executive Director, Monterey Peninsula Regional Water Authority, stated that one of the project criteria was to address concerns of coastal locations such as the occurrence of a tsunami. The project was set-back from the coastline to account for possible beach erosion. He requested that Cal-Am identify how quickly the wellhead equipment could be removed in the event of a tsunami or other event. He suggested that the design group could be prepared to address this issue.

Committee comments: **Burnett:** If the Certificate of Public Convenience and Necessity is issued within 12 months, there would be twelve months of data available. The Salinas Valley interests need test well data. If the well should continue after project construction in order to provide sufficient data, I would support that. The stranded costs for the source water slant wells has been limited to a quarter-million dollars. He requested that Cal-Am report back to the Governance Committee with regular updates on the project progress. **MacLean:** In his experience, twelve months of pilot well operation is required, and twelve months is the goal. The question is, will the test well results show any seasonal variability. Subsurface intake has the advantage of screening intake water from ocean variability. To require two years of pumping data would forestall commencement of project construction. The test well permit allows for two years of operation, and Cal-Am has not decided when to shut off the well after construction begins. The time is now to move ahead on this project, as Cal-Am must comply with the Cease and Desist Order. It is critical for Cal-Am to contract with a driller so that construction could begin immediately upon project approval. If the test well continues to operate, and there is a change in circumstances that would cause Cal-Am to not want to continue project construction, he hoped that decision would be made with the Governance Committee. If Cal-Am issued a notice to proceed with construction, and other parties disagreed, legal counsel would review the Governance agreement to determine how to proceed.

On a motion by Burnett and second of Byrne, the committee recommended that California American Water (Cal-Am) enter into a contract with Boart Longyear Company (Boart). In addition, the committee recommended that Cal-Am provide periodic updates on project progress and allow the committee to comment: (1) prior to authorizing expenditures by Boart for planning and permitting activity; (2) prior to authorizing expenditures by Boart for pre-mobilization activity including preparation of the drilling rig; and (3) prior to issuance of a notice-to-proceed to Boart for commencement of construction activities. The committee recognizes that Cal-Am has authority over the construction schedule; therefore, if the committee or any member of the public disagrees with Cal-Am's actions, the issue could be brought before the California Public Utilities Commission. The motion was approved on a vote of 2 – 0 by Burnett and Byrne. Potter was absent.

3. Adopt Minutes of September 16, 2015 Governance Committee Meeting

On a motion by Byrne and second of Burnett, the minutes were adopted unanimously on a vote of 2 – 0 by Byrne and Burnett. Potter was absent. No public comment was presented to the committee on this item

Discussion Items

5. Suggest Items to be Placed on Future Agendas

Contract for Conveyance Facilities

Report from Cal-Am on potential risks to the test well due to weather patterns

Public Comment: **(a) George Riley** asked if Cal-Am had adopted project costs to be submitted in the application to the State on December 15, 2015. **(b) Michael Warburton**, PTA, stated that changed circumstances are not just to be considered in the social context, but also the physical context. In terms of changed circumstances, some updated costs are being provided on December 15, 2015. However, the entire economics of the cost of public infrastructure changed with the arrival of superstorm Sandy. What is happening is that you will obtain test well data for an El Nino year. There is a responsibility involved in what changed circumstances mean. I'm appearing before this Board saying that the physical world and the government have changed profoundly, and for you to maintain that nothing has changed is an increasingly expensive argument to make.

Adjournment: The meeting was adjourned at approximately 11 am.


Arlene M. Tavani,
Clerk to the MPWSP Governance Committee