



CALIFORNIA
AMERICAN WATER

Monterey Peninsula Water Supply Project

California Public Utilities Commission Public Participation Hearings

January 9, 2013

Monterey Peninsula Water Supply Project

Our Application before the California Public Utilities Commission is extensive. To signup for project updates or view the application, visit our project website:

www.watersupplyproject.org

Topics

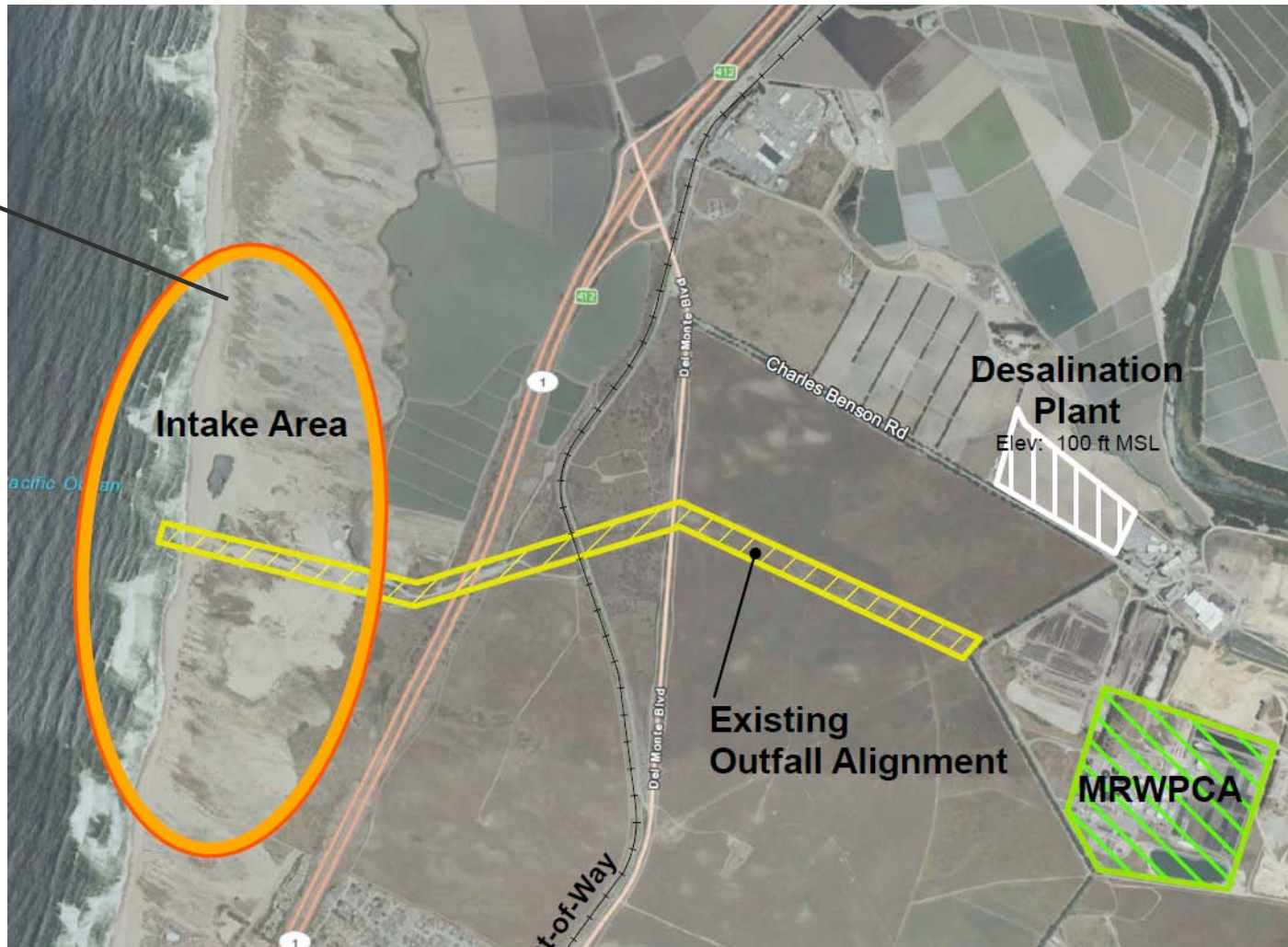
- **Project Overview**
- **Changes / updates to application**
 - **Updated Demand & Components**
 - **Updated Financing**
 - **Updated Schedule**
- **Outreach/updates**
- **Overview of Groundwater Reuse**

