



May 3, 2021

Ms. Kate McKenna
Executive Officer
Local Agency Formation Commission of Monterey County
132 W. Gabilan St., Suite 102
Salinas, CA 93901

Subject: Submittal of Monterey Peninsula Water Management District 2021 Sphere of Influence, Annexation, and Latent Power Activation Proposal

Dear Ms. McKenna:

Attached please find the Monterey Peninsula Water Management District's amended Application.

The District requests the Local Agency Formation Commission (LAFCO) of Monterey County act pursuant to Sections 56824.10 *et seq.* of the Cortese Knox Hertzberg Act to authorize the District to perform two separate activities:

- 1) Activate its latent powers to provide potable water production and distribution services for retail customers, and
- 2) To authorize the District to amend its sphere of influence and annex affected parcels.

The changes were too extensive for us to provide a redlined version, but we believe the areas of addition are easily identified. We have also address the completeness item by item, attached.

Please advise us if you have any question or require anything else to process this application. We appreciate your cooperation in this matter.

Sincerely,


David Stoldt
General Manager
Monterey Peninsula Water Management District

LAFCO Application Completeness checklist. District comments in red.

1. Property tax transfer agreement: Pursuant to State law (Revenue and Taxation Code Section 99), the Board of Supervisors must approve a property tax transfer agreement for the proposed 58-parcel annexation before LAFCO can determine the application to be complete. **In progress.** Assistant County Administrative Officer has been contacted.

2. Plan for providing services within the affected territory, per Government Code §§ 56653 and 56824.12:

a) Please provide responses that more fully address the requested information in items 2, 3, 5, and 6 on pages 30-31, including summaries of relevant supporting information in the Preliminary Valuation and Cost of Service Analysis Report (by Raftelis, 2019) as needed. **Done.** Note: The District-provided links, in the application, to the Raftelis report appear to be broken. LAFCO has posted a copy of the Raftelis report on our web site. **The web link has been replaced by a description of where the report may be found.**

b) The response to item 2 should address potential impacts to other Cal-Am customers. Is there any potential for diseconomies of small scale for nearby Cal-Am operational units that are not part of the planned acquisition? **Item 2 has been modified.**

c) Regarding item 6 ("Alternatives,") suggested examples of alternatives that should be identified and evaluated could include the three operational alternatives identified in the application: Cal-Am status quo, District operation, and contract operation. The first alternative (Cal-Am status quo) could be discussed in the context of the District having the discretion to abandon a water system acquisition effort if, for example, a future eminent domain process were to set the purchase price higher than the District determines to be feasible. **Item 5.2.6. has been modified to address this request.**

d) Footnote 10 on page 29 states that "the District has not at this time determined whether its proposed acquisition of the Monterey Water System will include or exclude the desalination plant and appurtenant facilities." The location of the planned future desal plant is in the City of Marina, outside the District's jurisdictional boundary. Please describe if and how the District would anticipate acquiring the desal plant site (via eminent domain or otherwise), should such an action become necessary in the future – for example, in the event that the desal plant becomes an operational, integral element of the water supply. Note that public agencies that own real property outside their boundaries are generally subject to property taxes on those assets. (Cal. Const., art. XIII § 11, subd. [a]). **Addressed in Section 5.2.1.**

e) In the event that the desal plant becomes an operational part of the Monterey Water System without being part of the acquisition, what might be the impacts (fiscal, operational, or otherwise) on the District's operations? **Addressed in Section 5.2.1.**

3. Initiating resolution: The District's initiating resolution is missing several provisions required under State law (per the Cortese-Knox-Hertzberg Act, Government Code §§ 56654[d] and 56700, discussed in prior correspondence). The missing citations must be corrected in order for LAFCO to determine the application to be complete. **Draft enclosed. District Board will address at its May 17 Board meeting.**

4. Reduction in annual property tax revenue to local taxing agencies (County of Monterey, cities,

school districts, and special districts) if the Monterey Water System changes from private to public ownership – application pages 12-14: Several modifications have been made to this section. **The District believes that it has now provided sufficient information, however the District will hire an outside expert to review and improve the work, as needed. The outside consultant's work will be shared with LAFCO prior to its hearing on this application.**

- a) The application might be underestimating the annual loss-of-revenue impact to the taxing agencies. For example, on page 13, the application estimates the annual revenue loss to taxing agencies on the 1% ad-valorem property tax to be approximately \$1.5 million, reflecting an estimated assessed valuation of about \$150 million on parcels currently owned by Cal-Am. Based on preliminary data obtained from the County, the assessed valuation may be closer to \$200 million. **The District utilized the most recent published and posted information. Further, it is assumed 95.5% of the assets will be acquired.** In addition, as the application recognizes, property taxes exceed 1% for some agencies, particularly school districts, due to voter-approved debt. Please revise this section of the application to reflect the current valuation of the specific parcels that the District anticipates it would acquire to effectuate the proposed retail water services and to address above-1% property tax rates in affected agencies. **Several revisions have been made to this section. The reader is encouraged to read all the footnotes to determine method and sources of information.**
- b) Having reviewed the application, County staff has preliminarily indicated that only the agencies that overlap with Cal-Am's parcels (not all taxing agencies countywide, as stated in the application) would be impacted. **This is counter to communication received from Gary Giboney and reviewed by Joey Nolasco. A copy of that communication was shared with LAFCO staff.** This is an important distinction requiring clear and accurate analysis. We request that the application include an agency-by-agency estimate of reduced annual property tax revenues, based on current **(only 2019-20 data is consistently available)** assessed valuations, tax rates, and tax revenue allocations.
- c) For the reasons discussed above, LAFCO continues to recommend that the District hire a property tax expert consultant to comprehensively review and analyze the impacts to local agencies based on current conditions, as well as potential mitigation strategies. **The District believes that it has now provided sufficient information to satisfy completeness, however the District will hire an outside expert to review and improve the work, as needed. The outside consultant's work will be shared with LAFCO prior to its hearing on this application.**
- d) On page 14, the application states: "The District will likely continue to pay local jurisdictions franchise fees and utility user taxes[.]" Please describe what the approximate magnitude of and mechanism for these payments would be. It may also be useful to clarify that the District would not pay utility taxes, but would collect and remit them. **Clarified within Section 3.7.a..**

5. MPWMD boundaries and services in relation to Marina Coast Water District:

- a) Re- application section 3.3., *Would the proposal result in any duplication of authority? (i.e., two or more governmental agencies providing the same or similar types of services) If so, please justify the need for the duplication:* The District's application states that the proposal would not result in any overlap or duplication of authority. However, the two districts' present boundaries overlap in portions of Seaside. With activation of MPWMD's latent power, both Districts would have the authority to provide retail water service in this area. **See revisions to Section 3.3**
- b) Re- section 4.3. *Is the area of the proposed Sphere of Influence modification located near the boundary (or Sphere of Influence) of any other agency that provides similar services? If so, please*

briefly describe both agencies' service and financial capabilities, social and economic interdependence, topographic factors, and the effect that eventual service extension may have on adjacent agencies. In the response's first paragraph, a sentence states that MCWD serves areas abutting the Cal-Am system as result of their agreement with the former Fort Ord Reuse Authority. More recently, MCWD serves these areas as a result of its annexation of the Fort Ord service area in 2019. The second paragraph mentions overlap of the MPWMD and MCWD district boundaries, but there is no discussion of how activation of MPWMD's latent power to provide retail water services might affect MCWD's existing or future water services. **See revisions to Section 4.3.** The third paragraph also states that MCWD is a private company without condemnation authority, which is inaccurate. **Original text referred to Cal-Am, but was confusing and has been corrected.**



**Monterey County LAFCO
Amended Application Form / Justification of Proposal**

Monterey Peninsula Water Management District
2021 Sphere of Influence, Annexation, and
Latent Power Activation Proposal

May 3, 2021

Prepared by
MPWMD Staff

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1. MPWMD Board of Directors Resolution of Application to LAFCO

At its August 17, 2020 meeting the Board of Directors of the Monterey Peninsula Water Management District (District) unanimously adopted Resolution 2020-12, seeking authorization to activate latent District powers and to adopt a sphere of influence amendment and annexation. The Resolution was deemed to be incomplete and a revised Resolution 2021-3 will be brought to District Board for adoption May 17, 2021. When adopted, a signed copy will be made available to you. The draft Resolution 2021-03 (without map) and proof of publication of the hearing notice is included in Appendix A.

