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AGENDA
Water Supply Planning Committee
Of the Monterey Peninsula Water Management District

Monday, July 6, 2020, 4 pm, Virtual Meeting

Pursuant to Governor Newsom's Executive Orders N-29-20 and N-33-20, and to do all we can to help slow the spread of COVID-19 (coronavirus), meetings of the Monterey Peninsula Water Management District Board of Directors and committees will be conducted with virtual (electronic) participation only using WebEx.

Join the meeting at:
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Meeting number: 126 917 8907

Meeting password: July06Meeting

Participate by phone: 877-668-4493

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**Water Supply
Planning Committee**

Members:

*George Riley, Chair
Mary Adams
Molly Evans*

Alternate:

Alvin Edwards

Staff Contact

*David J. Stoldt,
General Manager*

*After staff reports have
been distributed, if
additional documents are
produced by the District
and provided to the
Committee regarding any
item on the agenda they
will be made available on
the District's website
prior to the meeting.
Documents distributed at
the meeting will be made
available upon request
and posted to the
District's website within
five days following the
meeting.*

Call to Order

Comments from Public - *The public may comment on any item within the District's jurisdiction. Please limit your comments to three minutes in length.*

Action Items - *Public comment will be received. Please limit your comments to three (3) minutes per item.*

1. Consider Adoption of May 4 and June 1, 2020 Committee Meeting Minutes
2. Consider Recommendation to the Board to Adopt an Addendum to the District's Prior ASR Environmental Impact Report for Construction of a Bypass Pipeline to Allow Simultaneous Pure Water Monterey Recovery and ASR Injection

Discussion Items - *Public comment will be received. Please limit your comments to three (3) minutes per item.*

3. Discussion of MPWSP Cost of Water Calculation

Presentations - *Public comment will be received. Please limit your comments to three (3) minutes per item.*

4. Review of Cease and Desist Order Milestones
5. Update on ASR Project
6. Update on Pure Water Monterey Project

Suggest Items to be Placed on Future Agendas

Adjournment

Upon request, MPWMD will make a reasonable effort to provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. MPWMD will also make a reasonable effort to provide translation services upon request. Submit requests by noon on Friday, July 3, 2020, to the Board Secretary, arlene@mpwmd.net or call 831-658-5652.

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See next page of agenda for instructions on connecting to WebEx meeting

Instructions for Connecting to the WebEx Meeting

Note: If you have not used WebEx previously, when you begin connecting to the meeting you may be asked to download the app. If you do not have a computer, you can participate by phone.

Begin: Within 10 minutes of the meeting start time from your computer click on this link <https://mpwmd.webex.com/mpwmd/onstage/g.php?MTID=ea994ce24b74444eac9fa7c4c95c28649>, or paste the link into your browser, or go to: mpwmd.webex.com.

Under “Join a Meeting” enter the meeting number 126 917 8907, hit the enter key and when prompted enter the meeting password July06Meeting, click “Next” and see the dropdown menu at the bottom of the screen “Use computer for audio” and select the method you will use to hear the meeting – see below.

1) Audio and video connection from computer with WebEx app – view participants/materials on your screen

Click on the “Use computer for audio” drop down list

Click “Join Meeting”

Once in the meeting, mute your microphone.

Turn your microphone on when it is your turn to speak.

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Click on “Join Meeting” / You will see a toll-free telephone number, access code, and attendee ID # -- enter these numbers on your phone.

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Join by phone only (no computer) dial 1-877-668-4493 and use the meeting number above.

Protocol for Meetings Conducted by Teleconference

- 1) The Chair will call the meeting to order.
- 2) Receipt of Public Comment – the Chair will ask for comments from the public on all items. Limit your comment to 3 minutes.
 - (a) Computer Audio Connection: Select the “raised hand” icon. When you are called on to speak, please identify yourself.
 - (b) Phone audio connection: Press *9. Wait for the clerk to unmute your phone and then identify yourself and provide your comment. Press *9 to end the call.
- 3) For Action and Discussion Items the Chair will receive a presentation from staff and the Directors may ask questions. Following the question and answer period, the Chair will ask for comments from the public.