Project Overview

- **Deliver a replacement water project for the Monterey Peninsula**
- **Cal-Am desires to construct a smaller desal facility and purchase Groundwater Replenishment (GWR) from public agencies**
 - Desalination plant to be reduced by 35% if 3,500 AFY of GWR is available from MRWPCA / MPWMD.
 - Project includes Improvements to Aquifer Storage and Recovery (ASR) system.

Intake and Desal Plant Location

Cal-Am Proposal Includes Slant Wells

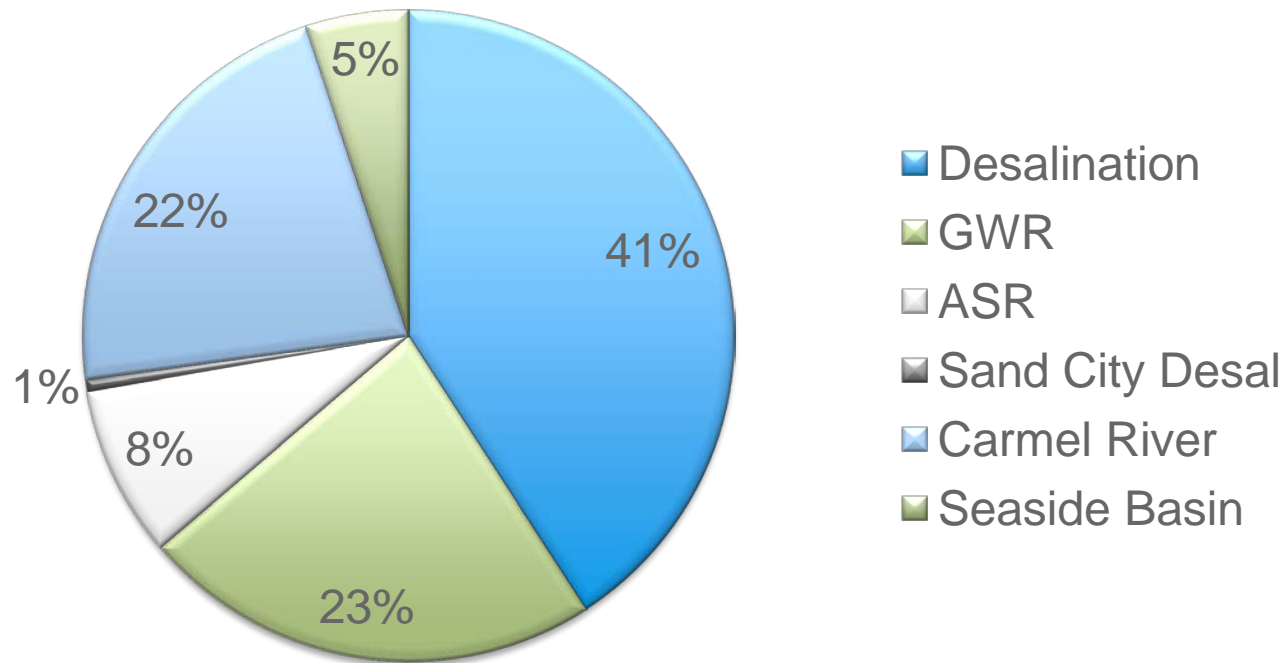


Updated Project Demand

Estimated Demand – Mid Range (AFY)	15,296
5 yr Average (AFY)	13,290
Pebble Beach (AFY)	325
Tourism Bounce Back (AFY)	500
Lots of Record (AFY)	1,181