2. Written Request for LAFCO Action

Please see the cover letter attached to this Application. The District requests the Local Agency Formation Commission (LAFCO) of Monterey County act pursuant to Sections 56824.10 *et seq.* of the Cortese Knox Hertzberg Act to authorize the District to:

- 1) Activate its latent powers to provide potable water production and distribution services for retail customers, and
- 2) To amend its sphere of influence and annex affected parcels.

The activation of latent powers and the annexation will allow the District to proceed with a potential acquisition of the California American Water Company (Cal-Am) water system assets within the District's service area, as directed by the electorate. Such potential acquisition would not include small 5 satellite water systems in the area – Ambler Park, Chualar, Garrapata, Ralph Lane, and Toro – which comprise only approximately 4.5% of Cal-Am's water revenues. The acquisition would also not include several small wastewater operations of Cal-Am, both within the District's jurisdiction and outside. Such operations would be retained by Cal-Am.

There is a difference of opinion between the District's experts and Cal-Am's attorneys as to the financial impacts to Cal-Am customers affiliated with the non-acquired facilities. The Draft EIR assumed Cal-Am would hire approximately six additional employees to operate and maintain the Central Satellites. This was based on an estimation from a District expert consultant who has extensive knowledge on the subject. In contrast, Cal-Am suggested a preliminary estimate that it would hire at least 28 employees. Cal-Am did not provide evidence for the number of employees cited. The District's expert disagrees with Cal-Am's estimated staffing required to operate the remaining (non-acquired) systems.

In general, the remaining non-acquired systems are small, simple to run, rely heavily on SCADA and online analyzers, and would not require the numbers of personnel and equipment asserted by Cal-Am. The District's expert contends the remaining five satellites could be serviced by one meter reader/utility worker, two operators, and three field crew. Administration and management functions could be run out of Sacramento. Routine maintenance and occasional relief workers could be brought in from Cal-Am's Northern Division or subcontracted. The

District recognizes ten wastewater employees are expected in the Monterey in 2021, as stated in Cal-Am's 2019 General Rate Case. The District proposes to leave this number unchanged (wastewater service employees would remain with Cal-Am); as such, this should not be included in an estimate of new hires. Irrespective of the impact on cost of service for non-acquired facilities, this issue will be settled by the courts through the determination of "severance" damages in the valuation trial and would be a cost added to the acquisition price. The District has both (a) included severance damages in its original financial feasibility analysis, and (b) developed certain legal theories as to how and why severance should be minimized.

3. Application Form

3.1. General Information

a. Describe the proposed action (Annexation, Detachment, Sphere of Influence Amendment, formation, etc.) affecting a city or special district:

As stated in Section 2 above, the District requests LAFCO to (1) Activate its latent powers to provide water production and distribution services for retail customers, and (2) To amend its sphere of influence and annex affected parcels.

Activation of Latent Powers – it should be noted that the District already sells water wholesale to California American Water (Cal-Am) from the Pure Water Monterey project, since 1994 the District has sold water retail to 7 golf courses and a school within the Del Monte Forest, and since 1998 produces water for distribution from the District's Aquifer Storage and Recovery (ASR) project. The District has performed the concomitant duties such as meter reading, setting rates and charges, customer billing, water quality analysis, regulatory compliance, maintenance and repair, environmental mitigation, record keeping, forecasting, and so forth. Please see our response for Item 5.1 for services the District already provides.

Nevertheless, the District believes it should receive LAFCO approval for retail potable water service throughout its jurisdiction. The California Legislature created the District in 1977 for the purposes of "conserving and augmenting the supplies by integrated management of ground and surface water supplies, for control and conservation of storm and wastewater, and for the promotion of the reuse and reclamation of water." (Statutes 1977, ch. 527, section 2, Deering's Water – Uncod. Acts (2008 Suppl.) Acts 5065, p.98-99 ("District Law").) The District has many authorized powers, some of which may be viewed as inactive, while others are active on a limited scale.

The table below describes three sets of powers authorized under the District Law and what aspect of each the District is asking LAFCO to activate.

District Authorized Powers Seeking to Activate

Section of District Law	Activation Sought
Section 325 of the District Law, and except as otherwise limited by the District Law, the District has the power to do any and every lawful act necessary in order that sufficient water may be available for any present or future beneficial use or uses of the lands or inhabitants within the District, including, but not limited to, irrigation, domestic, fire protection, municipal, commercial, industrial, recreational, and all other beneficial uses and purposes.	Produce and deliver water for all stated purposes directly to retail customers throughout the District (in addition to the District's eight retail customers within the Del Monte Forest).
Section 328 of the District Law, the District has the power, among other things, (a) to acquire public or private water systems necessary or proper to carry out the purposes of the District Law; (b) to store water in surface or underground reservoirs within or outside of the District for the common benefit of the District; (c) To conserve and reclaim water for present and future use within the District; (d) To appropriate and acquire water and water rights, and import water into the District and to conserve and utilize, within or outside of the District, water for any purpose useful to the District.	Acquire public or private water systems necessary or proper to carry out the purposes of the District Law. To appropriate and acquire water and water rights, and import water into the District and to conserve and utilize, within or outside of the District, water directly to retail customers throughout the District.
Section 326 of the District Law authorizes the District to fix, revise, and collect rates and charges for the services, facilities, or water furnished by it, and authorizes the District to collect its rates and charges via the tax roll or other billing methods. Section 308 of the District Law authorizes the District, by resolution or ordinance, to fix and collect rates and charges for the providing of any service it is authorized to provide.	Authorize the District to fix, revise, and collect rates and charges for water directly delivered to retail customers throughout the District.

Sphere of Influence and Annexation – Section 102 of the District Law established its territorial boundaries. The District's boundaries were thought to contain all of Cal-Am's Main System, as well as its Ryan Ranch, Bishop, and Hidden Hills systems. Instead, several parcels near Yankee Point to the south are within Cal-Am's Main System and several parcels east of Laureles Grade are within Cal-Am's Hidden Hills system, but in both cases not within the District's boundary. In order for the District to acquire the distribution network serving the parcels and to provide the retail water service, it is desirable by the District to annex them into its jurisdiction. The parcels are summarized in the table below and are described in detail in Section 6 of this Application "Map and Geographic Description".

Summary of Parcels for Annexation

Location	Parcels	Use of Property
Yankee Point	38	33 Single Family, 1 Garage, 4 Vacant Lot
Hidden Hills	20	8 Single Family, 1 Mobile Home, 11 Vacant Lot
Total	58	

b. Applicant (chief petitioner/contact person):

Name, Title (if applicable): David J. Stoldt, General Manager
Agency: Monterey Peninsula Water Management District
Address: 5 Harris Court, Building G, Monterey, CA 93940
Phone Number: 831-658-5651 / 508-954-8414 (cell)
Email Address: dstoldt@mpwmd.net

c: Describe the location of the subject territory, including Assessor Parcel Number(s):

Please see Section 6 of this Application “Map and Geographic Description”. The parcel numbers and addresses (where established) are shown in the table below:

Summary of APNs and Addresses for Parcels for Annexation

APN	Yankee Point	Structure Type
243141003	4 Yankee Beach Way	Garage
243131003	12 Yankee Point Drive	Single Family Dwelling
243131004	14 Yankee Point Drive	Single Family Dwelling
243131005	16 Yankee Point Drive	Single Family Dwelling
243131007	20 Yankee Point Drive	Single Family Dwelling
243131008	22 Yankee Point Drive	Single Family Dwelling
243131010	4 Yankee Point Drive	Single Family Dwelling
243131011	6 Yankee Point Drive	Single Family Dwelling
243132001	17 Yankee Point Drive	Single Family Dwelling
243132002	15 Yankee Point Drive	Single Family Dwelling
243132003	11 Yankee Point Drive	Single Family Dwelling
243132004	9 Yankee Point Drive	Single Family Dwelling
243132005	7 Yankee Point Drive	Single Family Dwelling
243132006	5 Yankee Point Drive	Single Family Dwelling
243132007	3 Yankee Point Drive	Single Family Dwelling
243132008	1 Yankee Point Drive	Single Family Dwelling
243132011	47 Yankee Point Drive	Single Family Dwelling
243132013	41 Yankee Point Drive	Single Family Dwelling

