



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: SARAH HARDGRAVE, SENIOR PLANNER
MEETING DATE: MARCH 4, 2009
SUBJECT: **RECEIVE A REPORT ON THE ENVIRONMENTAL IMPACT REPORT (EIR) FOR CALIFORNIA AMERICAN WATER'S PROPOSED COASTAL WATER PROJECT AND PROVIDE DIRECTION TO STAFF ON DEIR COMMENTS**
This item is being brought before the City Council to provide an opportunity to comment on a proposed water project which will have an impact on the long term water supply available to the City of Pacific Grove, its residents and property owners.
CEQA STATUS: THIS ACTION DOES NOT CONSTITUTE A "PROJECT" AS DEFINED BY THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

RECOMMENDATION:

Receive a report on the California American Water Company Coastal Water Project Draft Environmental Impact Report (EIR) and provide direction to staff on the preparation of a comment letter to the DEIR. This matter shall be further considered by the City Council on March 18, 2009.

BACKGROUND:

California American Water's Coastal Water Project (CWP) is proposed to develop new water supplies for the Monterey District service area in order to decrease reliance on the Carmel River (pursuant to State Water Resources Control Board Order 95-10) and the Seaside Basin (pursuant to the Seaside Basin Adjudication in *California American Water v. City of Seaside*, et al. (Monterey Superior Court, Case No. M66343). The Project Objectives are included in Attachment A, page 3-4.

The CWP includes a desalination plant located either at Moss Landing or in the north Marina area, new pipeline and other water transmission facilities, and aquifer storage and recovery facilities to store Carmel River excess winter flows in the Seaside Basin. The Draft Environmental Impact Report (DEIR) for the Coastal Water Project was released on Friday, January 30, starting a 60-day public comment period. The DEIR is available for download at www.cwp-eir.com. A hard copy is also available in local libraries.

The lead agency is the California Public Utilities Commission (CPUC), which is considering California American Water's application for a Certificate of Public Convenience and Necessity (CPCN), which authorizes the financing rate structure to cover CWP costs. The CPUC's decision will be followed by a lengthy permitting process involving approximately 20 other

public agencies, including the California Coastal Commission. The earliest date any project could deliver water is the end of 2015.

Comments on the DEIR may be submitted to Andrew Barnsdale, c/o Coastal Water Project, Environmental Science Associates, 225 Bush Street, Suite 1700, San Francisco, CA 94104. Comments will be accepted through 5 p.m., **April 1, 2009**.

The CPUC is holding the following public meetings on the DEIR:

- Monday, March 2, 1:30 and 6:30 p.m. at the Embassy Suites, 1441 Canyon Del Rey Blvd., Seaside
- Tuesday, March 3, 6:30 p.m. at the North County Recreation Center, 11261 Crane Street, Castroville
- Wednesday, March 4, 6:30 p.m. at Rancho Canada, 4860 Carmel Valley Road, Carmel

Administrative Law Judge (ALJ) Angela K. Minkin has also set a pre-hearing conference on Phase 2 of the Application of California American Water to the CPUC for the CWP (Application No. 04-09-019) to be held on March 13 in San Francisco. The primary issues for the Phase 2 CPUC hearing on the CWP include impacts of the project, ways to avoid or reduce environmental damage, and the determination as to whether the CPUC shall approve the project or a project alternative. The Phase 2 proceedings are proposed to determine:

- Which project or alternative most effectively or feasibly meets the established need and serves the present or future public convenience and necessity?
- Are the mitigation measures or project alternatives infeasible? (CEQA Guideline 15091(a)(3).)
- To the extent that the proposed project and/or project alternatives result in significant and unavoidable impacts, are there overriding considerations pursuant to CEQA Guidelines § 15093 that merit approval of the proposed project or a project alternative? This issue includes consideration of the cost of the proposed and alternate projects, and the proposed and alternative projects' impact on community values pursuant to Pub. Util. Code § 1002(a)(1).
- If a CPCN is granted, what is the cost of the approved project pursuant to Pub. Util. Code § 1005(b)?

Phase 2 will include an analysis of the project scope and the area to be served (e.g., Cal-Am's district only, or a wider region); the amount of water needed to meet the projected demand, and how and whether to plan for growth; the role of conservation and recycling; the technical specifications and environmental impacts of solution components, including location of proposed desalination plants; the necessary coordination with water management districts and other relevant agencies; the costs associated with the project and proposed alternatives, including expected total costs or reasonableness of cost estimates; the need for future reasonableness reviews; and for the regional approach, cost allocation among agencies and customers, the impact, if any, of the financial crisis on the CWP project and how the CWP adequately addresses plans for drought.

The City is not presently a party to the CPUC proceedings related to the CWP Application (CPUC No. A.04-09-019), and neither staff nor the City Attorney propose that the City intervene in those proceedings.

