

EXHIBIT 9-C

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of California-American Water
Company (U210W) for Approval of the Monterey
Peninsula Water Supply Project and Authorization
to Recover All Present and Future Costs in Rates.

Application 12-04-019
(Filed April 23, 2012)

REBUTTAL TESTIMONY OF PAUL SCIUTO
ON BEHALF OF
MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY

March 22, 2016

EXHIBIT 9-C

Q1: What is your name, occupation, and address?

A1: My name is Paul A. Sciuto, and I am the General Manager of the Monterey Regional Water Pollution Control Agency ("MRWPCA"). My business address is 5 Harris Court, Building D, Monterey, California 93940.

Q2: Did you previously submit testimony in this proceeding?

A2: Yes, I submitted opening testimony on January 22, 2016 in which I provided my professional qualifications and discussed MRWPCA's involvement in the Pure Water Monterey Groundwater Replenishment Project ("GWR Project").

Q3: What is the purpose of your rebuttal testimony?

A3: In this rebuttal testimony I provide additional information supporting a decision by the California Public Utilities Commission ("CPUC") to approve the Water Purchase Agreement ("WPA") for water produced by the GWR Project and issues raised in testimony served on January 22, 2016. Specifically, I address certain cost considerations related to the GWR Project and the Cal-Am desalination plant, as well as rebut testimony regarding the reliability of the GWR Project's source waters and MRWPCA's ocean outfall.

Q4: Do you have any general comments related to the opening testimony filed in this proceeding on January 22, 2016?

A4: Yes. In addition to the specific points addressed in this rebuttal testimony, I want to stress the very broad support that the GWR Project received from the other parties to this proceeding. Specifically, the GWR Project received support from Cal-Am (Testimony of Robert MacLean), Marina Coast Water District ("MCWD") (Testimony of Thomas Moore), Monterey Peninsula Regional Water Authority ("MPRWA") (Testimony of Jason Burnett), Monterey Peninsula Water Management District ("MPWMD") (Testimony of Dennis Bruce and David Stoldt), and the Planning and Conservation League Foundation (Testimony of Jonas Minton). Their support in this proceeding is in addition to the support of federal, state, and local elected officials and the State Water Resources Control Board ("SWRCB") discussed in Margaret Nellor's rebuttal testimony.

EXHIBIT 9-C

1 M. Nellor Rebuttal Testimony, Attachment A. This level of consensus about the GWR
2 Project is striking and reflects a compelling reason for the CPUC to move forward as
3 quickly as possible to approve the GWR Project's WPA.

4 **Q5: Have recent developments related to Cal-Am's proposed desalination project**
5 **reinforced the need for prompt action on the WPA?**

6 A5: Yes. On March 17, 2016, Ken Lewis of the CPUC issued a notice to all parties in this
7 proceeding setting forth a revised schedule for the release of the desalination project's
8 Environmental Impact Report/Environmental Impact Statement ("EIR/EIS"). Under this
9 revised schedule, the desalination project's EIR/EIS will not be completed until very late
10 2017. The delay could be even longer in the event litigation is filed challenging the
11 CPUC's decision and/or the adequacy of the EIR/EIS. In contrast, the California
12 Environmental Quality Act ("CEQA") review is already fully complete for the GWR
13 Project, and no litigation was filed challenging the adequacy of the CEQA review.
14 P. Sciuto Opening Testimony, pp. 7:14–8:14. In light of this revised schedule, the
15 desalination project is far from being able to assist the Monterey area in meeting the
16 SRWCB's Cease and Desist Order ("CDO"). This delay in the desalination project's
17 development underscores the need for the CPUC to approve the WPA in a separate
18 Phase 2 decision.

I.

Cost Estimates of the GWR Project

21 **Q6: Did you review the supplemental testimony submitted by Mr. Jeffrey Linam and**
22 **Mr. Richard Svindland on behalf of Cal-Am?**

23 A6: Yes, I reviewed Mr. Svindland's and Mr. Linam's supplemental testimony served by
24 Cal-Am on January 22, 2016.

25 **Q7: Do you agree with Mr. Svindland's statement that the capital costs of the GWR**
26 **Project may be understated by \$21 million?**

27 A7: No, I do not agree with Mr. Svindland's statement on p. 6:18–21 of his supplemental
28 testimony regarding the accuracy of the GWR Project's capital cost estimates. As

EXHIBIT 9-C

1 Mr. Svindland acknowledges, he used information from Cal-Am's bidding process on the
2 desalination plant components to estimate the potential costs of the GWR Project.
3 R. Svindland Supplemental Testimony, p. 6:16–18. However, as Mr. Svindland also
4 acknowledges, the cost estimates for the GWR Project are based on cost estimates
5 performed by consultants and engineers heavily involved in the design of the GWR
6 Project. *Id.*, p. 6:21–23. In addition, there have been several developments since the
7 submittal of opening testimony in this proceeding on January 22, 2016, which will likely
8 reduce the costs of the GWR Project.

9 **Q8: What are those developments?**

10 A8: Recent developments, occurring since the submission of my opening testimony, now
11 allow a higher degree of certainty about the GWR Project's costs. In particular: (1) the
12 SWRCB voted to extend the 1% interest rate for qualified Clean Water State Revolving
13 Fund ("CWSRF") projects; (2) MRWPCA has now finalized negotiations for long-term,
14 low-cost energy supply; and (3) the Fort Ord Reuse Authority ("FORA") Board has
15 unanimously voted to support the GWR Project and authorized FORA's Executive
16 Director to negotiate terms to provide funding for the conveyance pipeline.

17 **Q9: Can you provide details about the SWRCB's decision to extend the 1% interest rate**
18 **for CWSRF loans?**

19 A9: Yes. As I noted in my January 22, 2016 testimony, the vast majority of the funds needed
20 to construct the GWR Project will be financed through the CWSRF, administered by the
21 SWRCB. P. Sciuto Opening Testimony, p. 13:3–6. SWRCB deemed the application
22 complete as of December 2, 2015. *Id.*, p. 13:9–11. On February 16, 2016, the SWRCB
23 voted to continue the use of a 1% interest rate on CWSRF loan applications that were
24 submitted and deemed complete by December 2, 2015. **Attachment A** (SWCRB Board
25 Meeting Session, Division of Financial Assistance, February 16, 2016). As reflected in
26 Attachment A, the GWR Project is identified as a project that would qualify for this 1%
27 interest rate for a CWSRF loan. *Id.* The use of the 1% interest rate would further reduce
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EXHIBIT 9-C

costs of the GWR Project. I understand that Mr. Stoldt has incorporated these cost savings into his rebuttal testimony.

Q10: What is MRWPCA's arrangement for a long-term, low-cost energy supply?

A10: MRWPCA and the Monterey Regional Waste Management District ("MRWMD") have historically investigated shared opportunities for renewable energy generation and use. In that regard, a power purchase agreement ("PPA"), in a form that has been recommended to be presented to both entities' Boards for approval in March and April 2016, sets forth the terms for MRWPCA to purchase landfill gas generated electricity for the GWR Project's Advanced Water Treatment plant. A draft of the PPA is included as **Attachment B**. The PPA is mutually beneficial in that it provides MRWMD with a long-term, consistent buyer for power as early as the fourth quarter of 2017 and allows the GWR Project to purchase electricity at a rate generally lower than comparable PG&E rates throughout the year. If approved, this PPA will decrease the lifecycle cost of the GWR Project. I understand that such decrease is reflected in the cost modeling in Mr. Stoldt's rebuttal testimony.

Q11: What is the status of the FORA funding for the GWR Project?