Submit Oral or Written Comments

If you are unable to participate via telephone or computer to present oral comments, you may also submit your comments by e-mailing them to comments@mpwmd.net with one of the following subject lines "PUBLIC COMMENT ITEM #" (insert the item number relevant to your comment) or "PUBLIC COMMENT – ORAL COMMUNICATIONS". Comments must be received by 12:00 p.m. on Monday, July 6, 2020. Comments submitted by noon will be provided to the Board of Directors and compiled as part of the record of the meeting.

WATER SUPPLY PLANNING COMMITTEE

ITEM: ACTION ITEM

1. CONSIDER ADOPTION OF MAY 4 AND JUNE 1, 2020 COMMITTEE MEETING MINUTES

Meeting Date: July 6, 2020

From: David J. Stoldt,
General Manager

Prepared By: Arlene Tavani

CEQA Compliance: This action does not constitute a project as defined by the California Environmental Quality Act Guidelines Section 15378.

SUMMARY: Attached as **Exhibit 1-A** and **1-B**, respectively, are draft minutes of the May 4 and June 1, 2020 committee meetings.

RECOMMENDATION: The Committee should adopt the minutes by motion.

EXHIBIT

1-A Draft Minutes of the May 4, 2020 Committee Meeting

1-B Draft Minutes of June 1, 2020 Committee Meeting



EXHIBIT 1-A

DRAFT MINUTES Water Supply Planning Committee of the Monterey Peninsula Water Management District May 4, 2020

Call to Order: The meeting was called to order at 4:00 pm.

Committee members present: George Riley, Chair
Molly Evans
Mary Adams

Committee members absent: None

Staff members present: David J. Stoldt, General Manager
Jonathan Lear, Water Resources Division Manager
Maureen Hamilton, Water Resources Engineer
Arlene Tavani, Executive Assistant

Comments from the Public: No comments.

Action Items

- 1. Consider Adoption of April 6, 2020 Committee Meeting Minutes**
Evans offered a motion that was seconded by Adams to approve the Draft Minutes of the April 6, 2020 committee meeting. The motion was approved on a unanimous vote of 3 – 0 by Evans, Adams and Riley.

Discussion in Items

- 2. Update on Pure Water Monterey Project**
Stoldt reported that it was necessary to add a third deep well to the Phase 1 project. The cost would be included in the draft FY 2020-2021 budget with further discussions be conducted at the committee level. Hamilton reported that the sink hole that had developed at Vados Zone Well #2 was attributed to well slumping. The slumping would eventually come to a natural end, and until then the areas of depression would be filled.
- 3. Update on ASR Project**
Hamilton reported on the progress of construction of the chemical treatment facility at the Santa Margarita site. She also noted that \$22,000 in change orders would be processed related to excess soil movement; installation of steel pipe above ground instead of ductile iron; and exploratory pot holing. There had been four delays due to COVID 19. However, staff and the contractor are doing everything possible to

minimize the impact of COVID 19 on the construction schedule.

4. Review of Calculating Compliance with the Cease and Desist Order Targets

Mr. Stoldt summarized information presented in the staff report and responded to questions from the committee.

5. Update on Process for Tracking Water Extracted from and Injected into the Seaside Groundwater Basin

Mr. Lear summarized information presented in the staff report and augmented his report with a PowerPoint presentation that is on file at the District office and can be viewed on the agency website. He also responded to questions from the committee. Mr. Stoldt explained the difference between standard and alternate water producers in the Seaside Basin. Alternate producers have demonstrated a history of water use in the Seaside basin for their own purposes, and in the adjudication decision were granted an annual right to extract that amount of water. An example of standard producers were California American Water or Seaside Municipal Water Company that pumped water from the Seaside basin for delivery to others. Any alternate producer could take a portion of their water right and commit it to becoming a Standard producer. Alternate producers have monetized a portion of their water right to enable construction such as expansion of CHOMP facilities at Ryan Ranch. In addition, any water not used by the alternate producers in one year, could be utilized by the Standard producers in the following year.