243132014	35 Yankee Point Drive	Single Family Dwelling
243132015	27 Yankee Point Drive	Single Family Dwelling
243141001	24 Yankee Point Drive	Single Family Dwelling
243141002	26 Yankee Point Drive	Single Family Dwelling
243141004	2 Yankee Beach Way	Single Family Dwelling
243141005	13 Yankee Beach Way	Single Family Dwelling
243141007	16 Yankee Beach Way	Single Family Dwelling
243141008	5 Yankee Beach Way	Single Family Dwelling
243141009	30 Yankee Point Drive	Single Family Dwelling
243141010	32 Yankee Point Drive	Single Family Dwelling
243141011	34 Yankee Point Drive	Single Family Dwelling
243141012	40 Yankee Point Drive	Single Family Dwelling
243141013	42 Yankee Point Drive	Single Family Dwelling
243141014	44 Yankee Point Drive	Single Family Dwelling
243141015	46 Yankee Point Drive	Single Family Dwelling
243141017	15 Yankee Beach Way	Single Family Dwelling
243131006	18 Yankee Point Drive	Vacant
243132012		Vacant
243132016	19 Yankee Point Drive	Vacant
243141016		Vacant
Hidden Hills		
416051005	26425 Laureles Grade Rd	Mobile/Manufactured Home
416051014	26175 Rinconada Dr	Single Family Dwelling
416053001	26966 Laureles Grade Rd	Single Family Dwelling
416053004	26994 Laureles Grade Rd	Single Family Dwelling
416053003	26934 Laureles Grade Rd	Single Family Dwelling
416051020	26245 Rinconada Dr	Single Family Dwelling
416051013	26165 Laureles Grade Rd	Single Family Dwelling
416053002	26755 Laureles Grade Rd	Single Family Dwelling
416051025	26113 Rinconada Dr	Single Family Dwelling
416051017		Vacant
416051016		Vacant
416051015		Vacant
416051022		Vacant
416361043		Vacant
416051018		Vacant
416051021		Vacant
416051026		Vacant
416051001		Vacant
416051019	26149 Rinconada Dr	Vacant
416051006		Vacant

d: Size (in acres) of the affected territory:

The Yankee Point parcels total approximately 21.73 acres and the Hidden Hills parcels total approximately 117.01 acres, or a total of 138.74 acres.

e: Population:

- 1) *Estimated population in the subject area:* 94
- 2) *Proximity to other populated areas:* Both areas are contiguous to the District. The population for the District per the 2010 census is 104,129

f: Why has the proposed action been requested?

On November 6, 2018, voters within the Water Management District passed initiative Measure J by 56% (23,757 voted yes) to 44% (18,810 voted no). Measure J directed that the following Rule 19.8 be added to the District Rules and Regulations, Regulation I, General Provisions:

Rule 19.8. Policy of Pursuing Public Ownership of Monterey Peninsula Water Systems

- A. It shall be the policy of the District, if and when feasible, to secure and maintain public ownership of all water production, storage and delivery system assets and infrastructure providing services within its territory.
- B. The District shall acquire through negotiation, or through eminent domain if necessary, all assets of California American Water, or any successor in interest to California American Water, for the benefit of the District as a whole.
- C. The General Manager shall, within nine (9) months of the effective date of this Rule 19.8, complete and submit to the Board of Directors a written plan as to the means to adopt and implement the policy set forth in paragraph A, above. The plan shall address acquisition, ownership, and management of all water facilities and services within and outside the District, including water purchase agreements as appropriate. The plan may differentiate treatment of non-potable water services.

A report released by the District's financial consultant in November 2019 showed that acquisition of the Cal-Am Monterey Water System is financially feasible. The District is making this application to LAFCO in order to be in a position to proceed with an acquisition through negotiation or a condemnation proceeding.

g. List any conditions proposed as a part of the proposal.

The District is willing to accept LAFCO approval of the District's latent powers conditioned on successful acquisition by the District of the Cal-Am Monterey Water System through a condemnation action or by negotiation. If annexation is approved, but activation of latent

powers is not, the District will accept those parcels into its jurisdiction and continue to exercise its present powers as it already does. If activation of powers is also approved, but condemnation of the Cal-Am system fails at the court level, the District would still like to annex those parcels into its jurisdiction.

h. Do you request that the proposed area be taxed for existing bonded indebtedness or contractual obligations? No

If yes, please explain:

3.2. Determination of Boundaries

a. Do the proposal's boundaries follow existing political boundaries (such as property lines or jurisdictional lines) and/or physical features such as river, lakes, railroad tracks, and freeways? If not, please explain the reasons for nonconformance.

Yes, the annexation follows the property lines for the parcels described in the table above. The activation of latent powers would follow the Districts jurisdictional boundary. Please see Section 6 of this Application “Map and Geographic Description”.

b. If the proposal's boundaries create an island, corridor, or strip either within the proposed territory or immediately adjacent to it, please explain why this is the case.

N/A

c. For annexations to a city or district, does the annexation include the adjacent streets and rights-of-way? Please describe how the proposal will conform to road right-of-way guidelines for proposals submitted to LAFCO. (LAFCO Policies and Procedures, Part D.II.7)

Yes, it is proposed that adjacent roads be included consistent with LAFCO Policies and Procedures, Part D.II.7.c.(2) “When the street will be used for the city sewer lines, water lines, or storm drains.”

d. Would the proposal divide any existing tax assessment parcels? If so, please explain why this is proposed.

No.

e. Would the proposal divide any existing identifiable community, commercial district, or any other area having social or economic homogeneity? If so, please explain why this is proposed.

No.

f. Does the proposal include all territory that would reasonably benefit from agency services? If not, please explain why not.

Yes.

3.3. Duplication of Authority to Perform Similar Functions

a. Would the proposal result in any duplication of authority? (i.e., two or more governmental agencies providing the same or similar types of services) If so, please justify the need for the duplication.

The proposal will not result in any overlap or duplication of authority in the Cal-Am service territory Cal-Am is currently providing water service within the proposal area. If acquisition goes forward, the District will replace Cal-Am as the retail water service provider. If the acquisition does not go forward, similar to all other Cal-Am Service areas within District boundaries, the District functions and services are complementary to those of Cal-Am.

The District's jurisdictional boundary overlaps with Marina Coast Water District sphere of influence in the Seaside Highlands and former Fort Ord parcels as shown in the map below.



The District recognizes MCWD's rights to provide water and wastewater services within the overlapping service areas, as well as former Fort Ord areas served by contract, but not yet annexed by MCWD. This recognition appears in the recitals of the May 1, 2009 Memorandum of Understanding between MCWD and the District. If LAFCO approves the activation of the District's latent powers, it will cede to MCWD the rights to serve the areas presently served by

MCWD in the area of overlapping jurisdiction. It is not necessary at this time to modify jurisdictional boundaries, given that an acquisition of Cal-Am remains speculative, and LAFCO has previously determined that there is no other existing conflict between MCWD and District jurisdiction currently.¹

3.4. Conformance with City or County General and Specific Plans

a. Indicate the existing land use (including residential density):

Existing land use in both the Yankee Point and Hidden Hills locations is low density and residential. The proposal would not change any of the existing land uses within the proposal area. Please see the response to 3.4.c, below.

b. What is the City's general plan designation and zoning for the subject territory, if applicable?

N/A. Not subject to a City general plan

c. What is Monterey County's general plan designation and zoning, if applicable?

The Yankee Point parcels are primarily LDR/1-D(20)(CZ), but there are some zoned RC-D(20)(CZ). Both are coastal zone, and "LDR" districts are low density residential and are subject to Chapter 20.62 (Height and Setback Exceptions) and 20.70 (Coastal Development Permits). The "RC-D" designation is to protect, preserve, enhance, and restore sensitive resource areas in the County of Monterey. Of specific concern are the highly sensitive resources inherent in such areas such as viewshed, watershed, plant and wildlife habitat, streams, beaches, dunes, tidal areas, estuaries, sloughs, forests, public open space areas and riparian corridors.

The Hidden Hills parcels are zoned RDR/5.1-VS, or Rural Density Residential. The minimum building site shall be 5 acres unless otherwise approved as part of clustered residential development.

d. What is the proposed future land use?

All parcels are expected to remain in their current designated land use.

e. Is the proposal consistent with the applicable City or County General Plan designation? (and any Specific Plan) If not, please specify the reasons for non-conformance.

Yes, the annexation proposal remains consistent with the County General Plan.

f. Please describe the City or County's long-term planned direction of growth and comment on whether the proposed action is consistent with that plan.

¹ Email D. McBain (LAFCO) to D. Stoldt (District), February 20, 2019, regarding MCWD annexation proposal. "I'm not aware of any need for MPWMD to cede jurisdiction."

Prior zoning has already authorized the approximately 15 vacant lots per their zoning designations described above. Nothing in the District's proposal changes the long-term County plan for growth.

g. For annexation and other changes of organization: If the change of organization involves a city, has the city prezoned the area?

Yes _____ No _____

N/A

If so, what is the rezoning classification and when was the ordinance adopted?