A11: On Friday, March 11, 2016, the FORA Board unanimously voted to authorize its Executive Director to negotiate terms to provide up to \$6 million in funding for the conveyance pipeline that would be used to deliver the GWR Project's product water, approximately 72% of which would be applied to the GWR Project's costs. This payment from FORA, if finalized and approved, will further reduce the GWR Project's costs. I understand that these cost reductions have also been reflected in Mr. Stoldt's rebuttal testimony.

II.

Cost Estimates for the Cal-Am Desalination Project

Q12: Have you reviewed Cal-Am's cost estimates for the two proposed configurations for the desalination plant provided in the testimony of Richard Svindland and Jeffrey Linam?

EXHIBIT 9-C

1 A12: Yes, I have reviewed Cal-Am's cost estimates in Mr. Svindland's and Mr. Linam's
2 testimony served on January 22, 2016.

3 **Q13: Do you have any concerns about Cal-Am's cost estimates for the desalination plant?**

4 A13: Yes, I have two primary concerns: (1) the cost estimates do not accurately reflect the
5 potential scope of costs associated with Cal-Am's use of MRWPCA's ocean outfall; and
6 (2) the differential between Cal-Am's estimates for the large 9.6 millions of gallons per
7 day ("mgd") desalination plant and the 6.4 mgd desalination plant appears to be
8 artificially small.

9 **Q14: Can you elaborate on your concerns about the cost estimates associated with**
10 **Cal-Am's use of MRWPCA's ocean outfall?**

11 A14: Cal-Am's cost estimates do not accurately characterize the potential scope of costs
12 associated with Cal-Am's use of MRWPCA's ocean outfall to discharge the desalination
13 plant's brine or the basis for determining those costs. In its testimony, Cal-Am currently
14 estimates approximately \$2.6 million in costs that would be associated with an upfront
15 one-time capacity charge. *See* R. Svindland's Supplemental Testimony, p. 14:1-10;
16 J. Linam Supplemental Testimony, p.8, n.5. However, MRWPCA and Cal-Am are
17 presently in the initial stages of negotiations for a long-term lease (not a one-time capacity
18 charge) for the use of MRWPCA's ocean outfall. Therefore, it is not possible at this time
19 to give an accurate range of the costs associated with Cal-Am's use of MRWPCA's
20 outfall. However, it is reasonably certain that the costs will substantially exceed the \$2.6
21 million cost included in Cal-Am's most recent estimates.

22 **Q15: What are your concerns about the differential in costs estimated by Cal-Am for the**
23 **9.6 mgd desalination plant as compared to the 6.4 mgd desalination plant?**

24 A15: There should be a greater differential between Cal-Am's estimates for the proposed large
25 9.6 mgd desalination plant that has facilities designed to accommodate future expansion to
26 12.8 mgd versus the cost of a 6.4 mgd desalination plant, because there are components
27 included in the 6.4 mgd desalination plant that could be reduced in size.

28 **Q16: What is the basis for MRWPCA's position?**

EXHIBIT 9-C

1 A16: There are cost savings that could be gained through appropriately sizing the design of the
2 desalination plant. This opinion is based on my review of the Cal-Am cost estimates and
3 review of a study conducted for MRWPCA by Hazen and Sawyer examining Cal-Am's
4 cost estimates. MRWPCA, working with its consultant, has found that there are
5 approximately \$92 million (including contingencies) in cost savings if the design of the
6 smaller 6.4 mgd desalination plant is sized appropriately. Examples of the cost savings
7 include, but are not limited to: (1) reducing the number of slant wells and pumps
8 (resulting in a potential cost savings of approximately \$25.8 million); (2) changing the
9 conveyance pipeline from 15.6 miles of 36-inch piping to 15.6 miles of 20-inch piping
10 (resulting in a potential cost savings of approximately \$37.9 million); and (3) reducing the
11 raw water pipeline from 42-inch pipeline to 30-inch pipeline (resulting in a potential cost
12 savings of approximately \$3.0 million). While these estimates of the potential reductions
13 to the desalination plant's cost estimates are not based on detailed engineering design, the
14 sheer magnitude of the cost differential between the proposed configuration of the
15 desalination plant and the facilities actually needed for a smaller 6.4 mgd desalination
16 plant calls into question the appropriate scope of the proposed design of the desalination
17 plant.

18 **Q17: How is this relevant to the GWR Project's WPA at issue in Phase 2 of this**
19 **proceeding?**

20 A17: One of the issues being examined in this proceeding is the cost comparison between the
21 GWR Project coupled with a smaller 6.4 mgd desalination plant and the larger 9.6 mgd
22 desalination plant. The Office of Ratepayer Advocates ("ORA") understandably is
23 concerned that ratepayers should not unnecessarily pay higher costs for a water supply
24 under the WPA as compared to other options. By overstating the costs of the smaller
25 6.4 mgd plant, Cal-Am presents an unrealistic impression that a larger desalination plant is
26 the lowest cost option overall.

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EXHIBIT 9-C

III.

MPWMD's Externality Study

Q18: Have you reviewed the opening testimony of Mr. Dennis Bruce, submitted on behalf of the Monterey Peninsula Water Management District?

A18: Yes, I have reviewed Mr. Bruce's testimony and his supporting analysis.

Q19: Do you agree with Mr. Bruce's analysis concerning the broader social and environmental effects of the GWR Project paired with the smaller desalination plant?

A19: Yes, I agree with the points made by Mr. Bruce in his opening testimony and in his supporting analysis. However, I think that Mr. Bruce's testimony may understate certain of the potential cost benefits of the GWR Project when paired with the smaller desalination plant. For instance, Mr. Bruce included the value of avoided groundwater pumping that will no longer be needed because of the GWR Project. *See* D. Bruce Opening Testimony, p. 6:17–22. However, Mr. Bruce's value for the avoided groundwater pumping is understated for two reasons. First, Mr. Bruce assumed that the GWR Project would deliver only 4,000 AFY of product water for agricultural uses. *See* D. Bruce, Opening Testimony, Attachment 1, p. 24. Yet, the GWR Project could provide up to 4,500 to 4,750 AFY in new water supplies for agricultural irrigation in normal and wet years.¹ In addition, in analyzing the benefits of the GWR Project combined with the smaller desalination plant, Mr. Bruce did not include the saved pumping costs associated with the reduced pumping related to the lower amount of "return water" to the Salinas Valley Groundwater Basin. Thus, Mr. Bruce's estimates for cost savings associated with the GWR Project combined with the smaller desalination plant may be understated by several million dollars.

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¹ GWR Project, Final Environmental Impact Report (EIR), pp. 1-3, 2-4, 2-5, and 2-18, *available at* <http://purewatermonterey.org/reports-docs/cfeir/>.

EXHIBIT 9-C

IV.

Reliability of Source Waters

Q20: Did you review the supplemental testimony of Ronald Weitzman submitted on behalf of Water Plus?

A20: Yes, I reviewed Mr. Weitzman's supplemental testimony submitted on January 22, 2016.

Q21: Do you agree with the concerns of Mr. Weitzman of Water Plus about the future reliability of the source waters needed for the GWR Project?

A21: No. Mr. Weitzman's concerns about the future reliability of the source waters is unfounded. *See* R. Weitzman Supplemental Testimony, pp. 5–6. Put simply, Mr. Weitzman's concerns about the future reliability of the source water are based on speculation about what may or may not occur in the future and are unsupported by any evidence. Rather, the evidence shows that there is and will be ample source water for the GWR Project.²

Mr. Weitzman is particularly focused on the availability of source water from agricultural activities in Salinas Valley and from Marina Coast Water District. As I discussed in my opening testimony, MRWPCA and the City of Salinas have entered into an agreement, which provides MRWPCA rights to use 4,045 acre-feet per year ("AFY") of wastewater from the City of Salinas. P. Sciuto Opening Testimony, p. 9:16–22. In addition, MRWPCA obtained first priority status to 4,321 AFY in an agreement with Monterey County Water Resources Agency ("MCWRA"). *Id.*, p. 10:5–14. Together, these two agreements alone provide more than ample source water for the GWR Project. *Id.*, p. 11:10–21. Also identified in the Water Recycling Agreement with MCWRA are certain water allocations for MCWD which are not included in the above totals and do not affect the GWR Project's source water.

