

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

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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  
*October 13, 2014***

**Call to Order:** The meeting was called to order at 1:30 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  
David Potter, representing Monterey County Board of Supervisors  
Robert MacLean, representative for California American Water

**Members Absent:** None

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

**Public Comments:** Michael Warburton, representing the Public Trust Alliance, made a plea for reasonableness. He stated that an agency might reschedule a public meeting to a holiday when they do not want the public present to comment on an agenda item. This is suspect, especially when the holiday is Columbus Day which is not observed consistently throughout the community.

**Action Items**

**1. Approve Draft Minutes of April 16, May 23, July 10 and August 25, 2014 Governance Committee Meetings**

**Public Comment:** Michael Warburton, representing the Public Trust Alliance, requested that minutes of the May 23, 2014 committee meeting be amended by removing a statement that says that alternatives to the Monterey Peninsula Water Supply Project will be part of the environmental review phase of the project (he later stated the reference was in the April 16, 2014 minutes). Warburton described that statement as a lie and requested that it be removed from the minutes. He reasoned that “everybody knows” that the EIR is shaping up to be inadequate, and it will not address alternatives to the desalination plant. Warburton also noted that in the April 16, 2014 minutes he was cited to have stated that other alternative desalination proposals would be important to consider. He stated that all through this process he has said that alternatives to desalination must be addressed.

On a motion by Brower and second of Potter, the April 16, July 10 and August 25, 2014 committee meeting minutes were approved. The minutes of May 23, 2014 should be amended as necessary following a review of the recording of the meeting. The motion was adopted on a vote of 3 – 0 by Brower, Potter and Burnett.

**2. Review Bids Received on California American Water re Request for Proposal for Test Slant Well Construction and Develop Recommendation**

Ian Crooks, Engineering Manager for California American Water’s Coastal Division, gave a presentation to the committee.

**Public Comment: (1) Michael Warburton**, representing the Public Trust Alliance, stated that the Governance committee had not considered that an alternative project should be considered and that test wells may not be necessary. The proposal is for a project that would serve the Monterey Peninsula for 100 years, and the infrastructure is to be constructed in the coastal zone that is vulnerable to sea rise and other intensifying events. Other technologies would leave the infrastructure inland. The legal environment has changed. It is no longer reasonable to think that public water in the Salinas Basin is not available for urban use by Monterey County residents who live on the Peninsula. There are more facts that should be considered by this committee in evaluating the test well bids. **(2) Tom Rowley**, Monterey Peninsula Taxpayers Association, asked when contracts would be assigned for test well construction if the Coastal Commission approves the test well application.

On a motion by Brower and second of Potter, the committee recommended that if California American Water awards bids for development of the test slant wells, it should contract for a total amount of \$6.27 million. The motion was approved on a vote of 3 – 0 by Brower, Potter and Burnett.

\$4.07 million	Slant Well Drilling
0.16 million	Pump and Motor
0.65 million	Casing and Screen
0.72 million	Monitoring Wells
0.67 million	Civil and Electrical Work
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\$6.27 million	Total Bid Construction Costs

**3. Receive Report, Discuss and Develop a Recommendation on the Value Engineering Final Report for the California American Water Desalination Facility**

Jim Culleem, Executive Director of the Monterey Peninsula Regional Water Authority (MPRWA), reported that the MPRWA recommended that the Governance Committee accept the Value Engineering (VE) review process, submit the final report to California American Water (Cal-Am), and request that they report back to the Governance Committee on VE alternatives. Burnett noted that the MPRWA endorsed the VE process and requested that Cal-Am provide a written explanation to the Governance Committee regarding any VE alternatives recommended by SPI or the VE team for inclusion in the final design that are ultimately rejected. Culleem stated that he would recommend to the Governance Committee that it

request Cal-Am provide an explanation on every VE alternative that will be included in final design.

**Public Comment:** **Richard Svindland**, Vice President of Engineering for California American Water, expressed support for the VE process. He noted that there are some differences in opinion on appropriate VE design changes. One example is that Cal-Am plans to install an interim storage tank, but SPI recommends deletion of the tank. A final decision must be made and Cal-Am is willing to have open dialogue and discussion on that issue. Svindland noted that the project is at 30% design and will evolve further. **Michael Warburton**, representing the Public Trust Alliance, stated that the entire VE project did not consider the most important VE question: the difference in value between the desalination plant and another technology to get water to the people of the Monterey Peninsula. There should be open discussion of this issue, not just because it is an environmental question for the Monterey Peninsula, but it is a question of technological commitment and what the Monterey Peninsula will be moving forward. It is a mistake for the Governance Committee to say that this is so technical that we will take the technical advice of experts on an artificially narrowed concept of what the project is.