N/A

h. Amount and description of publicly owned land in the area:

The areas proposed for annexation do not include any publicly owned land.

i. Could the proposal serve to encourage development of currently undeveloped areas or increase the intensity of development of already developed areas? Yes ___ No X

If yes, please comment.

However, there is one argument proffered by the opponents to District acquisition of the Monterey Water System which claims acquisition, if it reduces rates, could lead to growth. Regardless of the price of the acquisition, while it is possible to conclude the overall cost of water under District ownership and operation of the water system would be less in the future, and in all likelihood substantially less, it is speculative to quantify any change in rates over time. Quantifying future rates is speculative for the District or others to estimate because many variables affect water usage in addition to price, and isolating those variables to predict how changing one variable (price) for the system would affect customer demand would be conjectural.

Since the analysis of water pricing is speculative, it is not required under CEQA pursuant *State CEQA Guidelines*, Section 15145 which states that, if, after thorough investigation, a lead agency finds a particular impact is too speculative for evaluation, the agency should note its conclusion and terminate discussion of the impact. As a result, an analysis of water demand based on water price is not required under CEQA. No facts are available to inform this issue, hence it is speculative.

The District also expects the region's permanent replacement water supply will include sufficient water for growth, consistent with the expressed desire of local jurisdictions for decades. However, these jurisdictions have sole responsibility for land use decisions related to growth. A new water supply will happen regardless of the District's application to LAFCO,

hence the District's proposal does not encourage growth based on availability of new water supplies.

j. Describe any special land use concerns (airports, schools, industrial areas, etc.):

None.

3.5. Conformance with Spheres of Influence

a. Is the proposal consistent with the adopted Spheres of Influence of affected local agencies? If not, describe the inconsistency and any overriding considerations.

The District has not had a full Sphere of Influence Study for multiple years. The District was included in the January 2007 "FINAL MUNICIPAL SERVICES REVIEW FOR THE Monterey Peninsula Area" executed by LAFCO. However, there are several principle statements in that document that do not reflect current reality, such as "Most of the District's functions are regulatory in nature" which ignores that the District has developed water supply, sells water, sets rates and charges for water supply related activities, mitigates environmental impacts of water extraction, and more.

The document also states: "The Monterey Peninsula Water Management District (MPWMD) is a water resource planning/management entity, and does not provide water service to retail customers." However, as mentioned above, the District already sells water wholesale to California American Water (Cal-Am) from the Pure Water Monterey project, since 1994 sells water retail to 7 golf courses and a school within the Del Monte Forest, and since 1998 produces water for distribution from the District's Aquifer Storage and Recovery (ASR) project. The District has performed the concomitant duties such as meter reading, setting rates and charges, customer billing, water quality analysis, regulatory compliance, maintenance and repair, environmental mitigation, record keeping, forecasting, and so forth.

Also, in 2007 LAFCO concluded that "The Monterey Peninsula Water Management District is not considering expanding its boundaries, nor has it considered consolidation or reorganization of itself with other agencies." With this Application, the statement is no longer true, as we are considering expanding our boundaries, hence must be reconsidered.

Based on our response to Section 3.3.a. the District believes its proposal is consistent with MCWD's adopted sphere of influence.

3.6. Environmental Impact Assessment (Please submit final CEQA clearance documentation)

The proposal has a certified Final Environmental Impact Report (FEIR) under CEQA. The District Board certified the FEIR on October 29, 2020 and filed the Notice of Determination (NOD) on October 30, 2020. The NOD is attached hereto as Appendix B.

CEQA documents are available online on the District's website (www.mpwmd.net) where there is link to Measure J documents at the top of the home page, and are also attached to this application.

Subsequent to District approval and certification of the FEIR, a Petition for Writ of Mandate in the Monterey County Superior Court was filed, challenging the Board's action. The Petition was previously forwarded to LAFCO.

3.7. Economics, Service Delivery, and Development Patterns

a. Please describe how the proposal will impact the ability of affected local agencies (cities, special districts and the County) to continue to provide their services. Include any potential fiscal impacts from the proposal on the affected agencies' revenues or expenditures.

The proposal does not supplant any local agency's provision of services. However, the change from an investor owned utility (Cal-Am) to a publicly owned utility (the District) has tax implications for the State, County, cities, all districts within Monterey County, and individual property owners within the various K-14 schools districts. As a publicly owned utility, the District would not be required to pay such taxes. In the analysis shown, we are assuming a proportionate share of impacts. The goal is to reflect an order of magnitude, not a precise value, because the eminent domain legal process could take two to three years or longer, so at this time it is impossible to determine a precise value.

Property Tax Impacts – Cal-Am properties are not subject to the California State Board of Equalization state-wide "unitary" assessed value process. Instead, the County Assessor locally assesses each Cal-Am owned property. As of 2019-20, Cal-Am was the County's sixth largest property tax source. County auditors allocate property tax revenues from Cal-Am to all taxing jurisdictions in proportion to their share of property tax revenues derived from locally assessed property. In other words, the County Auditor-Controller creates a countywide pool of property tax revenues generated by entities such as Cal-Am along with the state-wide unitary assessments (from entities such as PG&E) allocated to the County. Each local taxing agency gets a share of the countywide pool, *regardless of whether any of the assessed property is within that agency's boundaries.*²

Cal-Am paid \$1,850,397 in annual property taxes to Monterey County in 2019-20.³ However, not all Cal-Am assets are under consideration for acquisition. Approximately 95.5% of Cal-Am water sales revenues come from assets subject to acquisition. As a shorthand, it is reasonable to assume 95.5% of the assessed valuation and property taxes paid by Cal-Am are subject to this analysis, or \$1,767,130.

² Communication with Gary Giboney, Monterey County Chief Deputy Auditor-Controller, January 7, 2021.

³ Based on FY2020 value. Source: County of Monterey Auditor-Controller's Office "Property Tax Highlights" Fiscal Year 2019-20, Table of ten taxpayers in Monterey County for Fiscal Year 2019-20, page 6, Cal-Am amount of \$1,850,398 multiplied by 95.5% assuming 4.5% of asset value remains in Cal-Am ownership.

It should be noted Cal-Am's assessed valuation is merely 0.24% of the County's overall assessed valuation⁴, which translates to 0.23 % when only the assets subject to acquisition are considered. That means only 0.23% of the County's total property tax revenue is subject to this analysis and, as shown below, not all of that revenue is lost to local jurisdictions.

Based on the average tax rate in Monterey County of 1.18%⁵, if the District proposal to provide water service is approved the estimated annual property tax to consider is \$1,767,130, as stated above. The direct tax amount (1% share) is estimated at \$1,497,568 and the balance for voter approved debt, direct charges, and special assessments is \$269,562.

Proposition 98 (1988) establishes a minimum funding requirement for schools and community colleges commonly known as the minimum guarantee. The guarantee encompasses state General Fund and local property tax revenue. A set of formulas in the State Constitution determines the guarantee each year. In certain years, the formulas provide that any changes to the amount of property tax revenue received by schools and community colleges have a dollar-for-dollar effect on the size of the guarantee.

In the early 1990s, the Legislature permanently redirected a significant portion of the property tax revenue from cities, counties, and special districts to schools and community colleges. The redirected revenue is deposited into a countywide account known as Educational Revenue Augmentation Fund (ERAF). Revenue from ERAF is allocated to schools and community colleges to offset the funding these entities otherwise would receive from the state General Fund.

Through the Local Control Funding Formula the State backfills the K-1 school districts on the 1% tax revenue losses, which is 43.2% of the County property tax base.⁶ However, the State will not backfill the amounts for basic aid school districts, which includes Carmel Unified and Pacific Grove Unified, and have a combined tax rate of 11.568⁷.