The current schedule anticipates that a final EIR will be released in mid-2009 to address public comments, and enable the CPUC to approve a CPCN for a project based on that document.

DISCUSSION:

Attachment A contains the DEIR Table of Contents and selected pages of sections related to Pacific Grove. The DEIR evaluates several project alternatives, and is structured to allow the CPUC some flexibility in selecting project facilities, including facility locations and components (see Attachment A, page 5-4 for a summary of the project facilities for each alternative). The three main project alternatives evaluated in the DEIR are:

1. California American Water's proposed project with a desalination facility in Moss Landing, co-located with the Moss Landing Power Plant, new pipelines and other water transmission facilities to deliver water to the Monterey Peninsula from the north, and an aquifer storage and recovery component to store water from the Carmel River taken during excess winter flows in the Seaside groundwater basin, both as a source of supply and to protect the basin from seawater intrusion.
2. A North Marina desalination plant, drawing seawater and brackish groundwater from coastal wells instead of from the Moss Landing power plant's cooling system, as well as new pipelines and other water transmission facilities to deliver water to the Monterey Peninsula from the north, and an aquifer storage and recovery component. (This project, with modifications to the desalination intake wells, is described by the DEIR as the environmentally superior project.)
3. A Regional Project alternative would provide new water supplies to the California American Water Monterey District service area, as well as to the Marina Coast Water District service area, unincorporated areas in northern Monterey County, as well as. The DEIR identifies two phases of the Regional Project (see Attachment A, pages 5-5 to 5-6).

Phase 1 of the Regional Project is similar to the North Marina desalination location alternative, except it would use vertical wells to draw brackish water instead of slanted coastal wells. It also adds construction of a surface water treatment plant at the Salinas River Diversion Facility (part of the Monterey County Water Resources Agency Salinas Valley Water Project). This would deliver water from the Salinas River to the MCWD and California American Water systems during the winter, when surplus water may be available to serve these users as well as Salinas Valley users.

Under this alternative, the desalination plant would potentially be constructed by the Marina Coast Water District and would provide an additional 2,700 AFY water supply to facilitate build out of the Fort Ord Redevelopment Area. However, no new water supplies are included for the Monterey Peninsula in Phase 1, only replacement of existing supplies from the Carmel River and Seaside Basin.

Phase 2 of the Regional Project would provide additional water supplies to the Monterey Peninsula, as well as a new supply of water for northern Monterey County. Phase 2 adds several project components to increase the total water supply, primarily through expansion of the Salinas River Diversion treatment facility, expansion of the Phase 1 desalination plant, and the MRWPCA's Seaside Groundwater Replenishment Project.

The Pacific Grove Storm Water project is also identified as a Phase 2 project component, with a potential 200 acre-foot per year demand offset for Pacific Grove's future water needs (see Attachment A, pages 5-21 to 5-22). Phase 2 is not evaluated in the DEIR at a project level and would require additional environmental review in the future. No time frame is provided for implementation of Phase 2.

Staff has identified four topics that the City Council may wish to consider commenting on. These topics are:

Topic #1 - The Monterey Pipeline

This is the only project facility that would be constructed within the City of Pacific Grove, except for the Phase 2 option of Pacific Grove Storm Water Project at the David Avenue Reservoir under Regional Project. The Monterey Pipeline is described in Attachment A (pages 3-21, 3-22, 4.10-10, and 4.11-14). The proposed new thirty-six inch pipeline route is on Eardley Avenue to be able to transmit water supplies from the north to the existing Eardley pump station and other existing storage facilities on the Peninsula. The City will need to issue an encroachment permit for this facility. Staff recommends that the Council consider commenting on how the route relates to other public works improvement plans and to ensure that the mitigation measures require early coordination with the City to ensure other street and infrastructure improvement projects are timed to minimize construction-related environmental impacts. The DEIR states in the preliminary permit schedule that the City of Pacific Grove encroachment permit for this facility would be obtained in 2010-2011.

Topic #2 - Pacific Grove Storm Water Project

The Phase 2 Regional Alternative includes the City's proposed David Avenue Reservoir Storm Water Project. Staff recommends that the Council consider commenting on whether the DEIR accurately and appropriately describes this project, and how it relates to the overall water supply portfolio that could be available to the City of Pacific Grove in the future (in other words, should Pacific Grove's future needs under Phase 2 be decreased by 200 AFY based on the demand offset created by the City's project). See Attachment A, pages 5-21, 5-22, 6.11-2, 6.11-5, and 6.11-9).

Topic #3 - Proposed Project Water Supply Capacity

California American Water's proposed Moss Landing project, the North Marina Alternative and the Phase 1 Regional Project are all proposed only to replace existing supplies from the Carmel River and Seaside Basin, and are not sized to supply any new water to the Monterey Peninsula service area. As described in the DEIR, only Phase 2 of the Regional Project would provide water for lots of record and infill development on the Monterey Peninsula, as well as parts of northern Monterey County.