Diversification of Supply, 59% of water from sources other than desalination

Proposed Water Sources



Updates to Application

Item	Application – April, 2012	Supplemental Testimony – January, 2013
Slant Well Location	180' Aquifer	Shallow Aquifer and/or 180' Aquifer
Desalination Plant Size	9006 AFY or 5500 AFY with GWR	9752 AFY or 6252 AFY with GWR

Cost Impact of Application Updates

MPWSP Original Application	Capital Cost ¹	O&M Cost ²	1 st Year Revenue Requirement
9.0 MGD Plant	\$260.4M	\$12.8M	\$32.2M - \$33.5M
5.4 MGD Plant	\$213.3M	\$18.6M - \$20.4M	\$31.7M - \$33.8M

MPWSP Updated Application	Capital Cost ¹	O&M Cost ²	1 st Year Revenue Requirement
9.6 MGD Plant	\$277.0M	\$11.0M	\$32.4M - \$34.0M
6.4 MGD Plant	\$223.5M	\$17.8M - \$19.5M	\$32.1M - \$33.9M

¹ Capital cost includes test well

² O&M cost is 2012 cost, and excludes avoided costs

No changes to the CAW Only Facilities

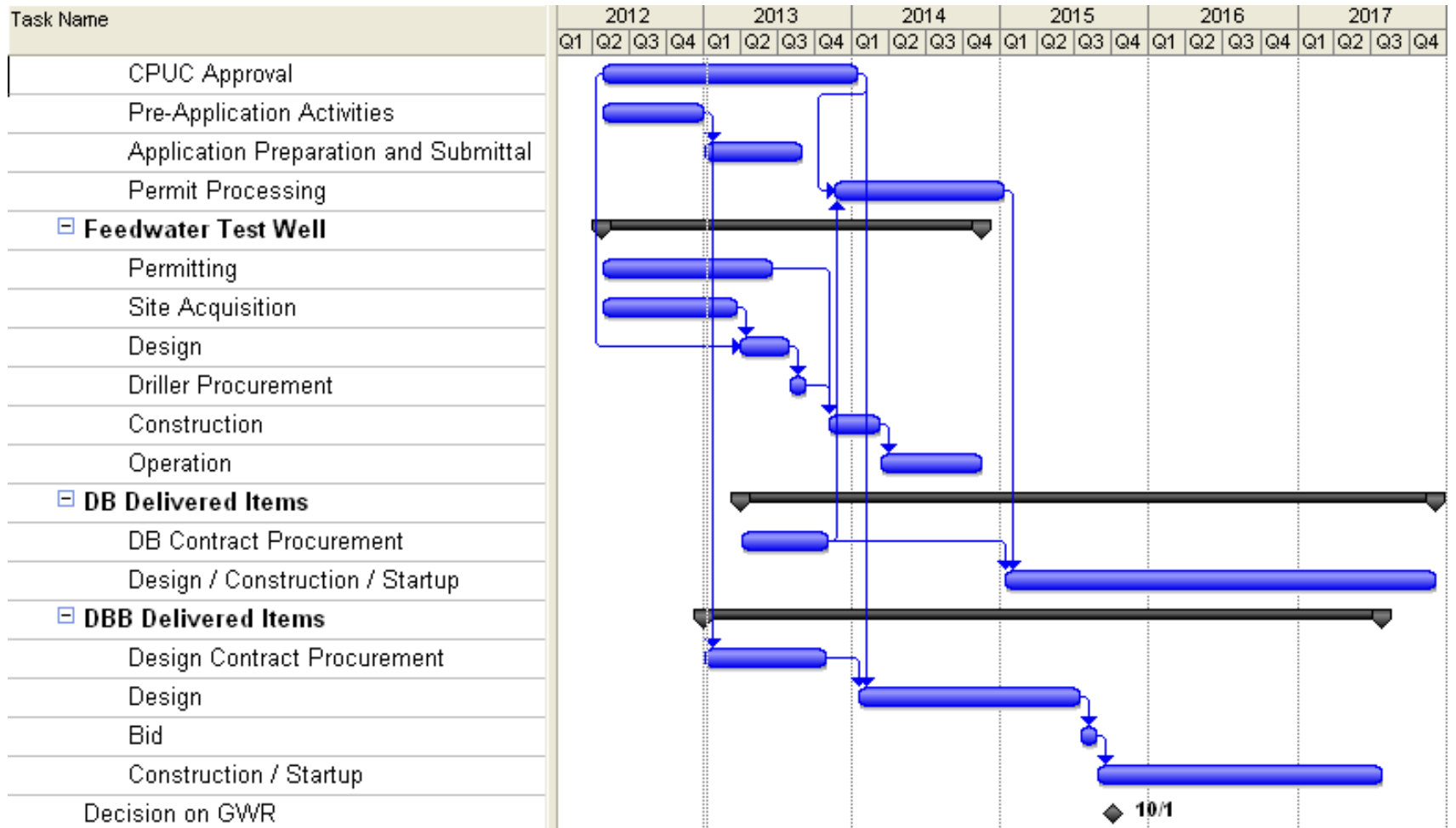
Finance and Expenses – As Filed

- Surcharge 2, which would raise \$99 million, reducing interest during construction
- SRF funding may be available at 2.5%
- \$15 - \$20 million from short term line of credit at an interest rate of 1.0%
- The surcharge and SRF amounts are exempt from real property taxes, at an annual savings of \$2.5M
- Approximately 2/3 of the project cost will be outside our ratebase, meaning shareholders will not earn a return on this amount
- Weighted average cost of financing, with contributions estimated at 3.46% to 4.73%