6. Explanation of Table 13 Water Rights

Mr. Stoldt summarized information presented in the staff report and responded to questions from the committee.

7. Suggest Items to be Placed on Future Agendas

There were no suggestions from the committee.

Adjournment: The meeting was adjourned at 5:30 pm.



EXHIBIT 1-B

DRAFT MINUTES Water Supply Planning Committee of the Monterey Peninsula Water Management District *June 1, 2020*

Call to Order: The WebEx virtual meeting was called to order at 4:00 pm.

Committee members present: George Riley, Chair
Molly Evans
Alvin Edwards

Committee members absent: None

Staff members present: David J. Stoldt, General Manager
Jonathan Lear, Water Resources Division Manager
Thomas Christensen, Environmental Resources Div. Mgr.
Arlene Tavani, Executive Assistant

Comments from the Public: John Tilley stated that it would be more appropriate for Monterey One Water to consider an issue such as agenda item 1, than it would be for the Water Management District Board of Directors to take up the question.

Action Items

- 1. Consider Development of a Recommendation to the Board to Send a Letter to the California Coastal Commission for Consideration of the Monterey Peninsula Water Supply Project**

On a motion by Edwards and seconded by Riley, the committee recommended that the Board of Directors approve the letter submitted at the meeting as Sample Letter 1 that expressed support for Pure Water Monterey project expansion. In addition, the committee directed that both Sample Letters 1 and 2 be submitted for Board consideration, along with the option of not sending a letter. The motion was approved on a unanimous vote of 2 – 1 by Edwards and Riley. Evans was opposed.

Public Comment: John Tilley expressed support for Sample Letter 2. He stated that no proof had been provided that Pure Water Monterey expansion would adequately supply community water needs.

Discussion Items

- 2. Requirements for Lifting the Cease and Desist Order and Moratorium on New Service Connections**

General Manager Stoldt reviewed the staff report and responded to questions from

committee members.

Public Comment: (a) John Tilley expressed concern that Pure Water Monterey expansion was dependent on rainfall and movement of water from the Salinas Basin to the Peninsula and would not provide water for the District's needs. He expressed support for a water project that would provide a secure supply. (b) Steve Westhoff, attorney with the State Water Resources Control Board (SWRCB), said the State had observed that neither the Monterey Peninsula Water Supply Project nor the Pure Water Monterey expansion project would be on-line in time to meet the deadline for cessation of unauthorized diversions from the Carmel River. The SWRCB had not made a determination as to whether any of the competing projects were inadequate to meet the CDO. He encouraged Cal-Am, local agencies and the public to work together to move a project forward, and that a decision must be made at the local and state level.

Presentation

3. Update on ASR Project

A summary of Ms. Hamilton's presentation is on file at the District office and can be viewed on the agency website. She reported on the progress of construction of the water treatment facility at the Santa Margarita site.

4. Update on Pure Water Monterey Project

Mr. Stoldt reported that in order to achieve maximum injection capability, installation of a redundant third deep well was needed. Test borings were planned at two sites which would help staff determine the appropriate location for a test well, and eventually the permanent well. The District could fund the project internally or borrow funds through the Water Infrastructure Finance and Innovation Act, and under either scenario the expenditure could be recovered over time through water rates.

5. Pure Water Monterey Expansion – Next Steps

At the June 15, 2020 closed session of the Board, the directors will discuss what action to take regarding the payment of an invoice in the amount \$614,878.53 for costs associated with Pure Water Monterey expansion.

6. Suggest Items to be Placed on Future Agendas

The following items were suggested by the committee members. (a) Discuss restructuring our relationship with Monterey One Water regarding the Pure Water Monterey Project in order to take ownership of the project. (b) Explanation of California American Water Company's cost of water calculations.

Adjournment: The meeting was adjourned at 5:30 pm.