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² *See* GWR Project Final EIR, Section 2.7, available at <http://purewatermonterey.org/wp/wp-content/uploads/Volume-I-Consolidated-Final-EIR-Jan-2016.pdf>; GWR Project Final EIR, Appendix B-Revised, available at <http://purewatermonterey.org/wp/wp-content/uploads/Volume-II-Appendices-to-the-EIR-Jan-2016.pdf>; Final EIR, Master Responses to Comments, pp. 3-4 to 3-6, available at <http://purewatermonterey.org/wp/wp-content/uploads/Volume-III-September-2015-Final-EIR-Jan-2016.pdf>.

EXHIBIT 9-C

V.

MCWD's Claim of Reserved Capacity in MRWPCA's Ocean Outfall

Q22: Did you review the testimony submitted by MCWD?

A22: Yes, I reviewed the testimony submitted by MCWD, including that by Mr. Thomas Moore.

Q23: Do you have any comments about Mr. Moore's testimony?

A23: Yes, I have one comment. In Mr. Moore's Supplemental Phase 1 Testimony, he incorrectly states that MCWD has reserved firm capacity in MRWPCA's ocean outfall. *See Moore Direct Testimony*, pp. 3:16–18, 6:1–5. While Mr. Moore's comment does not relate to whether the CPUC should approve the GWR Project's WPA, MRWPCA would like to correct this erroneous statement in the record.

Q24: Why is it incorrect to state that MCWD has a reserved firm capacity in MRWPCA's ocean outfall, as stated in Mr. Moore's testimony?

A24: The capacity referred to by MCWD in Mr. Moore's testimony is erroneously based on a 2010 outfall agreement between MRWPCA and MCWD. It is MRWPCA's position that this agreement is no longer in effect, as the agreement was solely related to the Regional Desalination Project ("RDP"), for which MCWD was one of the three partners/applicants. *See A.04-09-019*. Because the RDP water purchase agreement and other RDP-related agreements are no longer in effect, the RDP will not be constructed. As a result, the 2010 outfall agreement is no longer in effect, and MCWD no longer has a reserved firm capacity in MRWPCA's ocean outfall. MRWPCA remains open to negotiating with MCWD for any outfall capacity needs it may have with a future project, and has so advised MCWD in that regard on several occasions.

Q25: Does this conclude your testimony?

A25: Yes, although I reserve my right to update this testimony at the evidentiary hearing scheduled for this proceeding in April 2016.

Attachment A

Attachment A

EXHIBIT 9-C

STATE WATER RESOURCES CONTROL BOARD BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE FEBRUARY 16, 2016

ITEM 3

SUBJECT

CONSIDERATION OF A RESOLUTION TO AMEND AND CLARIFY THE REDUCED INTEREST RATE INCENTIVE FOR RECYCLED WATER PROJECTS FUNDED THROUGH THE CLEAN WATER STATE REVOLVING FUND (CWSRF) IN RESPONSE TO THE DROUGHT

DISCUSSION

In response to the Governor's 2014 Drought Proclamation, the State Water Resources Control Board (State Water Board), on March 18, 2014, adopted [Resolution No. 2014-0015](#) to provide a financial incentive to near-term recycled water projects funded through the CWSRF. The Resolution reduced the CWSRF's interest rate to 1.0 percent with a cap of \$800 million for those water recycling applicants that submit a complete financial assistance application¹ by December 2, 2015.

Later that year, on November 4, 2014, the voters passed the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Prop. 1). Prop. 1 authorized \$725 million for water recycling and desalinization project loan and grant funding. Water recycling funds from Prop. 1 have been appropriated in State Fiscal Year 2015/16, and are being provided by the State Water Board through the Division of Financial Assistance's (Division) Water Recycling Funding Program (WRFP).

By December 2, 2015, the Division received 36 complete WRFP project applications in response to Resolution No. 2014-0015. The total estimated cost of these 36 complete applications is approximately \$1.2 billion. After accounting for WRFP grant funds and other funds available to the applicants, the complete applications would need approximately \$963 million in CWSRF 1.0 percent financing².

In addition to the complete applications submitted by December 2, 2015, at least an additional \$640 million in incomplete applications for 1.0 percent CWSRF financing were submitted.

[Attachment A](#) provides a list of all the complete and incomplete applications submitted by December 2, 2015, with the estimated eligible 1.0 percent CWSRF loan and WRFP grant funds.

The Division has evaluated the complete applications submitted by December 2, 2015, and they appear to follow the primary guidelines established in Resolution 2014-0015 for staff to follow while implementing the very low interest CWSRF financing. The projects meet the qualifications of the WRFP Guidelines and offset or augment State water supplies.

¹ A "complete financial assistance application" means that all four completed application packages (general, technical, financial, and environmental), with all applicable attachments, have been submitted to the State Water Board.

² If no additional Prop. 1 grant funds are appropriated in State Fiscal Year 2016/17, approximately \$1,057 million in 1.0 percent loan funds will be needed for the water recycling applications completed by December 2, 2015.

EXHIBIT 9-C

Given the successful response to the State Water Board's incentive, exceeding the original goal, the Board should evaluate whether to extend the program to encompass additional projects based on a newly established deadline or dollar target.

The State Water Board should consider that extending the reduced interest rate incentive delays the use of Prop. 1 WRFP loan funds, and thereby delays the use of Prop. 1 loan funds for future WRFP grants. The reason for this is that Prop. 1 loan funds can only be offered at the standard CWSRF interest rate, i.e., one-half the State's General Obligation bond rate. Therefore, if CWSRF loans continue to be available at 1.0 percent, WRFP loan applicants will decline the Prop. 1 WRFP loans. Since Prop. 1 WRFP loan repayments can be used for future WRFP grants on a 50/50 basis, as was done for Prop. 13, delaying the use of the WRFP loan funds will create a gap in the future availability of WRFP grants.

In addition, lowering the CWSRF interest rate, over and above the CWSRF's already substantial subsidized rate, also lowers the earnings needed to support future CWSRF leveraging. On January 5, 2015, the State Water Board approved a resolution authorizing the Division to sell up to \$1.2 billion in revenue bonds for the CWSRF. Given the current high demand on the CWSRF, additional earnings reductions will further limit the CWSRF's ability to meet future demands for financing.

Since the cumulative cost of the complete applications submitted by the deadline is comparable to the Board's original dollar target, and the projects meet the overarching drought response goals of Resolution 2014-0015 to distribute the incentive as fairly as possible and distribute it in a manner that responds to the Governor's Drought Proclamation, the Division recommends that the State Water Board authorize the Deputy Director of the Division to approve 1.0 percent CWSRF financing for all water recycling applications determined complete as of December 2, 2015, and listed on Attachment A, regardless of the final cumulative project cost or the availability of future Prop. 1 WRFP grant funds. The Division also recommends that if a project is incapable of executing a CWSRF financing agreement, no substitute projects be allowed to make up the difference.

POLICY ISSUE(S)

Should the State Water Board rescind the \$800 million cap on 1.0 percent CWSRF financing set forth in Resolution No. 2014-015?

Should the State Water Board authorize the Deputy Director of the Division to approve 1.0 percent CWSRF financing for any otherwise eligible water recycling project where a complete application, as determined by the Division, for that project was submitted on or before December 2, 2015?