Brower moved that the Governance Committee receive the Value Engineering Final Report, express support for the process California American Water would undertake with Value Management Strategies, Inc. to select the value engineering alternatives for incorporation into the desalination project design. In addition, the committee requested that California American Water provide a written report to the Governance Committee that states which of the 33 alternatives was accepted and rejected, and provides justification for decisions made regarding each of the alternatives. The motion was seconded by Potter and approved on a vote of 3 – 0 by Brower, Potter and Burnett. MacLean expressed agreement with the Governance Committee's recommendation.

## Reports to Committee

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

Ian Crooks reviewed a project schedule that was included in the committee packet. Following is a summary of committee discussion. The staff report for the November 12, 2014 California Coastal Commission (CCC) hearing on installation of test wells at the CEMEX site will be distributed on October 24 or October 31, 2014. The outreach effort to the CCC should be done just prior to commission consideration of the issue, and Cal-Am staff should review the staff report carefully for any subliminal messages that could be fatal flaws. If the Potrero Road site must ultimately be utilized for construction of test wells, the Snowy Plover is not present there, so construction could begin at any time. There would be no delay due to the Snowy Plover nesting season. However, the two-year testing period would be shortened. A decision would need to be made as to how long the testing period would last. If the test wells were constructed at CEMEX, and it is determined that the site is not suitable for slant wells, the Potrero site could be utilized. Do not make the assumption that use of the Potrero site would not cause a delay.

**Public Comment:** (1) **Tom Rowley**, Monterey Peninsula Taxpayers Association, expressed concern about stranded costs. He stated that if the CCC makes a decision in Cal-Am's favor on December 12, 2014, Cal-Am should not award contracts for test well construction until the deadline for filing lawsuits on the CCC decision has passed. He expressed concerns that if bids were awarded and lawsuits were subsequently filed, the ratepayers would be responsible to pay the stranded costs. He noted that the MPTA is not opposed to the desalination project. (2) **Michael Warburton**, Public Trust Alliance, stated that there is a problem when a schedule is established that institutionalizes a hope and not actual approvals. It cannot be assumed that the California Public Utilities Commission will allow ratepayers to absorb costs that result from ambitious scheduling. The Governance Committee should pay attention to Tom Rowley's concerns and the difficulty of legal folly. This project is a case study in legal folly. Some of the difficulties have not been discussed, and some of them have been noticed. The November 4, 2014 election will be an opportunity for people to make up their minds about who they want to be making the decisions for them. **Rich Svindland** responded that a notice of intent to award is issued, followed by the notice to award, and finally the notice to proceed. Only then can the contractor begin billing. Cal-Am has no intent to issue a notice to proceed until all permits are in place. Between the notice to award and notice to proceed there are some costs that the contractor can bill for, but mobilization costs can only be charged following the notice to proceed.

**5. Update on Development of Landfill Gas Term Sheet**

Jim Cullem reported that the Monterey Peninsula Waste Management District is moving forward with a request for proposals for renewable power with three to five-year terms. The plan is that the three to five-year time-line allows contracts to end and then Cal-Am can negotiate final arrangements for renewable power for the desalination plant.

**Public Comment:** **Michael Warburton**, Public Trust Alliance, stated that this is another example of progress by assumption. When the desal plant made sense, the use of landfill waste for energy production seemed like a good idea. The desal plant no longer makes sense. As climate change becomes a larger issue in California, energy from fossil fuels and waste are thought of to replace old demands for energy. They are not considered as new sources for new emerging demands for energy. The desal project will be using power for something that has not required power in the past. It is stupid to arrange contracts not for replacing other uses of power but for keeping it on hold for a possibly new and stupid use of power. This is one more thing that is heaped on a pile of stacked cards supporting this project. Let's actually look for where water is in Monterey County and what is the easiest and cheapest way to get it to the people that need it.

**Discussion Items**

**6. Suggest Items to be Placed on Future Agendas**

MacLean stated that no items were eminent for consideration in November 2014.

Potter commented on a discussion that occurred during the Monterey County Board of Supervisors meeting of October 7, 2014 regarding his participation on the Monterey Peninsula Regional Water Authority. Potter stated that he never said that he had no personal interest in participating on the MPRWA, nor did he say that the county would not attend or provide

financial support. He simply asked for information such as: what are the expected future legal expenses; will the MPRWA focus on technical analysis related to water projects or advocacy and testimony at the state or federal level; what is the plan for the future of the agency; and is there duplication between the MPRWA and the Governance Committee. At the Board of Supervisors meeting, Potter asked that the MPRWA report back to the Board of Supervisors on the future of the agency and if it could be right-sized to reduce operating costs.

Burnett stated that the MPRWA will develop a focused budget and a response to the questions raised at the Board of Supervisors meeting, and then schedule a date to make a presentation to the Supervisors.

**Public Comment:** **Michael Warburton** suggested that the committee schedule a discussion on the notion of changed circumstances. Since the desalination project began, extreme changes have occurred in the legal, physical and public environments. Those changed circumstances should be openly discussed by the Governance Committee and not just assumed by the participants.

**Adjournment:** The meeting was adjourned at 2:40 pm.