WATER SUPPLY PLANNING COMMITTEE

ACTION ITEM

- 2. CONSIDER RECOMMENDATION TO THE BOARD TO ADOPT AN ADDENDUM TO THE DISTRICT'S PRIOR ASR ENVIRONMENTAL IMPACT REPORT FOR CONSTRUCTION OF A BYPASS PIPELINE TO ALLOW SIMULTANEOUS PURE WATER MONTEREY RECOVERY AND ASR INJECTION**

Meeting Date:	July 6, 2020	Budgeted:	N/A
From:	David J. Stoldt General Manager	Program/ Line Item:	Water Supply Projects N/A
Prepared By:	Jonathan Lear	Cost Estimate:	CalAm Reimbursement

General Counsel Review: N/A

CEQA Compliance: This action does not constitute a project as defined by the California Environmental Quality Act Guidelines section 15378.

SUMMARY: In June staff reported to the Board that a bottleneck in simultaneous operation of ASR injection and Pure Water Monterey recovery had been identified due to the existing piping configuration in General Jim Moore Blvd. A bypass pipeline around the bottleneck was identified as a solution that would allow simultaneous operation of both projects. The proposed pipeline is above the length and diameter to be exempt from the CEQA process. In order to facilitate this solution in an expedited manner, CalAm asked the District to act at the Lead CEQA agency for the project. At the Board Meeting on June 22, 2020, MPWMD Board directed the General Manager enter into a reimbursement agreement with CalAm for the CEQA work to construct to bypass pipeline necessary to allow simultaneous PWM recovery and ASR injection. The appropriate agreements were made and the environmental work has been completed. The Addendum to the ASR EIR is ready to be considered for adoption by the Board.

At the Water Supply Planning Committee staff will present the work completed to prepare the Addendum and answer any questions related to the environmental work. If the Committee recommends that the Addendum is moved to the full Board for consideration of adoption, staff will work with Denise Duffy and Associates to prepare the findings that will need to be made in order to adopt the Addendum. These findings will be included in the staff note to the Board as well as the Addendum. If the MPWMD Board adopts this Addendum in July, construction on the pipeline would begin in August.

BACKGROUND: The Pure Water Monterey (PWM) Project began injecting water into the Seaside Groundwater Basin in March 2020 and building up the 1,000 Acre Foot Operational Reserve. After the operational reserve has been injected, PWM water is available as a source to the water supply portfolio and will become a component of the Quarterly Water Budget and used

to shift production away from the Carmel River and comply with the Cease and Desist Order (CDO). In meetings between District Staff and CalAm for planning the recovery schedule for PWM, it was identified that in order to recover all PWM and Native Seaside Groundwater, the Seaside well field would need to operate for more months of the year than previous operational protocols. Additionally, only the ASR wells are connected to the pipeline in General Jim Moore Blvd. that is attached to the transfer (Monterey) pipeline that can move water to the Forest Lakes Tank. The Forest Lake Tank supplies water to meet water demand in Monterey, Pacific Grove, and the Del Monte Forest. The rest of the wells in Seaside provide water to meet demand in Seaside and old Monterey as far as the Naval Post Graduate School and are isolated from the demands met by the Forest Lake Tank. The demand on the Seaside system is between 10 to 12 Acre Feet per day and is not enough to consume all of the recovered PWM water, so water must be recovered by the ASR wells and moved through the transfer pipeline to the Forest Lakes Tanks to ensure all of the PWM water can be consumed.

Project Description

California American Water (CAW) proposes to construct a new 36-inch-diameter, 7,000 LF, potable water transmission pipeline (Bypass Pipeline) in located General Jim Moore Blvd (GJM) between Hilby Avenue and approximately 750 feet south of Coe Avenue in Seaside, CA. The proposed Bypass Pipeline would connect to an existing 36-inch pipeline at each end.

The Bypass Pipeline would be located in the Former Fort Ord within the Seaside Munitions Response Area (MRA).

The project would also include a new de-chlorination facility and a new 16-inch diameter connection to the CAW Aquifer Storage and Recovery (ASR) well sites 3 and 4 located at the Seaside Middle School.