Should the State Water Board limit 1.0 percent CWSRF financing to those projects with an application submitted on or before December 2, 2015, and listed on Attachment A, and not allow substitutions if any of those projects are unable to proceed for any reason?

FISCAL IMPACT

The Division evaluated the short term impacts and long-term revolving nature of the CWSRF Program. Interest earnings ensure that the CWSRF Program has sufficient repayment funds for future projects and future leveraging, and provide sufficient funds for CWSRF administration and the Small Community Wastewater Grant Program.

EXHIBIT 9-C

The effect of approving additional 1.0 percent water recycling funding on the CWSRF cash flow is presented in Table 1 below. Table 1 indicates that the CWSRF should have sufficient cash flow to support these additional commitments.

TABLE 1: “Fiscal Impact - Cash Flow Projections”

| (as of 01/14/2016) | SFY 2015-16 | SFY 2016-17 | SFY 2017-18 | SFY 2018-19 | SFY 2019-20 | SFY 2020-21 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| Beginning Balance: | \$300,109,414 | \$439,570,298 | \$212,021,419 | \$101,063,958 | (\$123,067,510) | (\$299,293,045) |
| Estimated Repayments | \$237,748,058 | \$252,598,058 | \$267,448,058 | \$282,298,058 | \$297,148,058 | \$311,998,058 |
| Debt Service on Revenue Bonds | (\$14,323,300) | (\$13,808,100) | (\$9,980,925) | (\$7,600,725) | \$0 | \$0 |
| Estimated Capitalization Grants | \$95,772,480 | \$90,000,000 | \$28,800,000 | \$28,800,000 | \$0 | \$0 |
| Anticipated Revenue Bond Sale ³ | \$500,000,000 | \$350,000,000 | \$350,000,000 | \$0 | \$0 | \$0 |
| Local Match Credits | \$1,070,771 | \$1,241,537 | \$627,832 | \$0 | \$0 | \$0 |
| Est. SMIF Interest: | \$1,500,000 | \$1,500,000 | \$1,500,000 | \$1,500,000 | \$1,500,000 | \$1,500,000 |
| Estimated Disbursements | (\$568,408,780) | (\$470,362,495) | (\$261,888,846) | (\$118,952,178) | (\$63,888,211) | (\$2,394,048) |
| Subtotals | \$553,468,643 | \$650,739,298 | \$588,527,538 | \$287,109,114 | \$111,692,337 | \$11,810,965 |
| Commitments in Process | (\$113,898,345) | (\$301,771,833) | (\$350,517,533) | (\$273,230,578) | (\$274,039,336) | (\$91,090,548) |
| Future 1.0 Percent Commitment from Original \$800 million | | (\$99,446,043) | (\$99,446,043) | (\$99,446,043) | (\$99,446,043) | (\$99,446,043) |
| Future 1.0 Percent Commitments Pending Water Board Approval | | (\$37,500,000) | (\$37,500,000) | (\$37,500,000) | (\$37,500,000) | (\$13,334,444) |
| Ending Balance | \$439,570,298 | \$212,021,422 | \$101,063,961 | (\$123,067,507) | (\$299,293,042) | (\$192,060,070) |

Approving approximately \$163 million more in 1.0 percent financing will further reduce future interest earnings, compared to the current, standard CWSRF loan rates, by an estimated \$17 million over a 30 year period. This is in addition to the estimated \$90 to \$100 million of interest earnings lost as a result of the original \$800 million in 1.0 percent financing.

REGIONAL BOARD IMPACT

To the extent that providing these financial incentives encourages additional water quality improvement projects and drought-relief, it will assist Regional Boards with achieving water quality goals, objectives and performance metrics.

STAFF RECOMMENDATION(S)

The State Water Board should rescind the \$800 million cap on 1.0 percent CWSRF financing set forth in Resolution No. 2014-0015.

The State Water Board should authorize the Deputy Director of the Division to approve 1.0 percent CWSRF financing for any otherwise eligible water recycling project where a complete application, as determined by the Division, for that project was submitted on or before December 2, 2015.

³ On January 4, 2016 the State Water Board approved the sale of 1.2 billion of revenue bonds.

EXHIBIT 9-C

The State Water Board should limit 1.0 percent CWSRF financing to those projects with an application submitted on or before December 2, 2015, and listed on Attachment A, and not allow substitutions if any of those projects are unable to proceed for any reason.

State Water Board action on this item will assist the Water Boards in reaching Goal 3 of the Strategic Plan Update: 2008-2012. In particular, approval of this item will (3) Increase sustainable local water supplies available for meeting existing and future beneficial uses by 1,725,000 acre-feet per year, in excess of 2002 levels, by 2015, and ensure adequate flows for fish and wildlife habitat.

**STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2016-**

TO AMEND AND CLARIFY THE REDUCED INTEREST RATE INCENTIVE FOR RECYCLED
WATER PROJECTS FUNDED THROUGH THE CLEAN WATER STATE REVOLVING FUND
(CWSRF) IN RESPONSE TO THE DROUGHT

WHEREAS:

1. California has experienced record dry conditions for the last four years. These dry conditions can occur on a regular basis, and are projected to be exacerbated by climate change;
2. The Governor issued a "Proclamation of a State of Emergency" (2014 Drought Proclamation) on January 17, 2014;
3. Order Number 6 of the 2014 Drought Proclamation states *"The Department of Water Resources and the Water Board will accelerate funding for water supply enhancement projects that can break ground this year and will explore if any existing unspent funds can be repurposed to enable near-term water conservation projects"*;
4. Among other activities taken, the State Water Board responded to the 2014 Drought Proclamation by offering financing incentives through its CWSRF program for the construction of recycled water facilities in its [Resolution No. 2014-0015](#) adopted on March 18, 2014;
5. The State Water Board is required under both state and federal law to maintain the CWSRF in perpetuity;
6. Resolution No. 2014-0015 reduced the CWSRF's interest rate to 1.0 percent with a cap of \$800 million for water recycling projects for which complete financial assistance applications had been submitted to the Division of Financial Assistance (Division) by December 2, 2015;
7. On November 4, 2014, the voters passed the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1);
8. Proposition 1 authorized the State Water Board to provide \$725 million for water recycling project loan and grant funding, which program is also implemented by the Division; and
9. By December 2, 2015, the Division received complete applications for water recycling projects that exceeded the State Water Board's \$800 million cap on 1.0 percent funding for CWSRF projects.

EXHIBIT 9-C
DRAFT

THEREFORE BE IT RESOLVED THAT:

The State Water Board amends and clarifies Resolution No. 2014-0015 as follows:

1. The \$800 million cap on 1.0 percent CWSRF financing set forth in Resolution No. 2014-0015 is rescinded;
2. The Deputy Director of the Division is authorized to approve 1.0 percent CWSRF financing for any otherwise eligible water recycling project where a complete application, as determined by the Division, for that project was submitted on or before December 2, 2015;
3. The State Water Board shall limit 1.0 percent CWSRF financing to those projects with an application submitted on or before December 2, 2015, and listed on [Attachment A](#), and not allow substitutions if any of those projects are unable to proceed for any reason.

CERTIFICATION

The undersigned Clerk to the Board does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on February 16, 2016.