**Percentage Share of the 1% Countywide Tax Levy and Estimated Tax Losses
(FY 2019-20)**

Taxing Entities	Percent Share	Estimated Tax Loss
County & County Library	15.8	\$236,616
Cities	6.1	\$91,352
Successor Agencies	8.4	\$125,796
Basic Aid K-12 School Districts	11.6	\$173,718
Other K-12 School Districts	25.0	Backfilled by State

⁴ Monterey County Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020; Statistical Section; Schedule 6

⁵ Includes 1% ad valorem property tax, voter approved debt (approximately 0.1%), and direct charges and special assessments (approximately 0.08%); Source: County of Monterey Auditor-Controller's Office "Property Tax Highlights" Fiscal Year 2019-20, Table for Taxes Levied for FY 2019-20, page 6

⁶ Source: Monterey County Tax Rates for Fiscal Year 2019-2020, County Auditor-Controller

⁷ Carmel Unified's tax rate per \$1.00 assessed value of 7.655% plus Pacific Grove's of 3.913%. Source: Monterey County Tax Rates for Fiscal Year 2019-2020, County Auditor-Controller

Community Colleges	6.6	Backfilled by State
Superintendent of Schools	2.9	\$43,429
ERAFF	14.7	Backfilled by State
Other Districts and Agencies	8.9	\$133,284
TOTAL	100.0	\$804,194

**Example of Revenue Impacts of Tax Losses on Example Jurisdictions
(FY 2019-20)**

Taxing Entity	Total Revenues	Estimated Tax Loss	Loss as % of Revenue
County & County Library	\$547,265,860	\$236,616	0.043%
Carmel Unified School Dt	\$68,926,626	\$114,639	0.166%
Pacific Grove Unified School Dt	\$43,143,678 ⁸	\$58,600	0.135%
Monterey Peninsula USD	\$163,659,576	\$0	0%
Monterey County Regional Fire	\$18,104,876	\$24,847	0.137%

None of these entities will experience lost total revenues greater than two-tenths of one percent; this is a de minimis amount. Most of this will be made up by the accelerating sales of housing in the County, nevertheless the District is open to discussing tax sharing agreements that can help with the transition, as detailed below.

The tax increment which exceeds the 1% (\$269,562) is for debt service approved by the voters such as a school bond and other direct charges or special assessments. If the tax in excess of the 1% is reduced, the taxpayers (countywide) within a jurisdiction which has debt service must make up for any loss. In other words, this change will not impact annual finances for any local taxing entity.

State Income Tax – Annual loss of income tax to the State of California resulting from the proposed change in ownership is estimated at \$722,819.⁹ Statewide, this loss approximates five-one-millionths of total California General Fund Estimated Revenues of \$138,046 million.¹⁰ This amount is de minimis. The local impact has not been calculated, but it is insignificant.

Vehicle License Fee Revenues – The annual loss of revenue for vehicle license fees was not analyzed but is thought to be insignificant because commercial vehicles comprise only approximately 20% of vehicle license fees and Cal-Am's fleet is a minor portion of the commercial sector.

b. Please describe any efforts to mitigate adverse effects of the proposal on any local agency's ability to continue to provide services to its residents.

⁸ FY 2018-19 value; FY 2019-20 not yet posted

⁹ Source: Cal-Am 2019 Annual Report to California Public Utilities Commission; Schedule B-4, Line 4, multiplied by 95.5% assuming 4.5% of revenues remains in Cal-Am ownership.

¹⁰ California Spending Plan, 2019-20 Budget; Legislative Analyst's Office; 10/17/19; Figure 5; 2018-19 total value

The District will continue to collect and remit local jurisdictions' franchise fees and utility user taxes (UTT). Presently, a surcharge is included on each Cal-Am bill to collect franchise taxes and/or utility user taxes paid to various municipalities. The District will continue the practice. The amount collected is based on a percentage of the gross revenues of each bill. Franchise fee percentages are as follows: Ryan Ranch 1.00%, City of Pacific Grove 2.00%, City of Carmel-by-the-Sea 2.00%, City of Seaside 1.00%, City of Del Rey Oaks Franchise Fee 2.00%, City of Monterey 1.00%, and unincorporated areas of Monterey County 1.00%. The jurisdictions that have UTT are Monterey, Pacific Grove, and Seaside which are also based on a percentage of the utility revenues. At this time, the District is unable to provide an estimate of these revenues to the local jurisdictions, however they will not be eliminated.

The District is not legally able to pay "in lieu" property taxes that are not backfilled by the State for K-14 schools and other agencies, as discussed above. The District's independent legal counsel has opined: "*The District cannot make property tax payments, or an in lieu payment, to the County to replace Cal-Am's property taxes. Local governments cannot tax each other. (Golden Gate Bridge and Highway Dist. v. Luehring (1970) 4 Cal.App.3d 204, 215.)*" However, this limitation relates primarily to revenue derived from water rates and charges, but this legal constraint does not prohibit the use of the District's property tax receipts for such use.

The District would consider a property tax sharing agreement with affected agencies and school districts to ameliorate their losses during a period of five to ten years, while reassessments due to property sales raise overall County-wide property tax income.

c. What is the demonstrated need for the proposed additional municipal services? (either now or in the near future)

The services will not be "additional". Cal-Am is currently providing water service within the proposal area. If the acquisition goes forward, the District will replace Cal-Am as service provider.

d. Please describe the capacity of the proposal's subject agency to provide such services.

The District's team of experts has shown that if approval of latent powers leads to an acquisition of the Cal-Am system: (a) the system will cost less to operate, (b) water bills can be reduced, (c) acquisition can be financed and costs recovered within rates and charges, and (d) integration of Cal-Am employees into the District workforce is possible and will result in continuing operations without substantial changes.

The District's valuation of the Monterey Water System was prepared by Raftelis, a nationwide public agency financial consulting firm. For acquisition feasibility purposes Raftelis considered three methods of valuation: Income Approach, Sales Comparison Approach, and Cost Approach. The definition of value used in the valuation assessment was fair market value as that term is defined in California's Eminent Domain Law (Code of Civil procedure Section 1263.320). The date of the valuation estimate was January 1, 2020. The value estimate of the

“base” water system results in a total value estimate, plus adjustments, of approximately \$513 million.

The cost of service evaluation consisted of preparing a 20-year financial projection of Cal-Am continuing to own and operate the Monterey Water System (status quo), analyzing and identifying incremental cost differences associated with MPWMD owning and operating the Monterey Water System in comparison to the status quo, preparing an annual cash flow projection of District ownership scenarios, and estimating customer bills under both the Cal-Am status quo and District ownership scenarios.

Cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills can be realized by MPWMD acquiring and operating the Monterey Water System.

The District’s investment banker, Barclays, believes there is a market for the type of financing structure being contemplated and that it will be feasible to execute a financing, subject to successful implementation of structuring terms that are consistent with investors’ expectations for transactions of this nature. Such a financing would recover all financing costs of the acquisition within rates and charges for water to be established by the District. Barclays reviewed the financial results forecasted by Raftelis and concluded that given the assumptions for capital and operational costs, revenues and rates established by the District and Raftelis, the District is able to finance the proposed purchase of the Monterey Water System based on comparisons with financing structures and coverage margins for similar water systems. Barclays is an international investment bank highly experienced in successfully structuring, managing, purchasing, placing and delivering financings of a similar type, size and scope as the proposed financing. See Appendix F for Barclays’ confidence letter.

The District’s goal is to integrate existing Cal-Am personnel into the District’s organization which will ensure operational understanding, water quality, regulatory compliance, and institutional memory. To integrate the water utility operation several changes are required to existing departments within the District to provide an efficient transition. A few new divisions/departments along with new positions may be required. The performance of an organizational assessment to review current core functions, work tasks, and responsibilities for current departments and identifying the additional functions and work tasks that will be required to support the additional water system operation. A review and update of the water system operations plan shall be completed to reflect any changes. The key departments affected will be the Water Resources/Engineering & Planning, Administration & Finance including Customer Service, and Information Technology (IT), however all departments and functions within the District will be impacted.

Key Management Positions: Based on the District’s organizational assessment, it is likely several key management positions will need to be hired in advance of the District assuming operational responsibility. Two key positions anticipated are the Assistant General Manager for

Water Operations the Water Resources/Engineering & Planning Manager as those departments/divisions will have essential responsibilities during the transition period.

Water Utility Staff: The District's desire is to hire the current Cal-Am staff, other than state-level general office senior management, to operate the water system. If not adopted prior, the District Board shall approve a resolution to retain the current Cal-Am operations staff for up to five years and to make best-efforts financial adjustments to compensate for any lost income, pension benefits, or other fringe benefits that may occur by being an employee of the District. The District shall hire a Human Resource consultant that specializes in pension, benefits, and other compensation issues to identify issues, recommend options, and calculate any potential compensation losses for each employee.

The combined integrated organization is shown in the figure on the next page. The net staffing increase is approximately 6 positions, as color-coded in yellow. The currently outsourced IT, GIS, and HR positions are likely to brought in-house, yet augmented by the District's third-party consultants, accounting for 2 of the net new positions. Asset management and risk management will be a function of the District's Administrative Services Division. Planning, regulatory compliance, and CEQA will be part of the Water Resources Division. Appendices D and E further detail the District's approach to operations.

Combined Integrated Operations



Please see the response under Section 5, “Plan for Providing Services Within the Affected Territory”.

e. Are there any factors (such as topography, isolation from existing developments, premature intrusion of urban-type developments into a predominantly agricultural area, or other pertinent economic or social reason) that may reduce the proposal’s ability to serve the public interest? Please comment.