The Community Development Department is currently working on the draft 2007-2014 Housing Element Update. The City must demonstrate in the Housing Element that it is actively pursuing water supplies to meet its fair share of the projected housing needs in Monterey County. Staff recommends that the Council consider commenting that whichever project is selected by the CPUC, it should be sized, *at a minimum*, to include sufficient water supply to accommodate the City's mandated Regional Housing Need Allocation (RHNA) for the combined 2001-2014 Housing Element cycle, or approximately 280 new housing units. Staff recommends that some additional water supply also be made available to enable mixed use or other commercial projects, and to promote housing and economic development.

Based on the Council's direction, staff will calculate the minimum amount of acre feet of water needed to achieve its current RHNA, as well as supply for some mixed use commercial, for inclusion in the draft comment letter.

Given that whichever project is selected, it is not expected to be on line until 2015, the Council may wish to consider commenting that adequate supply for housing beyond the current RHNA should also be included. In addition, staff recommends that the Council consider commenting that all project pipelines should be sufficiently sized for long-term needs.

Topic #4 - Long Term Water Supply Needs for the City of Pacific Grove

The Growth Inducement analysis of the DEIR (Chapter 8) identifies future water needs that would be included in a Phase 2 Regional Project. At this time, the Association of Monterey Bay Area Government's population and employment forecasts for the region are based on an assumption of a continued lack of water supply. AMBAG predicts a three percent loss in population and only a one percent increase in housing units in Pacific Grove through 2030. This assumption would dramatically shift if the proposed water project were to include new water supply to achieve identified long term needs (see Attachment A, pages 8-6, 8-12 to 8-15, and 8-24 to 8-27).

The DEIR bases the City of Pacific Grove's identified future water supply need on the City's 1994 General Plan build out projections, as provided by the City of Pacific Grove to the MPWMD in 2005. Because these projects are so high, the City of Pacific Grove's future water needs identified in the DEIR make up a full 28 percent of the total future demand identified for the California American Water Monterey district service area. This is more demand than any other jurisdiction (see Attachment A, Table 8-6, page 8-14). Total project costs will be greater if the project is oversized.

Staff recommends the Council consider commenting that the future water needs should be revised to reflect development trends since the adoption of the 1994 General Plan, as well as a more realistic potential for development based on the recent study of available vacant and underutilized sites recently prepared as part of the 2007-2014 Housing Element Update process, as follows:

- Reduced number of second unit potential - The 1994 General Plan identified a potential for over 3,400 second units. The recent sites inventory indicates a more realistic potential for 2,200 second units based on a GIS analysis of R-1 lots with adequate lot area.
- Infill/vacant lots - At a minimum, water for vacant lots should be included in the initial phase of the water project and are included in the sites that could be developed to meet the City's 2000-2014 Regional Housing Need Allocation (see Topic #3 above)
- Housing in commercial districts - The DEIR discussion of Pacific Grove's long-term needs identifies future demand for 1,128 new housing units in commercial districts. Based on the recent Housing Element Update vacant and underutilized sites inventory, this does not appear realistic. More recent analysis identifies potential for about 250 multi-family units in commercial districts based on a 50 du/ac density. Staff recommends the Council consider reducing this amount to a more moderate assumption of 250 multi-family units.

- Multifamily housing potential in the R-3, and R-4 zones - Redevelopment potential of underutilized multi-family sites also appears to be overestimated in the 1994 General Plan, identifying potential for 566 units. Recent analysis shows potential for considerably less, identifying site capacity for approximately 70 units to meet the 2000-2014 housing allocation. Additional sites in these zoning districts would require changes to the existing development standards in these zones in order to increase densities. Therefore, staff recommends reducing the assumed redevelopment potential for new multi-family units.

If the Council wishes to proceed with comments on this topic, staff will prepare revised future water need estimates to include in the comment letter.

Staff also recommends that the Council considering commenting on the lack of clarity regarding the additional environmental review process that would be required for implementation of the Phase 2 Regional Project or other future phases that would increase supplies available for new development, including clarification of the lead agency to approve any future phase(s) and the responsibilities of the local land use jurisdictions in those scenarios.

If the City Council wishes to proceed with a comment letter on the DEIR, staff will prepare a draft letter for your review and consideration at the March 18, 2009 Council meeting.

ATTACHMENTS:

- A. Pacific Grove Related Excerpts from the California American Water Company Coastal Water Project Draft Environmental Impact Report

RESPECTFULLY SUBMITTED:

REVIEWED BY:

Sarah Hardgrave
SENIOR PLANNER

Charlene Wiseman
INTERIM CITY MANAGER

February 23, 2009