Jeanine Townsend
Clerk to the Board

Water Recycling Funding Program Applications Submitted in Response to Resolution 2014-0015
 Projects Recommended for Receiving 1% Financing

| Agency | Project Name | Estimated Project Cost ¹ | Estimated CWSRF 1% Loan | Estimated Cumulative 1% Loan | Estimated WRFP Grant ² |
|---|--|-------------------------------------|-------------------------|------------------------------|-----------------------------------|
| Applications with an Executed Agreement (Sorted by: Date Complete Application Received) | | | | | |
| Inland Empire Utilities Agency | Central Area Recycled Water Project | \$ 30,500,000 | \$ 22,206,050 | \$ 22,206,050 | \$ 8,293,950 |
| Victor Valley Wastewater Rec Authority | Apple Valley Subregional Wastewater Reclamation Plant | \$ 40,254,600 | \$ 27,072,759 | \$ 49,278,809 | \$ 13,181,841 |
| Victor Valley Wastewater Rec Authority | Hesperia Subregional Wastewater Reclamation Plant | \$ 33,508,015 | \$ 33,508,015 | \$ 82,786,824 | \$ - |
| Napa County Department of Public Works | MST Recycled Water Project | \$ 9,296,647 | \$ 6,352,304 | \$ 89,139,128 | \$ 2,944,343 |
| Idyllwild Water District | Tertiary Recycled Water System | \$ 1,022,608 | \$ 715,921 | \$ 89,855,049 | \$ 306,687 |
| Carlsbad Municipal Water District | Phase III Recycled Water Project | \$ 29,000,000 | \$ 22,150,000 | \$ 112,005,049 | \$ 7,350,000 |
| Fresno, City of | Tertiary Treatment Facility | \$ 49,043,336 | \$ 49,043,336 | \$ 161,048,385 | \$ - |
| Pleasanton, City of | City of Pleasanton Recycled Water Project | \$ 17,359,925 | \$ 11,333,977 | \$ 172,382,362 | \$ 6,025,948 |
| Los Carneros Water District | LCWD Recycled Water Pipeline Project | \$ 12,934,726 | \$ 8,781,075 | \$ 181,163,437 | \$ 4,153,651 |
| West County Wastewater District | Recycled Water Reliability Upgrades | \$ 30,457,094 | \$ 21,100,764 | \$ 202,264,201 | \$ 9,356,330 |
| San Benito County Water District | SBCWD Recycle Water Project | \$ 413,424 | \$ - | \$ 202,264,201 | \$ 413,424 |
| Fresno, City of | Recycled Water Distribution System Southwest Quadrant | \$ 67,475,049 | \$ 52,475,049 | \$ 254,739,250 | \$ 15,000,000 |
| Subtotals | | \$ 321,265,424 | \$ 254,739,250 | | \$ 67,026,174 |
| Applications without an Executed Agreement, but with a Complete Application Received by December 2, 2015 (Sorted by: Date Complete Application Received) | | | | | |
| Fresno, County of | Fresno County Monte Verdi CSA 44D Wastewater | \$ 2,506,018 | \$ 1,773,937 | \$ 256,513,187 | \$ 732,081 |
| Pacific Grove, City of | Pacific Grove Local Water Project | \$ 7,700,000 | \$ 5,285,000 | \$ 261,798,187 | \$ 2,415,000 |
| Malibu, City of | Malibu Civic Center Wastewater Treatment & Recycling Facility | \$ 59,788,626 | \$ 23,192,297 | \$ 284,990,484 | \$ 8,900,000 |
| Orange County Water District | La Palma Recharge Basin Project | \$ 8,900,000 | \$ 5,785,000 | \$ 290,775,484 | \$ 3,115,000 |
| Sacramento Regional County Sanitation District | Regional San/SPA/City of Sacramento Water Recycling Pipeline Project | \$ 12,588,000 | \$ 8,182,200 | \$ 298,957,684 | \$ 4,405,800 |
| Woodland, City of | City of Woodland Industrial Park Recycled Water Project | \$ 4,499,900 | \$ 2,609,900 | \$ 301,567,584 | \$ 1,890,000 |
| Pajaro Valley Water Management Agency | Recycled Water 1.5 MG Storage | \$ 2,748,000 | \$ 1,069,000 | \$ 302,636,584 | \$ 1,679,000 |
| Pajaro Valley Water Management Agency | Recycled Water Treatment Improvements | \$ 5,210,000 | \$ 3,617,500 | \$ 306,254,084 | \$ 1,592,500 |
| Pajaro Valley Water Management Agency | Recycled Water 0.5 MG Storage | \$ 2,010,000 | \$ 1,355,500 | \$ 307,609,584 | \$ 654,500 |
| Hesperia Water District | Reclaimed Water Pipeline Distribution System | \$ 14,673,750 | \$ 9,946,413 | \$ 317,555,997 | \$ 4,727,337 |
| Eastern Municipal Water District | Recycled Water Pond Expansion and Optimization | \$ 11,246,300 | \$ 7,798,170 | \$ 325,354,167 | \$ 3,448,130 |
| Water Replenishment District of Southern California | Groundwater Reliability Improvement Program Recycled Water Project | \$ 95,000,000 | \$ 80,000,000 | \$ 405,354,167 | \$ 15,000,000 |
| Brentwood, City of | City of Brentwood Recycled Water Project (Phase A & B1) | \$ 20,802,000 | \$ 14,596,500 | \$ 419,950,667 | \$ 6,205,500 |
| West Basin Municipal Water District | Carson Regional Water Recycling Facility | \$ 23,803,808 | \$ 15,472,475 | \$ 435,423,142 | \$ 8,331,333 |
| Padre Dam Municipal Water District | Padre Dam Water Recycling Facility, Phase 1 Expansion | \$ 116,200,000 | \$ 101,200,000 | \$ 536,623,142 | \$ 15,000,000 |
| Hayward, City of | City of Hayward Recycled Water Project | \$ 11,594,760 | \$ 8,083,560 | \$ 544,706,702 | \$ 3,511,200 |
| Delta Diablo | Recycled Water Storage Tank Project | \$ 16,000,000 | \$ 4,400,000 | \$ 549,106,702 | \$ 1,600,000 |
| Modesto, City of | North Valley Recycled Water Program | \$ 96,617,856 | \$ 81,617,856 | \$ 630,724,558 | \$ 15,000,000 |
| North Marin Water District | Recycled Water Expansion to Central Service Area | \$ 9,912,500 | \$ 7,028,686 | \$ 637,753,244 | \$ 2,883,814 |
| San Francisco, Public Utilities Commission | San Francisco Westwide Recycled Water Project | \$ 186,220,000 | \$ 171,220,000 | \$ 808,973,244 | \$ 15,000,000 |
| Ukiah, City of | Recycled Water Pipeline Project- Phase 1 & 2 | \$ 17,152,000 | \$ 12,674,000 | \$ 821,647,244 | \$ 4,478,000 |
| Monterey Regional Water Pollution Control Agency | Groundwater Replenishment Project | \$ 113,000,000 | \$ 98,000,000 | \$ 919,647,244 | \$ 15,000,000 |
| West Bay Sanitary District | West Bay Sanitary District Recycled Water Project | \$ 17,288,000 | \$ 11,237,200 | \$ 930,884,444 | \$ 6,050,800 |
| Santa Margarita Water District | Trampas Canyon Recycled Water Seasonal Storage Reservoir | \$ 47,450,000 | \$ 32,450,000 | \$ 963,334,444 | \$ 15,000,000 |
| Subtotals | | \$ 902,911,518 | \$ 708,595,194 | | \$ 156,619,995 |
| TOTAL 1% Loan | | | \$ 963,334,444 | | |
| Projects Not Recommended for Receiving 1% Financing | | | | | |
| Applications without an Executed Agreement and Application Not Complete by December 2, 2015 (Sorted by: No Particular Order) | | | | | |
| Eastern Municipal Water District | Recycled Water Supply Optimization Programs | \$ 114,031,280 | \$ 99,031,280 | n/a | \$ 15,000,000 |
| Inland Empire Utilities Agency | 2015 Drought Relief- RP-1158 Recycled Water | \$ 4,659,816 | \$ 3,566,816 | n/a | \$ 1,093,000 |
| Inland Empire Utilities Agency | 2015 Drought Relief- RP-5 Recycled Water Project | \$ 1,514,440 | \$ 1,162,440 | n/a | \$ 352,000 |
| Inland Empire Utilities Agency | 2015 Drought Relief- Recycled Water Pressure Project | \$ 990,211 | \$ 713,211 | n/a | \$ 277,000 |
| Inland Empire Utilities Agency | 2015 Drought Relief - RP-1 Parallel Outfall Pipeline | \$ 6,640,238 | \$ 5,092,238 | n/a | \$ 1,548,000 |