Purpose

The proposed Bypass Pipeline would improve the existing ASR system and allow CAW to perform simultaneous ASR injection and extraction operations in order to meet customer demand as a result of reduced Carmel River diversions. The Bypass Pipeline would be used to convey water from Crest Tank to ASR Wells 3 and 4 for injection. Extraction operations would be performed at ASR Wells 1 and 2 and would be conveyed through existing infrastructure to Forest Lake Reservoir in Pacific Grove.

Under current CAW permit requirements, a 30-day retention period is required between ASR injection and extraction operations. Due to reduced Carmel River diversions, CAW would not be able to meet customer demand during the 30-day retention period when extraction operations are not allowed. The proposed dechlorination facility would dechlorinate water prior to injection into ASR Wells 3 and 4 which would remove the 30-day retention period requirement and allowing CAW to meet customer demand.

Construction

The Bypass Pipeline would be constructed by open trench within the paved roadway of the northbound lanes of GJM. The typical trench width would be approximately 6-feet wide and 6.5-feet deep. Excess soil would be handled and disposed of per requirements of City of Seaside Programmatic On-Call Construction Support Plan – Roadways and Utilities – Seaside Munitions Response Area. Pavement and striping would be restored per City of Seaside requirements. Traffic control plans would be developed and submitted to the City of Seaside for review and approval.

The pipeline would include blow off and air vent appurtenances installed in either the sidewalk or median of GJM. Blow offs would be pump out style, located within utility boxes that are flush with the surrounding ground. Air vents would be installed above grade in locked cages. The locations of the appurtenances would be per approval of the City of Seaside.

RECOMMENDATION: The Water Supply Planning Committee recommend that at the July 20th Board Meeting the Board consider adoption of the EIR Addendum to complete the environmental work necessary to construct the bypass pipeline that will allow for simultaneous ASR injection and Pure Water Monterey extraction.

EXHIBITS

None

WATER SUPPLY PLANNING COMMITTEE

DISCUSSION ITEM

3. DISCUSSION OF MPWSP COST OF WATER CALCULATION

Meeting Date: July 6, 2020 **Budgeted:** N/A

From: David J. Stoldt **Program/**
General Manager **Line Item No.:** N/A

Prepared By: David J. Stoldt **Cost Estimate:** N/A

General Counsel Approval: N/A

Committee Recommendation:

CEQA Compliance: This action does not constitute a project as defined by the California Environmental Quality Act Guidelines Section 15378.

SUMMARY: On December 31, 2018 California American Water (Cal-Am) filed Advice Letter No. 1220 with the Public Utilities Commission (CPUC) regarding the Monterey Peninsula Water Supply Project (MPWSP). The filing addressed income tax rates and tax provisions needed to be updated in the MPWSP financial model based on rates approved in the last General Rate Case (D.18-12-021) and tax changes associated with the 2017 Tax Cut and Jobs Act. Attachment C of the filing was an updated portion of the MPWSP financial model that was previously provided as part of the testimony in the desalination project proceeding at the CPUC. The financial model provides an approximation of the capital and O&M costs and the revenue requirement for the project, including the various components to the financing plan. Attached as **Exhibit 3-A** is an excerpt of AL-1220's Appendix C-3, results of the MPWSP desalination financial model.

In the Exhibit, the reader can see a "Total YR1 Cost to Customer", as well as "Fixed," "Variable," and "Total" cost per acre-foot (AF.) In the course of its review of the model during the proceeding, the District discovered an error in how the cost of water was calculated, yet that error remained unchanged and propagated through AL-1220, which was the last public document from Cal-Am demonstrating the potential cost of water from the MPWSP.

DISCUSSION: The model results show a first-year cost to customers of \$38.1 million. Yet, it also shows a first-year cost per AF of \$3,573 for water delivered to the system. This can only be possible if the denominator in the calculation is 10,633.3 AF per year. However, the plant is only designed to deliver 6,252 AF per year to the Peninsula.