There are no such factors.

f. List any related public approvals required for the proposal, including those of local, State, and Federal agencies.

- LAFCO approval of annexation and activation of latent powers
- District approval of Resolution of Necessity (if District and Cal-Am do not reach agreement for negotiated purchase)

g. Have the property owners and registered voters within the subject area been contacted? If so, what was the response?

Regarding the activation of latent powers, all voters within the District were enabled to vote on Measure J in November 2018. Measure J implied public ownership and provision of retail water service. In addition, five public “listening sessions” on public ownership were held in January 2019 and a large public workshop on the findings of feasibility of public ownership was held in November 2019.

With respect to the annexation, we have relied on LAFCO’s application checklist which states: “LAFCO no longer requires applicants to compile and submit these items (*meaning public noticing*). LAFCO staff will coordinate with County staff to compile the property owner and registered voter info to create a mailing list when we reach the public noticing step.” The District has a list of all affected parcel owners’ contact information and is eager to work with LAFCO on outreach activities. However, the Environmental Impact Report on the annexation included a Notice of Preparation April 3, 2020 and a Notice of Availability of a Draft EIR on June 12, 2020. The Public Review Draft EIR was circulated for a 45-day review period and was initiated on June 18, 2020 and ended on August 3, 2020. The Notice of Intent (NOI) to adopt the Final EIR was posted with the Monterey County Clerk and the State Clearinghouse, made available on the District’s website, distributed to relevant public agencies, and emailed/mailed to a list of interested individuals and local groups. The Final EIR was certified October 29, 2020 and a Notice of Determination filed October 30, 2020.

The District intends to notify all parcel owners subject to the potential acquisition that the District will hold an informational workshop regarding the process. It is hoped the workshop will be held before the end of May 2021.

h. Do residents within the proposal area use facilities or programs provided by the local agency? Indicate the source of this information.

The District currently applies District water permit rules and regulations to the properties (parcels) proposed to be annexed because they are within the existing Cal-Am Main system. The identification of the parcels for annexation was sourced from GIS maps of the District and a Cal-Am boundary map provided by Cal-Am.

i. Do residents within the proposal area travel to the city or boundaries of the special district for shopping, recreation, work, or other purposes? Indicate the source of this information.

Yes. The central business districts of the 6 local cities and unincorporated county within reasonable travel distance of the proposed parcel annexation are all within the District. LAFCO's existing District boundary map produced 6/23/11 supports this statement.

j. Do the city, or area served by the district, and proposal areas share the same mailing address and zip code?

Yes. The Hidden Hill properties are contiguous with 93924 zip codes of properties already existing within the District. The Yankee Point properties are contiguous with 93923 zip codes of properties already existing within the District.

k. Briefly describe any other factors demonstrating interdependence of the city/district and proposal area.

There are no other factors. This is a simple change in ownership over existing water providing infrastructure and the addition of several parcels currently being served that have somehow never been within the District boundaries.

3.8. Phasing

a. Does this proposal include any multi-step, incremental phasing of annexation or other LAFCO approvals? If so, please describe the phasing component in relation to LAFCO of Monterey County's adopted policies for phasing (LAFCO Policies and Procedures, Part D.VIII).

No.

3.9. Open Space and Agricultural Land (Not applicable)

Not applicable.

3.10. Groundwater Standards - (All proposals) - Please describe how the proposal conforms to each of the following adopted LAFCO policy statements regarding groundwater.

a. LAFCO will encourage boundary change proposals involving projects that use reclaimed wastewater, minimize nitrate contamination, and provide beneficial use of storm waters.

The District has been selling reclaimed wastewater to the golf courses and the Stevenson School within the Del Monte Forest since 1994. The District is also a funding partner for the Pure Water Monterey (PWM) project and the District sells the product water to Cal-Am. PWM recycles wastewater, reduces nitrates in agricultural return flows, and will provide beneficial use of storm water. The parcels proposed to be annexed will benefit from PWM.

b. LAFCO will encourage proposals which have incorporated water conservation measures. Water conservation measures include drought tolerant landscaping, water-saving irrigation systems, installation of low-flow plumbing fixtures, retrofitting of plumbing fixtures with low-flow devices, and compliance with local ordinances.

The District manages an extensive water conservation program utilizing requirements by ordinance, rebate opportunities, and free water-saving equipment. Because the parcels targeted for annexation are currently within the Cal-Am Main system, the District already applies its permit rules and conservation requirements to the properties.

c. LAFCO will encourage those proposals which comply with adopted water allocation plans as established by applicable cities or water management agencies.

Because the parcels targeted for annexation are currently within the Cal-Am Main system, and both located in the unincorporated County, the District already applies its adopted water allocation plan to the properties.

d. LAFCO will encourage those proposals where the affected jurisdiction has achieved water savings or new water sources elsewhere that will off-set increases in water use in the project site that would be caused by the proposal.

There is not expected to be an increase in water use in the annexed parcels. They are already within the Cal-Am Main system.

e. LAFCO will discourage those proposals which contribute to the cumulative adverse impact on the groundwater basin unless it can be found that the proposal promotes the planned and orderly development of the area.

The annexation will have no impact on the groundwater basin (Seaside Basin) or the Carmel Valley Alluvial Aquifer presently used to serve the Cal-Am Main system.

f. LAFCO will discourage those boundary change proposals which, when considered individually and after taking into account all mitigation measures to be implemented with the project, still cause a significant adverse impact on the groundwater basin.

The annexation will have no impact on the groundwater basin (Seaside Basin) or the Carmel Valley Alluvial Aquifer presently used to serve the Cal-Am Main system.

3.11. Incorporation Guidelines

Not applicable

3.12. Regional Traffic Impacts

Not applicable

3.13. Efficient Urban Development Patterns

Not applicable

3.14. Disadvantaged Unincorporated Communities Adjacent to Cities

Not applicable

3.15. Environmental Justice

LAFCOs are required to consider the extent to which a proposal will promote environmental justice. As defined by statute, environmental justice means “the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.”

a. Please provide information on the demographics of the proposal area, including ethnicity and income.

Census 2010 showed that Non-Hispanic Whites are the District’s most numerous adult population group, representing 68 percent of the voting age (aged 18+) population (VAP), followed by Hispanics at 17 percent, non-Hispanic Asians at eight percent, non-Hispanic African-Americans at four percent, and others comprising the remainder.¹¹ As shown in the map in Appendix C the parcels for annexation are predominantly Non-Hispanic White.

Appendix C also indicates that the affected parcels estimated annual median household income was \$75,000 to \$99,999 in 2010 dollars. According to the Federal Reserve, median household income in Monterey County, as a whole, has increased 42.4 percent from 2010 through 2019, so the reader can make an adjustment upward.¹²

Updated census data has not yet become available.

b. Will all residents have access to the facilities or services requested by this application?

Yes.

¹¹ “Demographic Evaluation of Current Monterey Peninsula Water Management District Director Divisions Using Census 2010 Data”, Lapkoff & Gobalet Demographic Research, Inc., July 12, 2011

¹² FRED Economic Data, Federal Reserve Bank of St. Louis, January 2021.

c. Will the projected cost of such services be appropriate to the income levels of the area's population? If so, are the service costs likely to be held to this level for the long-term?

Yes. It is further expected that cost of service under public ownership will be lower and rise less rapidly than under an investor-owned utility operation.

d. What measures have been taken to solicit public comment on the proposal?

Please see response to 3.7.g., above.

e. Would this proposal result in inferior public services being provided to an area where there is a concentration of low-income or ethnic groups?

No.

f. Are there any adjacent neighborhoods that might benefit from the agency's services that could be included in the proposal? If so, what are the demographics for this area and why were they excluded?

No.

g. Please provide a listing of the members of the City Council or District Board of Directors for the subject agency, and include the gender and ethnicity of each member.

Monterey Peninsula Water Management District
Board of Directors

Name	Gender	Ethnicity
Alvin Edwards, Chair	Male	African American
George Riley	Male	White
Safwat Malek	Male	Middle Eastern
Karen Paull, Vice Chair	Female	White
Amy Anderson	Female	White
Clyde Roberson	Male	White
Mary Adams	Female	White

h. Are members elected or appointed? If elected, please note whether elections are by district or at-large.

Five (5) Directors are elected by district or voter division, one of the mayors of the Peninsula cities is appointed to the Board, and one County Supervisor is appointed to the Board.

i. How long is the term of office?

Four (4) years

j. How will the voting rights of persons in the affected territory be affected?

The voting rights will not be affected by annexation or acquisition. However, when 2020 census results are reported, the District will analyze, and redraw if necessary, the voting division boundaries to ensure voting rights are ensured.