EXHIBIT 9-C

| Agency | Project Name | Estimated Project Cost ¹ | Estimated CWSRF 1% Loan | Estimated Cumulative 1% Loan | Estimated WRFP Grant ² |
|---|---|-------------------------------------|-------------------------|------------------------------|-----------------------------------|
| Eastern Municipal Water District | Cottonwood Avenue Recycled Water Pipeline (West) | \$ 2,050,000 | \$ 1,533,237 | n/a | \$ 516,763 |
| El Toro Water District | Phase II Recycled Water Distribution System | \$ 12,000,000 | \$ 8,640,000 | n/a | \$ 3,360,000 |
| Upper San Gabriel Valley Municipal Water District | Indirect Reuse Replenishment Project | \$ 65,000,000 | \$ 50,000,000 | n/a | \$ 15,000,000 |
| Ventura County Waterworks District No. 8 | West Simi Valley Recycled Water Project | \$ 19,620,000 | \$ 14,120,000 | n/a | \$ 5,500,000 |
| Inland Empire Utilities Agency | 2015 Drought Relief- Napa Lateral | \$ 5,824,770 | \$ 3,786,100 | n/a | \$ 2,038,670 |
| La Puente Valley County Water District | LPVCWD Recycled Water Proejct | \$ 950,000 | \$ 617,500 | n/a | \$ 332,500 |
| Napa Sanitation District | Recycled Water Pump Station Expansion - North/South Split | \$ 1,036,700 | \$ - | n/a | \$ 1,036,700 |
| Marin Municipal Water District | Peacock Gap Recycled Water Project Extension | \$ 10,000,000 | \$ 6,500,000 | n/a | \$ 3,500,000 |
| East Valley Water District | Recycled Water Center | \$ 124,100,000 | \$ 109,100,000 | n/a | \$ 15,000,000 |
| Cambria Community Services District | Cambria CSD IPR Wastewater Effluent Quality Project | \$ 4,437,550 | \$ 2,884,408 | n/a | \$ 1,553,143 |
| Pasadena, City of | Pasadena Non-Potable Water Project | \$ 25,325,000 | \$ 16,811,250 | n/a | \$ 8,513,750 |
| Eastern Municipal Water District | | \$ 1,196,200 | \$ 777,530 | n/a | \$ 418,670 |
| Chino Basin Regional Financing Authority | Pamona, Monte Vista WD, and IEUA Intertie Project | \$ 51,896,000 | \$ 36,896,000 | n/a | \$ 15,000,000 |
| Kern-Tulare Water District | | \$ 7,000,000 | \$ 4,550,000 | n/a | \$ 2,450,000 |
| San Gabriel Valley Water Company | | \$ 5,225,000 | \$ 3,396,250 | n/a | \$ 1,828,750 |
| Sewer Authority Mid-Coastside | | \$ 4,260,000 | \$ 2,769,000 | n/a | \$ 1,491,000 |
| San Gabriel Valley Water Company | | \$ 1,693,825 | \$ 1,100,986 | n/a | \$ 592,839 |
| Anaheim, City of | Downtown Anaheim Recycled Water Expansion | \$ 758,800 | \$ - | n/a | \$ 758,800 |
| Anaheim, City of | Anaheim South Recycled Water Project | \$ 3,472,000 | \$ - | n/a | \$ 3,472,000 |
| Benicia, City of | Benicia Water Reuse Project | \$ 27,101,543 | \$ 18,839,793 | n/a | \$ 8,261,750 |
| West Basin Municipal Water District | | \$ 7,308,400 | \$ 4,750,460 | n/a | \$ 2,557,940 |
| Eastern Municipal Water District | Downtown Anaheim Recycled Water Expansion | \$ 2,250,300 | \$ 1,462,695 | n/a | \$ 787,605 |
| Yucaipa Valley Water District | Anaheim South Recycled Water Project | \$ 6,900,113 | \$ 4,485,073 | n/a | \$ 2,415,040 |
| Chino Basin Regional Financing Authority | Joint IEUA-JCSD Regional Water Recycling Program | \$ 52,460,000 | \$ 37,460,000 | n/a | \$ 15,000,000 |
| San Diego, City of | Sorento Mesa Recycled Water Pipeline | \$ 757,050 | \$ - | n/a | \$ 757,050 |
| Petaluma, City of | | \$ 4,305,995 | \$ - | n/a | \$ 4,305,995 |
| Irvine Ranch | | \$ 8,460,105 | \$ 255,750 | n/a | \$ 8,204,355 |
| Paso Robles | | \$ 17,230,000 | \$ 12,022,000 | n/a | \$ 5,208,000 |
| Eastern Municipal Water District | | \$ 18,956,200 | \$ 12,321,530 | n/a | \$ 6,634,670 |
| West Basin Municipal Water District | Recycled Water Supply for Palos Verdes Golf Course | | \$ - | n/a | |
| San Luis Obispo, City of | San Luis Obispo Water Resource Recovery Facility | | \$ - | n/a | |
| Eastern Municipal Water District | La Piedra Recycled Water Pipeline Expansion | | \$ - | n/a | |
| Inland Empire Utilities Agency | 2015 Drought Relief- San Savaine Basin Improvement | \$ 7,525,603 | \$ 4,891,642 | n/a | \$ 2,633,961 |
| Inland Empire Utilities Agency | 2015 Drought Relief- Baseline Extension Project | \$ 4,077,339 | \$ 2,650,270 | n/a | \$ 1,427,069 |
| Inland Empire Utilities Agency | 2015 Drought Relief- City of Ontario Euclid Project | \$ 22,639,081 | \$ 15,460,781 | n/a | \$ 7,178,300 |
| Escondido, City of | MFRO Facility | | \$ - | n/a | |
| Central Basin Municipal Water District | East Los Angeles Recycled Water Expansion | | \$ - | n/a | |
| Central Basin Municipal Water District | West San Gabriel Recycled Water Expansion | | \$ - | n/a | |
| Subtotals | | \$ 653,653,559 | \$ 487,648,240 | | \$ 166,005,319 |
| GRAND TOTALS | | \$ 1,877,830,501 | \$ 1,450,982,684 | | \$ 389,651,488 |

Footnotes:

1) The "Estimated Project Cost" may not equal the combined loan and grant amounts because the Agency may apply other funding sources to the Project.

2) The "Estimated WRFP Grant" is \$0 for the Victor Vally, Hesperia Plant and Fresno, Tertiary Facility projects because the Agencies are expected to receive the maximum WRFP grant amounts on other eligible WR projects.