Updates to Financing and Expenses

- Based on meetings with PG&E we have been able to reduce our power costs estimate by approx. \$1M per year on the smaller desal plant and \$1.9M per year on the larger desal plant
- We have reduced the Long Term Debt Rate from 5% to 4.3% based on current market conditions.

Update to Schedule



Public Involvement / Ownership

- **Aquifer Storage & Recovery is a partnership project with the Monterey Peninsula Water Management District (MPWMD)**
- **California American Water working cooperatively with the Monterey Peninsula Regional Water Authority and the MPWMD in regard to a governance proposal and their efforts to develop potential financing alternatives**
- **Groundwater Replenishment is a project publicly owned by the Monterey Regional Water Pollution Control Agency. California American Water proposes to purchase water from that project**



Monterey Peninsula Groundwater Replenishment Project

Providing A Safe And Sustainable Water Supply



**Cal-Am Water Project for Monterey Peninsula
CPUC Public Participation Meeting
January 9, 2013**



Monterey Regional Water Pollution Control Agency

Keith Israel, General Manager & Bob Holden, Principal Engineer

Proposed Schedule

	2013				2014				2015				2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
CEQA+	█	█	█	█	█											
Pilot				█	█	█	█									
Design						█	█	█	█							
Construction										█	█	█	█	█	█	█
Outreach			█	█	█	█	█	█	█	█	█	█	█	█	█	█