4. Responses to Sphere of Influence Policies and Criteria

4.1. Conformance to LAFCO Legislative Requirements and Policy Guidelines

Please provide project-related information that pertains to each of the following legally mandated elements of LAFCO's written determinations for Spheres of Influence (California Government Code Section 56425(e) and LAFCO Policies and Procedures, Part C.I.3)

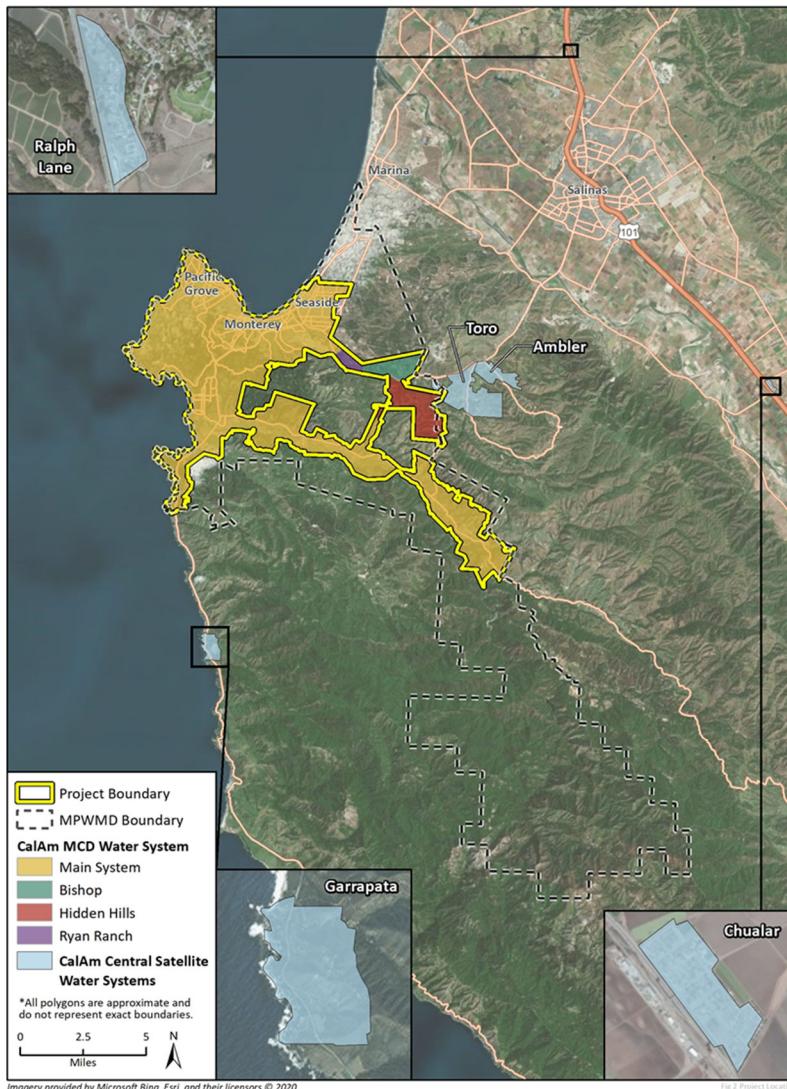
The affected Cal-Am service area is shown highlighted in **yellow**, in the diagram on the next page. The District's existing boundary is shown as a dashed line.

a. The present and planned land uses in the area, including agricultural and open space lands.

The Cal-Am service area to be acquired includes the six Monterey Peninsula cities of Carmel-by-the-Sea, Pacific Grove, Monterey, Del Rey Oaks, Seaside, and Sand City, as well as the unincorporated areas of Pebble Beach, the Carmel Valley, Hidden Hills, the Regional Airport, and a portion of the Highway 68 corridor.

The six cities are primarily urban residential land use that are a mix of medium density residential, high density residential, and mixed-use areas. The residential areas also include recreational, public, quasi-public, and other uses that are incidental and subordinate to the residential use and character of the area. Mixed use development involves residential and nonresidential (primarily commercial retail and office) to encourage activity centers and pedestrian orientation. Residential uses may be either separate development on the same site or encouraged to be at two or more stories tall in order to allow residential uses above non-residential uses where appropriate. The urban areas also contain a mix of light and heavy commercial uses.

Overlap of Cal-Am Service Area and District Boundaries



The Ryan Ranch unit, shown in purple above, is all commercial and light industrial. The Bishop unit, shown in green above, is primarily low- or medium density residential and recreational (two golf courses), as well as commercial space. The Hidden Hills unit, shown in red above, is primarily low-density residential.

Carmel Valley includes many low-density residential areas (1-5 acres/unit), recreational, public and quasi-public and limited agricultural activities that are incidental and subordinate to the residential use. There are also many rural density residential areas appropriate (5-40 acres/unit), recreational, public and quasi-public and a broad range of agricultural uses including many vineyards and equestrian centers. However, there are also many high-density housing developments, primarily town homes near the mouth of the Valley and in or around Carmel Valley Village, as well as retirement-style communities in Del Mesa Carmel, Carmel Valley Manor, and Hacienda Carmel. New residential development in Carmel Valley shall be

limited to creation of 190 new units, with an emphasis on affordable units. Commercial areas are primarily located at the mouth of the Valley, Mid-Valley Center, and Carmel Valley Village with scattered commercial/retail along Carmel Valley Road.

Pebble Beach area (Del Monte Forest) is low-density residential, except for a recently completed affordable housing complex and residential units at the Inn at Spanish Bay and near the Lodge at Pebble Beach. There are broad expanses set aside for recreational use. Commercial uses are primarily visitor serving, and quasi-public include a private school and governmental buildings.

The Hidden Hills area subject to annexation is low-density residential. The Yankee Point neighborhood subject to annexation is located on the west side of Highway 1. There are a few parcels that are designated resource conservation, however, a majority of the community is low-density residential.

b. The present and probable need for public facilities and services in the area.

The subject area is predominately built-out except for proposed low-density projects in Tehama, Monterra, and September Ranch, and higher density proposals such as Rancho Canada Villages or others designated for affordable units. Other than the Carmel Area Wastewater District's proposed annexation in Carmel Valley, all public facilities are in place or planned for.

c. The present capacity of public facilities and the adequacy of public services which the agency provides or is authorized to provide.

Available sources of supply are shown in the table below and reflect either Cal-Am's proposed desalination plant or Pure Water Monterey's proposed expansion as an alternative. Starting with existing demand of 9,825 Acre Feet Annually (five-year average through 2019) and the AMBAG 2022 Regional Growth Forecast for population and job growth through 2045, both scenarios of total available supply are sufficient to meet future demands for the service area subject to the acquisition application for at least 30 years.

Monterey Peninsula Available Supply
(Acre-Feet Annually)

Supply Source	w/ Desalination	w/ PWM Expansion
MPWSP Desalination Plant	6,252	0
Pure Water Monterey	3,500	3,500
PWM Expansion	0	2,250
Carmel River	3,376	3,376
Seaside Basin	774	774
Aquifer Storage & Recovery (ASR)	1,300	1,300
Sand City Desalination Plant	94	94
Total Available Supply	15,296	11,294

d. The existence of any social or economic communities of interest in the area.

(LAFCO staff will address this item, based on currently available information)

e. The present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the agency's existing Sphere of Influence

(LAFCO staff will address this item, based on currently available information)

4.2. Please summarize how this Sphere of Influence proposal will further each of the following adopted LAFCO objectives for Spheres of Influence (LAFCO Policies and Procedures, Part C.II.1)

- Discourage urban sprawl
- Limit proliferation of local governmental agencies
- Encourage efficiency, economy and orderly changes in local government
- Promote compact, community centered urban development
- Minimize adverse impacts on lands classified as prime agriculture

The proposed acquisition is a simple change in ownership by an existing local agency of existing water providing infrastructure and the addition of several parcels currently being served by Cal-Am. All general plans of the cities and county affected will not change, hence the LAFCO objectives will be unaffected.

4.3. Is the area of the proposed Sphere of Influence modification located near the boundary (or Sphere of Influence) of any other agency that provides similar services? If so, please briefly describe both agencies' service and financial capabilities, social and economic interdependence, topographic factors, and the effect that eventual service extension may have on adjacent agencies. (LAFCO Policies and Procedures, Part C.II.5)

The north and northeast boundaries of the Cal-Am service territory in Seaside, Del Rey Oaks, and Monterey abut areas served or to be served in the future by the Marina Coast Water District (MCWD) as a result of their agreement with the former Fort Ord Reuse Authority. This represents the southernmost boundary of MCWD, and with the exception of Seaside Highlands and certain Presidio military housing and administrative facilities, MCWD has not begun to provide retail water service along most of the contiguous border.