Unfortunately, the denominator is vastly overstated and includes 3,500 AF per year from Pure Water Monterey, which it should not, and also assumes the desalination facility produces over 7,100 AF per year, which requires the 6.4 million gallons per day (MGD) plant to run at 100% capacity 24 hours a day, every day of the year, and would not be the case in reality.

Recalculated for the 6,252 of potential delivery to the Peninsula the \$38.1 million of year-one costs of the project translates to \$6,094 per AF. Cal-Am has never publicly corrected this error.

Further, if the desalination plant capacity is not fully utilized, perhaps due to insufficient consumer demand for water, the cost per acre-foot rises due to the fixed costs, as shown below.

Production by Desal Plant – AF	<u>6,252</u>	<u>5,000</u>	<u>4,300</u>
Variable Cost (\$ Million)	7.8	6.2	5.4
Fixed Cost (\$ Million)	<u>30.3</u>	<u>30.3</u>	<u>30.3</u>
Total Annual Cost to Customer	38.1	36.5	35.7
Cost per Acre-Foot	\$6,094	\$7,308	\$8,294

EXHIBIT

3-A Excerpt from Appendix C-3 to AL-1220

EXHIBIT 3-A

From Attachment C-3 of AL-1220

Project Summary (\$MM) - 6.4MGD - Tier 2	
<u>Capital Investment</u>	
Desal Plant	\$239.1
CAW -Only Facilities	\$39.9
Capitalized AFUDC, Net of Tax	\$22.6
Total Project Cost	301.6
<u>CAW Rate Base - Dec 2021</u>	
Utility Plant *	\$326.0
SRF Funded Costs *	(\$73.3)
Surcharge Funded Costs *	(24.8)
Pub Agency Funded Costs	(129.8)
Deferred Taxes	(0.2)
Total CAW Rate Base	\$97.9
<i>* Net of depreciation & amortization</i>	
<u>Total Cost to Customer</u>	
CAW Pre-Tax Equity Cost	\$12.3
CAW Pre-Tax Debt Cost	\$0.0
Depreciation & Amortization	\$1.9
General Taxes	\$1.0
Fixed O&M	\$3.3
Variable O&M	\$7.8
Year 1 CAW Rev Req (\$MM)	\$26.3
Customer SRF Surcharge	\$4.7
Public Agency Costs	\$7.1
Total Yr 1 Cost to Customer	\$38.1
<i>Fixed Cost per AF</i>	<i>\$2,844</i>
<i>Variable Cost per AF</i>	<i>\$729</i>
Total Cost per AF	\$3,573
NPV at 9.6% of cash flows through 2056	\$203.4
<i>Notes: - Pre-tax cash flows should be discounted at a pre-tax rate</i>	
<i>- NPV is as of 2013</i>	
<u>CAW Captial Structure</u>	
CAW Equity	55.4%
CAW Debt	0.0%
SRF Debt	44.6%
Total	100.0%

**WATER SUPPLY PLANNING COMMITTEE
PRESENTATION**

4. REVIEW OF CEASE AND DESIST ORDER MILESTONES

Meeting Date: July 6, 2020 **Budgeted:** N/A

From: David J. Stoldt **Program/
General Manager** **Line Item No.:** N/A

Prepared By: David J. Stoldt **Cost Estimate:** N/A

General Counsel Approval: N/A

Committee Recommendation:

CEQA Compliance: This action does not constitute a project as defined by the California Environmental Quality Act Guidelines Section 15378.