Red Border - Cal Am Anticipated Decision Point

Projected Costs

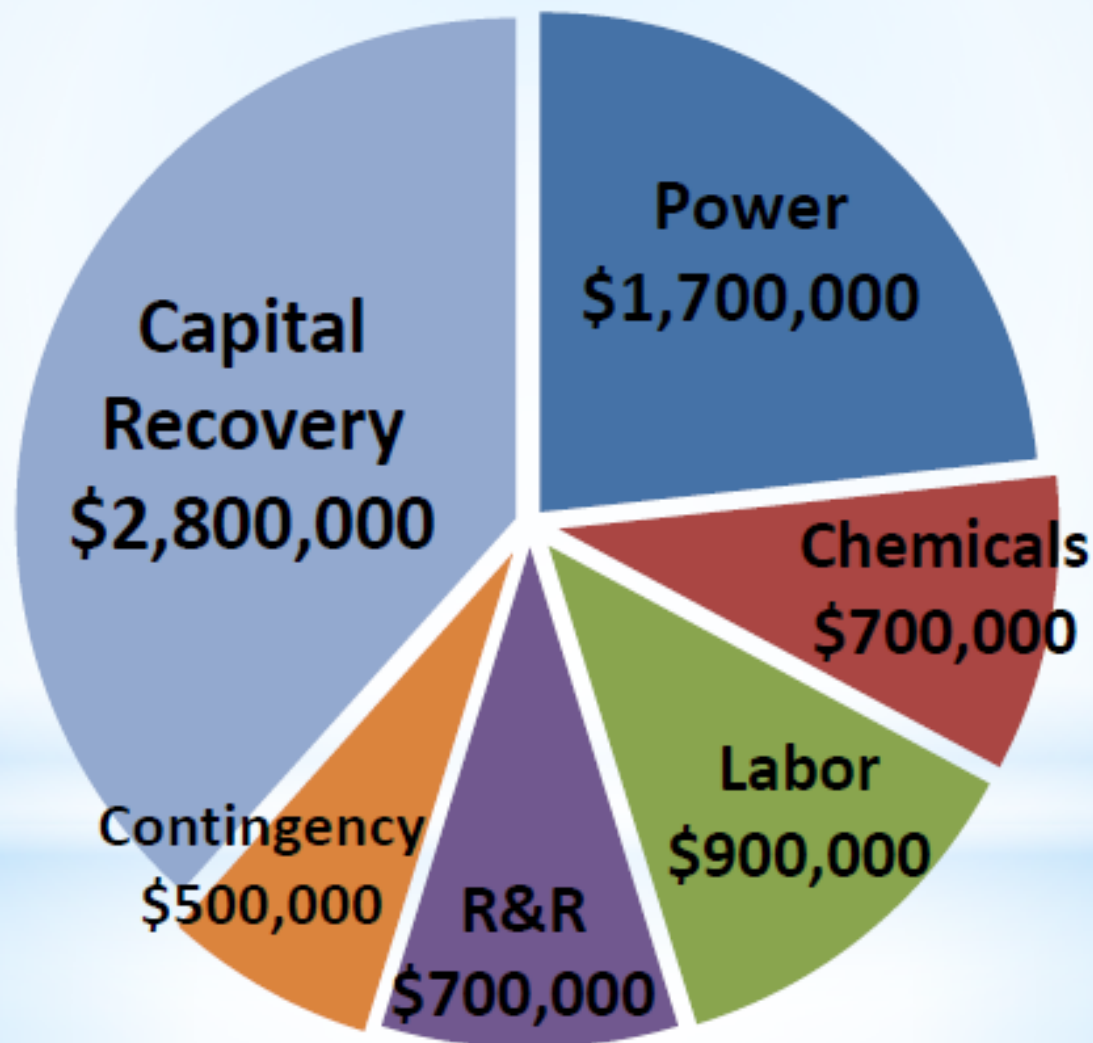
12 month Annual Operation

Worst Case Best Case

Capital Expense	\$87 M	\$58 M
Base Facilities	\$67 M	\$56 M
Supplemental Water	\$12 M	\$0 M
Contingency	\$8 M	\$2 M
O/M Cost (incl. Capital Recovery & Contingency)	\$11 M	\$7 M
Water Cost (per AF)	\$2,600	\$2,000

O&M Cost Breakdown-\$7,000,000

BEST CASE



12 mo. \$2,000/AF

Project Cost Challenges

- **Negotiations with parties on most feasible project**
 - **Water Rights**
 - **Win-Win-Win Options**
 - **Project Budget Delayed**
 - **Goal: Project Clarity by February**

Project Cost Challenges continued

● Groundwater Replenishment Goals

- Water Safety
- Cost Effective (\leq \$2,500/AF)
- Reliable Drought Proof Resource
- Low Carbon Footprint
- Online by December 2016



Monterey Peninsula Groundwater Replenishment Project

Providing A Safe And Sustainable Water Supply



Thank You!



Monterey Regional Water Pollution Control Agency
Keith Israel, General Manager & Bob Holden, Principal Engineer

For more information visit:
www.watersupplyproject.org
www.cpuc.ca.gov
www.mrw pca.org
www.californiaamwater.com