Attachment B

Attachment B

EXHIBIT 9-C

[MRWMD/OP&CONST/agmtPCAbiogaspowerpurchase030116]

ELECTRIC POWER PURCHASE AGREEMENT

THIS AGREEMENT is made and entered into this ____ day of March, 2016, by and between the MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT (hereinafter sometimes referred to as “WMD”), a special district organized under the laws of the State of California, and the MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY (hereinafter sometimes referred to as (“PCA”), a joint powers authority organized under the laws of the State of California (WMD and PCA are also sometimes referred to hereinafter as “Party” and collectively as “Parties”), as follows:

RECITALS

- A. WMD, a solid waste management recycling and disposal district, presently is repairing and replacing certain components of its biogas-fueled electric power generation facility (“Biogas Facility”), and when repair and replacement are complete the Biogas Facility will be capable of generating five megawatts (MW) of electricity consistent with its permitted capacity, an increase of approximately two MW over its current MW generating capability; and
- B. PCA, a wastewater treatment agency sharing a property boundary with WMD, is currently planning, and intends to construct, an advanced water treatment facility (“AWT Facility”) for injection of treated water into the Seaside Aquifer for purchase by California American Water Company, and ultimately for distribution and sale to that Company’s customers on the Monterey Peninsula; and
- C. Once the Biogas Facility repair and replacement work and the AWT Facility construction are complete, PCA desires to purchase and WMD is willing to sell, an amount of electric power generated by the Biogas Facility in approximately the full amount of the two MW increase described in Recital A, to power the AWT Facility.

TERMS AND CONDITIONS

In consideration of the mutual promises set out herein below, WMD and PCA hereby agree as follows:

EXHIBIT 9-C

1. Locations of Biogas Facility, AWT Facility, Conducting Facilities. The Biogas Facility, proposed AWT Facility, conducting facilities, electrical usage meter, and attendant features are located as depicted and described in Attachment A, consisting of ____ numbered pages, attached hereto and incorporated herein by this reference.
2. Generation, Sale, and Purchase of Power. Upon completion of both the Biogas Facility repair and replacement work and construction of the AWT Facility, and not before, WMD shall make available for sale to PCA, and PCA shall purchase, electric power generated by the Biogas Facility in amounts and for conduction and delivery to the AWT Facility as set out below. All such power shall be delivered by means of the conducting facilities depicted and described in Attachment A.
3. Required Availability and Amount.
 - a. WMD shall generate for sale to PCA, and PCA shall take or pay for, a minimum of 1,800 kilowatt hours ("KWH") once production and delivery of electric power commences pursuant to Section 2, immediately above. By written agreement, the Parties may increase or reduce the minimum KWH required by this Section 3. WMD shall make the electrical power available 90% of the time as determined on a semi-annual basis. Electrical production, demand and availability pursuant to this paragraph shall be determined semiannually for the periods of July 1 to December 31 and January 1 to June 30 assuming a 24 hour day. In the event that WMD does not make electrical power at the agreed delivery amount 90% of the time, WMD shall reimburse PCA for the difference between the actual percentage delivered and the 90% delivery requirement herein designated as the Undelivered Power Quantity (UPQ). The amount of the reimbursement from MWD to PCA for the UPQ in any given period shall be determined by multiplying the UPQ by the Differential Rate (DR). The DR shall be defined as the average rate charged to PCA by its alternate utility provider minus the average rate of the Pacific Gas & Electric's ("PGE") Industrial Rate Schedule, E-20 Primary Firm, Winter Part-Peak Energy Charge rate only (i.e., Demand Charge rate excluded) in effect during the period of reduced electrical power delivery by WMD.
 - b. Should the power demand for the AWT Facility increase and the WMD has additional power available, WMD and PCA may agree in writing to

EXHIBIT 9-C

increase the minimum required generation by WMD and the minimum amount PCA shall take.

- c. Power shall be supplied by MWD at 4.16kV, 3 phase, 3 wire with 5% voltage tolerance; 60HZ with 0.05% tolerance; less than 5% harmonic distortion.
-
4. Rate of Payment. PCA shall pay WMD monthly for power delivered on a monthly basis pursuant to this Agreement at a rate equal to PG&E Industrial Rate Schedule, E-20 Primary Firm, Winter Part-Peak Energy Charge excluding Demand Charges plus a customer metering charge of \$1,000 per month. The rate shall be adjusted at the time that the referenced PGE rate schedule is changed to the rate in effect on that date. In the event that the PGE Industrial Rate Schedule, E-20 Primary Firm, Winter Part-Peak Energy Charge, or an alternate rate basis if agreed to by the parties, exceeds \$0.15/KWH at any time during the period of this agreement, the amount in excess of \$0.15/KWH shall be reduced by 25% (e.g., a 0.75 multiplication factor) to determine the rate charge by MWD to PCA. At no time during the term of this agreement shall the rate be less than a base rate of \$0.075/KWH. This base rate is defined in consideration of the significant capital and capital replacement costs borne by WMD for the Biogas Facility and the avoided PGE Meter Charge cost, Demand Charges, and Summer Energy Charge rates realized by PCA during the term of this agreement. In the event that the E-20 rate tariff is eliminated or no longer includes a Winter Part-Peak Energy Charge, the Parties shall agree on a different basis for rate payment. In the event the Parties cannot agree on a different basis for payment, this Agreement shall automatically terminate on the first following date of June 30th.
 5. Capital Costs; Construction; Operation and Maintenance.
 - a. MWD shall own, construct at its own cost, operate, and perform and pay for all operation, preventive maintenance, repair, and replacement parts on, the Biogas Facility and the conducting facilities extending from the Biogas Facility to and including the electrical usage meter, all as described and depicted on Attachment A. WMD shall keep all such facilities in this segment in good and efficient working order.
 - b. PCA shall own, construct at its own cost, operate, and perform and pay for all operation, preventive maintenance, repair, and replacement parts on, the conducting facilities extending from the AWT Facility to, but not including, the electrical usage meter, as described and depicted on Attachment A. PCA shall keep such facilities in this segment in good and efficient working order.
 - c. Nothing herein shall be construed to prevent the Parties, for cost-saving or other purposes, to enter into joint agreements to engage a single

EXHIBIT 9-C

contractor, maintenance or repair service, parts supplier, or similar service provider, to perform work on both WMD's and PCA's segments.

- d. Nothing herein shall be construed to prevent the Parties from entering into an agreement that one Party shall perform such services on the other Party's segment.
6. Easement. No later than the date established in Section 8a for the completion of the design of the AWT Facility, WMD shall approve and execute a grant of easement to PCA to include a right-of-way for the installation, construction, operation, maintenance, repair and replacement, of all structures and fixtures necessary and incidental to the portion of the segment described in subsection b. of Section 5, above, located on WMD property, between the electrical usage meter and the property line shared by WMD and PCA contiguous properties, as described and depicted on Attachment A. Upon termination of this Agreement the Parties shall meet and confer regarding the continuing need, if any, for the easement. In the event no further need for the easement is identified, all actions necessary to extinguish the easement shall be taken as soon as practicable. Nothing herein shall be deemed to restrict the Parties' choice of determinations regarding the easement upon termination. This requirement to meet and confer shall survive the termination of this Agreement.
7. Failure to Construct AWT; Termination. The Parties acknowledge that as of the effective date of this Agreement there is a possibility that the AWT Facility will not be a part of the approvals for the project for which the AWT is proposed. In that event, and if the AWT is not to be constructed or if it is determined that the connection of electrical power from WMD Biogas Facility to AWT is not feasible, PCA shall provide immediate notice to WMD of that occurrence. This Agreement shall terminate on the date of receipt of such notice by WMD. Unless otherwise mutually agreed to in writing, in the event of termination as set out in this Section 7, neither Party shall be liable or responsible to the other Party for any expenses or costs in any manner, directly or indirectly, related to or in furtherance of this Agreement.
8. Term; Termination; Extensions.
 - a. Before July 1, 2017, the parties shall agree in writing on the specifics of the physical electrical interconnection between the WMD Biogas Facility and AWT Facility. Should the parties not reach agreement on the specifics of the electrical interconnection prior to that time, this Agreement shall terminate. Unless otherwise mutually agreed to in writing, in the event of termination as set out in this Section 8a, neither Party shall be liable or responsible to the other Party for any expenses or

EXHIBIT 9-C

costs in any manner, directly or indirectly, related to or in furtherance of this Agreement.