SUMMARY: On April 29, 2020 California American Water (Cal-Am) filed with the State Water Resources Control Board its 2nd Quarterly Report for the 2019-2020 Water Year Addressing Operations for the Period of January 1, 2020 to March 31, 2020. Such a report is required under the extended Cease and Desist Order (CDO). That compliance filing included the following passages (emphasis added):

- “Milestone 5, Water Year 2019-2020 ((1) Drilling activity for at least one MPWSP Desalination Plant source water production well complete; (2) foundation and structural framing complete for MPWSP Desalination Plant pretreatment seawater reverse osmosis, and administration buildings at desalination plant; (3) excavation complete for MPWSP Desalination Plant brine and backwash storage basins; and (4) 25% of Desalination Plant transmission pipelines installed based on total length, including 100% installation of the "Monterey Pipeline and other ASR related improvements".)
- The stay on physical construction of the desalination plant imposed by the Monterey Superior Court currently remains in place until at least April 21, 2020. Although Cal-Am had been on track to complete permitting and begin construction activities at the site, the court's stay precludes Cal-Am from starting the necessary activities at the plant site in order to be able to complete construction of the various plant facilities required under Milestone 5 by September 30, 2020. **It is therefore unlikely that Cal-Am will be able to complete all of the activities required under Milestone 5 by September 30, 2020. This setback resulting from the court's stay is beyond Cal-Am's control.**
- The Coastal Commission has not set a date for the continued hearing and determination on Cal-Am's application for a coastal development permit for the project's slant wells. **Without a permit, Cal-Am cannot begin the necessary activities in order to complete drilling activities for a slant well, as required under Milestone 5. The delay caused by the Coastal Commission's decision to continue the hearing, based on a determination made just 10 days before the scheduled hearing that additional investigation was**

required, is beyond Cal-Am's control.”

This highlights a need to revisit what the CDO milestones dictate going forward. Attached as **Exhibit 4-A** are the milestones as incorporated in WR 2016-0016, Section 3.b.v and vi.

EXHIBIT

4-A Milestones Under the CDO

EXHIBIT 4-A

v. **Milestones:** For purposes of calculating a reduction to the Effective Diversion Limit, the following Milestones and Deadlines will apply:

Water Year	Milestone¹⁷	Deadline
2015-2016	CPUC approval of (1) the Water Purchase Agreement for Cal-Am's purchase of Pure Water Monterey water, and of (2) construction of the Cal-Am components of the Pure Water Monterey conveyance facilities, ¹⁸ including the Monterey Pipeline and pump station.	December 31, 2016*
2016-2017	Start of construction of the Cal-Am components of the Pure Water Monterey project, meaning commencement of physical work after issuance of required regulatory permits and authorizations to begin work.	September 30, 2017

¹⁶ "Applicants" refers to the joint applicants for the request to modify State Water Board Order WR 2009-0060: Cal-Am, the Monterey Peninsula Regional Water Authority, the Monterey Peninsula Water Management District, the Pebble Beach Company, and the City of Pacific Grove.

¹⁷ If at any point prior to completion of the facilities listed in these Milestones the CPUC authorizes Cal-Am to acquire more than 1,000 afa of water from an alternative source, then the following shall occur. Cal-Am shall submit to the Executive Director within 60 days a revised set of milestones taking this water supply source into account. If the proponents of the alternative project are unable to reach concurrence with Cal-Am on revised milestones to propose, the proponents may also submit revised milestones within that time period. The Executive Director shall determine whether to bring forward a recommendation to the State Water Board regarding amendment of the milestones.

¹⁸ "Cal-Am components" of the Pure Water Monterey Project refers to the pump station and pipeline within or leading to Cal-Am's Service Area needed to transmit water to Cal-Am's service area.