- b. The initial term of this Agreement is 20 years, from the first delivery of power to and including the same date 20 years following.
- c. Either Party may terminate this Agreement, in writing, upon five years prior notice, provided no such notice may be given until, on or after the first day of the sixth year of the initial term.
- d. The Parties may agree in writing at any time prior to termination to extend this Agreement for an agreed upon period or periods, on the same terms and conditions, or with modifications.

9. Hold Harmless and Indemnity.

- a. WMD shall defend, indemnify and hold harmless PCA from any and all damages, liabilities, losses, claims and costs or expenses (collectively hereafter in this Section 9, "Claims") arising out of, relating to, resulting from or in conjunction with any activity or operation described in this Agreement, including without limitation planning, design, construction, use, maintenance, repair, replacement, and any other activities incidental or associated therewith, by WMD or any of its contractors, subcontractors, employees or agents, to the extent that such are determined to be caused by the negligence or willful misconduct of WMD, any of its contractors, subcontractors, employees or agents.
- b. PCA shall defend, indemnify and hold harmless WMD from any and all Claims arising out of, relating to, resulting from or in conjunction with PCA's activities or operations under this Agreement or in the easement described in Section 6, to be performed by PCA, or any of its employees, contractors, subcontractors, or agents, to the extent that such are determined to be caused by the negligence or willful misconduct of PCA, its employees, contractors, subcontractors, or agents.
- c. In the event of concurrent negligence of PCA and WMD, then the liability for any and all Claims which arise out of the terms and conditions of this Agreement shall be apportioned under the California principle of comparative negligence as presently established, or as may hereafter be modified.

10. Insurance/Self-Insurance. The Parties are either insured or self-insured as to any requirements under this Agreement. No policies or bonds are required of either Party as to any provisions of this Agreement. The Parties are aware of and shall comply with the requirements of Section 3700 of the California Labor Code at their own cost and expense and further, neither Party nor its carrier shall be entitled to recover from the other any costs, settlements, or expenses of Workers' Compensation claims arising out of this Agreement.

EXHIBIT 9-C

11. Independent Contractors. It is expressly understood that this Agreement is intended by the Parties to be between two independent contractors and that no agency, employee, partnership, joint venture, or other relationship is established by this Agreement.
12. Non-Waiver of Rights. The Parties agree that neither shall be considered or deemed to have waived, released, or altered in any manner any or all rights which it would otherwise have pursuant to law with regard to any other matter dealt with or affected by this Agreement.
13. Interpretation. It is agreed and understood by the Parties that this Agreement has been arrived at through negotiations and that neither Party is to be deemed the Party that prepared this Agreement within the meaning of California Civil Code Section 1654. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose of the Parties and this Agreement.
14. Attorney Fees. In the event of any controversy, claim, or dispute relating to this Agreement, or the breach thereof, the prevailing party shall be entitled to recover from the losing party reasonable expenses, attorney fees, and costs.
15. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original, but each of which shall be deemed to constitute one and the same document.
16. Entire Agreement. This Agreement, consisting of ____ () pages, which includes Amendment A, constitutes the entire and complete agreement between the parties regarding the subject matter hereof, and supersedes all prior or contemporaneous negotiations, understandings, or agreements of the Parties, whether written or oral, with respect to such subject matter.

EXHIBIT 9-C

IN WITNESS WHEREOF, WMD and PCA, by their duly authorized representatives, have executed this Agreement on the date first written above, as authorized and directed by their respective Boards of Directors.

MONTEREY REGIONAL WASTE
MANAGEMENT DISTRICT

MONTEREY REGIONAL WATER
POLLUTION CONTROL DISTRICT

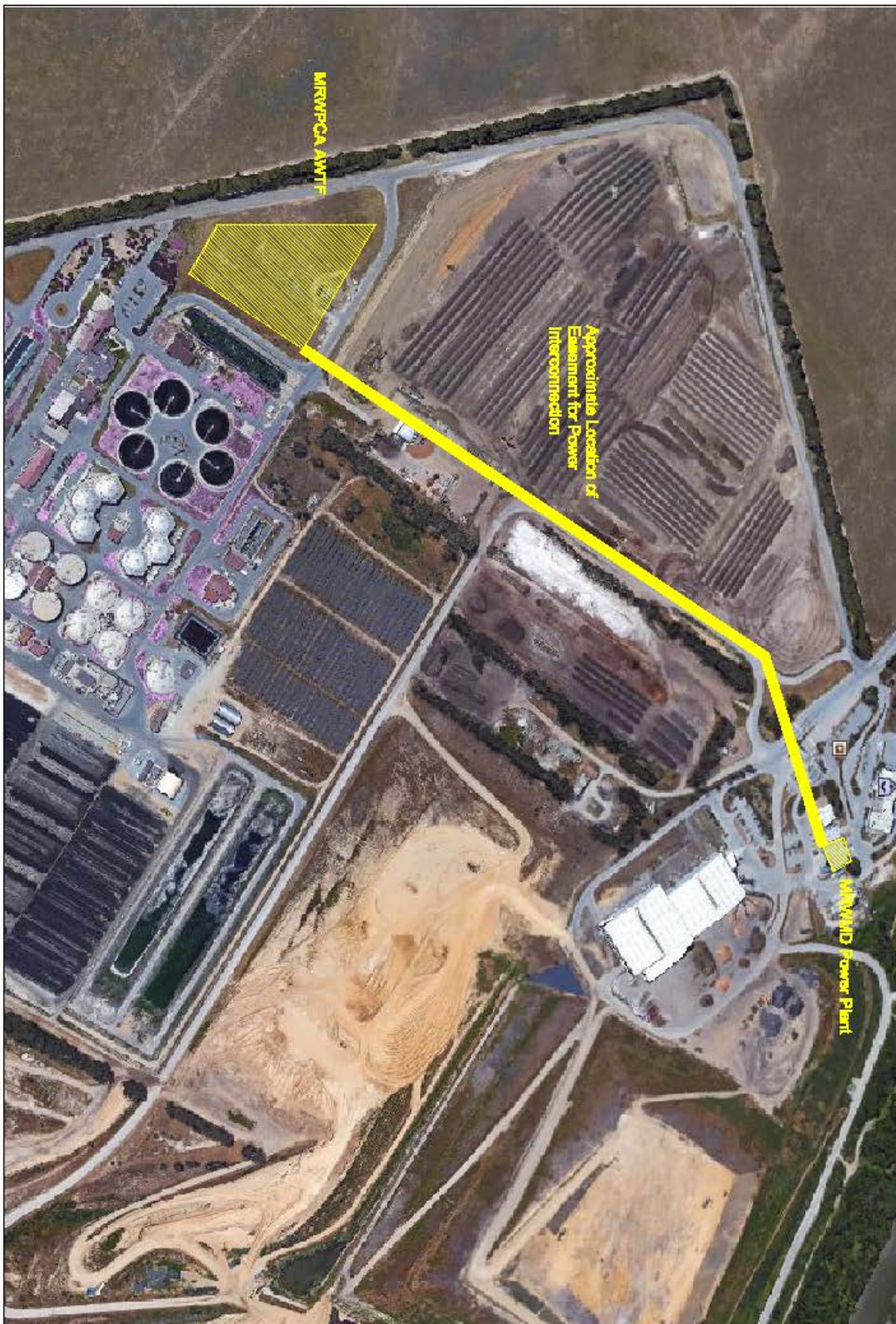
By _____

By _____

Its _____

Its _____

EXHIBIT 9-C



**Maritime Regional
Winter Pollution
Control Agency
5 Harris Court, Bldg. D
Montgomery, CA 93940**

1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

DATE ATTACHED: _____
BY WHOM: _____

PHYSICAL FORM **1997-1998**

PPA Administration

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----|

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PPA Agreement

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