EXHIBIT 4-A

Water Year	Milestone ¹⁷	Deadline
2017-2018	Issuance of a Certificate of Public Convenience and Necessity to Construct the Monterey Peninsula Water Supply Project Desalination Plant ("MPWSP Desalination Plant") by the California Public Utilities Commission.	September 30, 2018
2018-2019	Start of construction for any of the Cal-Am Components of the MSWSP Desalination Plant ¹⁹ , meaning commencement of physical work after issuance of required regulatory permits and authorizations to begin work. ²⁰	September 30, 2019
2019-2020	(1) Drilling activity for at least one MPWSP Desalination Plant source water production well ²¹ complete; (2) foundation and structural framing complete for MPWSP Desalination Plant pretreatment seawater reverse osmosis, and administration buildings at desalination plant; (3) excavation complete for MPWSP Desalination Plant brine and backwash storage basins; and (4) 25% of MPWSP Desalination Plant transmission pipelines installed based on total length, including 100% installation of the "Monterey Pipeline and other ASR related improvements".	September 30, 2020
2020-2021	For MPWSP Desalination Plant: (1) 50% of drilling activity complete for source water production wells based on total number of wells required; (2) mechanical systems for brine and backwash storage basins complete; (3) construction of filtered water tanks and finished water tanks complete; (4) 50% of transmission pipelines installed based on total length.	September 30, 2021
2021-2022 and beyond	Substantial completion of the Cal-Am Components of the MPWSP Desalination Plant, meaning the Cal-Am Components are sufficiently complete and appropriately permitted to allow delivery of MPWSP Desalination Plant produced potable water to Cal-Am's Monterey Main system, eliminating further Cal-Am diversions of Carmel River water without valid basis of right	December 31, 2021

* It is anticipated that this milestone will be achieved during Water Year 2015-2016. The deadline provides a three-month extension in the event that it occurs soon after the end of the water year.

vi. **Reductions to the Effective Diversion Limit Based on Missed Milestones:** The following reductions to the Effective Diversion Limit shall apply if an applicable Milestone Deadline is not met:

¹⁹ For purposes of this proposal the Cal-Am Components of the MPWSP Desalination Plant include: source water production wells; desalination plant; brine disposal system; and transmission pipelines

²⁰ Such work may include, among other things, any of the following: desalination plant site grading and preparation; electric utility installation; yard piping; subsurface excavation for structural foundations; and transmission pipeline installation.

²¹ Not including construction of the MPWSP Desalination Plant Test Well completed in 2015.

EXHIBIT 4-A

Water Year	Milestone Missed	Reduction in Effective Diversion Limit	Date Reduction Assessed
2016- 2017	1	1,000 AFA	Dec. 31, 2016*
2017- 2018	2	1,000 AFA	Oct. 1, 2017
2018- 2019	3	1,000 AFA	Oct. 1, 2018
2019- 2020	4	1,000 AFA	Oct. 1, 2019
2020-2021	5	1,000 AFA	Oct. 1, 2020
Oct. 1, 2021 – Dec 31, 2021	6	1,000 AFA	Oct. 1, 2021

* The entire 1,000 AFA reduction for failure to meet this milestone must occur in the 9 remaining months of WY 2016-2017.

If a Milestone is not achieved by its Deadline but is subsequently achieved, the 1,000 afa reduction to the Effective Diversion Limit shall be amended on the first day of the water year following achievement of the Milestone, as follows. For Milestones achieved within the first month following the deadline, the reduction shall be 250 afa. For Milestones achieved between one and six months after the deadline, the reduction shall be 500 afa. For Milestones achieved between six and nine months after the deadline, the reduction shall be 750 afa. The 1,000 afa reduction to the Effective Diversion Limit shall remain for milestones achieved 9 months after the deadline or later.

If the reductions required under this subparagraph will result in the Effective Diversion Limit for that year being lower than Cal-Am's available lawful diversions from the Carmel River in that year, Cal-Am may apply to the Deputy Director for Water Rights for a limitation of this section such that the provision will not limit lawful diversions.

vii. **Illustration:** The following table illustrates the effect of the reduction in the Effective Diversion Limit over the term of this Order, and assumes no Deadlines have been met and no carryover credits have been applied under Paragraph 3.b.iii, and no additional water rights have been obtained or other adjustments made to the Effective Diversion Limit. The result is an elimination of unauthorized diversions from the Carmel River on October 31, 2020 if no Deadlines are met.

Water Year	EDL if All Milestones Missed, No Other EDL Adjustments
2015-2016	8,310 AFA
2016- 2017	7,310 AFA
2017- 2018	6,310 AFA
2018-2019	5,310 AFA
2019-2020	4,310 AFA

EXHIBIT 4-A

Water Year	EDL if All Milestones Missed, No Other EDL Adjustments
2020–2021	Legal limit
Thereafter	Legal limit