Further, the District's jurisdictional boundary (see map above) extends through MCWD to Central Marina. The District, along with the Seaside Basin Watermaster, is responsible for regulation and supply of water from the Seaside groundwater basin. Hence, MCWD wells cannot be relocated into the cities of Seaside, Del Rey Oaks, or Monterey within the area governed by the District and in the Seaside Groundwater Basin.

As stated earlier in Section 3.3, the District recognizes MCWD's rights to provide water and wastewater services within the overlapping service areas, as well as former Fort Ord areas served by contract, but not yet annexed by MCWD. This recognition appears in the recitals of the May 1, 2009 Memorandum of Understanding between MCWD and the District. If LAFCO approves the activation of the District's latent powers, it will cede to MCWD the rights to serve the areas presently served by MCWD in the area of overlapping jurisdiction.

The Cal-Am "Main" system within the Monterey County District serves approximately 39,730 customers and includes customers within the incorporated cities of Carmel-by-the-Sea, Del Rey Oaks, Monterey, Pacific Grove, Sand City, and Seaside, and the unincorporated areas of Carmel Highlands, Carmel Valley and Pebble Beach. The Main system is generally located within the MPWMD boundaries. The service area also includes the service areas of Bishop (approx. 385 customers), Hidden Hills (approx. 454 customers), and Ryan Ranch (approx. 212 customers), that are also within the MPWMD boundaries. It is served by supplies developed within the jurisdiction. Because Cal-Am is a private company, MCWD has no condemnation authority over Cal-Am and therefore could not acquire the company assets. Nevertheless, a comparison of MCWD and Cal-Am is included below:

	MCWD	Cal-Am
Water Sales - 2019	\$11,652,404 ¹³	\$68,896,800 ¹⁴
Production (Acre-Feet)	3,231	9,647
Connections	10,561	39,730

4.4. Please summarize the proposal's consistency with city and County General Plans, plans of regional agencies, growth management policies, annexation policies, resource management policies, and any other policies related to ultimate boundary or service area of any affected agencies (LAFCO Policies and Procedures, Part C.II.7)

The relevant City and County general plans set forth land use designations and development intensity for ultimate buildout. Each land use jurisdiction within the Sphere of Influence boundaries have prepared and adopted appropriate policies to ensure consistency with the adopted plans. The proposed acquisition and annexation is consistent with all jurisdiction's general plans.

4.5. Please describe how the proposal will promote the long-term preservation and protection of the County's resources, including open space, recreational opportunities, wildlife, and agricultural land. (LAFCO Policies and Procedures, Part C.II.9)

As stated above, the relevant City and County general plans set forth land use designations and development intensity for ultimate buildout. Each plan encourages conservation of prime

¹³ MCWD Comprehensive Annual Financial Report 2020

¹⁴ Estimate from 2019 General Rate Case filing, Results of operations, Table CH2, Tbl 2.3 and Ch.3 Tables 3.17-3.18

agricultural land and open space lands consistent with LAFCO policies. The proposed acquisition and annexation is consistent with all jurisdiction's general plans.

4.6. Does the proposed Sphere of Influence include lands that generally do not require urban services? (Such as open space, agriculture, recreational, rural lands or residential rural areas). If so, please describe the reasons for including such lands in the proposal. (LAFCO Policies and Procedures, Part C.III.3.5)

The vast majority of the areas proposed for annexation and acquisition are already developed and served by Cal-Am. There is agricultural, recreational and open space land including Cal-Am watershed lands within the service area to be acquired. Existing recreational land will not be impacted due to existing planning documents and land use restrictions in policy and conveyance documents. They are included in the proposal because they are already within Cal-Am's service area or are assets owned by Cal-Am.

4.7. Does the proposal include a Future Study Area? (Territory which may ultimately be appropriate for inclusion within an agency's sphere upon future study or modified conditions). If so, please explain this component of the proposal. (LAFCO Policies and Procedures, Part C.III.3.8)

No.

5. Plan for Providing Services within the Affected Territory

Please provide a plan for providing services. The plan shall include all of the following information.

Overview

In the District's response to Section 3.7.d. it is stated the District's goal is to integrate existing Cal-Am personnel into the District's organization which will ensure operational understanding, water quality, regulatory compliance, and institutional memory. To integrate the water utility operation several changes are required to existing departments within the District to provide an efficient transition. A few new divisions/departments along with new positions may be required. The performance of an organizational assessment to review current core functions, work tasks, and responsibilities for current departments and identifying the additional functions and work tasks that will be required to support the additional water system operation. A review and update of the water system operations plan shall be completed to reflect any changes. The key departments affected will be the Water Resources/Engineering & Planning, Administration & Finance including Customer Service, and Information Technology (IT), however all departments and functions within the District will be impacted. An organization chart was presented in that section, earlier.

Please see Appendix D and Appendix E for detailed operations plans. The purpose of the operations plans is to demonstrate that the District has sufficient understanding of the Cal-Am

system and water utility operations in general to activate its legislatively-granted latent powers to provide retail water service.

In Appendix D, it is assumed that the District becomes owner and integrates existing Cal-Am employees and operations into the District. However, there is the extant possibility that some of Cal-Am's employees will not elect to transfer to the District and become District employees. If an insufficient number of Cal-Am employees join the District, the District can either operate with a combination of District and contract employees or contract for operations with a third-party operator, in which latter case the District would transition to in-house District operations after several years. The four largest contract operators in North America include Veolia, Suez, Jacobs, and Inframark and each has the assets and revenues to take over operations of the Cal-Am system. Another firm IDE is an international operator of desalination plants, providing the District an additional option. This alternative is addressed in Appendix E.

As clearly articulated by the District Board at its October 29, 2020 special meeting, the District will maintain the current policies, procedures, and practices that Cal-Am has implemented to operate the water system, for at least the first year. During the first year of operation the District will assess the operational procedures and business processes comparing the performance to the Strategic Goals and level of service (LOS) metrics initially adopted by the Board.

Because the District has not been provided access to current Cal-Am operations, strategic goals, or LOS standards there may appear to be stated objectives of the operations plans which may suggest a change in operations will occur. That is not the intent and, where a potential conflict in the plans and current practice appears, the reader should assume a continuation of CURRENT operations will be maintained for at least the first year under District ownership. After experiencing current operations for a period of time, any changes desired will be subject to future discretion of the District.

The District does not intend, at this time, to make discretionary operational decisions to alter operations, increase costs, reduce water quality, or have an adverse impact on the environment.

5.1. Per Government Code Section 56653:

- a. An enumeration and description of the services to be extended to the affected territory.*

A high-level description of services is: *To provide and maintain water production and distribution services for retail customers within the Cal-Am Monterey water service area. The goal is to provide safe, affordable, reliable water service to the Monterey Peninsula water users.*

In a more detailed sense, this includes the following. Please note that activities marked with an asterisk (*) are activities the District already performs in whole or in part:

- Production of water for treatment and sale*
- Treatment of raw water to potable levels*
- Storage of treated water where necessary*
- Sale and distribution of potable water to residential, commercial, and other customers
- Sale and distribution of purified recycled water to customers*
- Water quality monitoring and reporting*
- Maintenance of all production, treatment, and storage facilities*
- Regulatory compliance*
- Capital planning and engineering*
- Installation, maintenance, and reading of customer meters*
- Ratemaking*
- Billing and accounting*
- Customer service and response*
- Public outreach*
- Conservation education and supplies*
- Water supply and demand forecasting*
- Environmental stewardship (rescue and rear threatened species, habitat improvement, and monitoring measurement*)

Of the seventeen (17) tasks or activities identified above, the District already performs all but one on a full or partial basis. Most if not all latent powers of the District are already in effect, but need expansion.

b. The level and range of those services.

The District initially will maintain the current policies, procedures, and practices that Cal-Am has implemented to operate the water system. During the first year of operation the District will assess the operational procedures and business processes comparing the performance to the Strategic Goals and level of service (LOS) metrics, if any, initially adopted by the Board.

The operational assessment will serve as guidance to update and refine the District's strategic goals, LOS standards, and performance metrics to provide a roadmap for the organization for continuous improvement of the water service it provides its customers and community. These goals, standards, and metrics will be used as the foundation to develop or update and document business processes, operations procedures and practices, and District policies and ordinances.

After the completion of the operational assessment and refinement of the goals and LOS standards, the District will prepare a comprehensive master plan based on those goals. Adjustments to the second-year capital and O&M budgets will also be adopted to work towards achieving the District's goals and service expectations.

The District shall prepare and maintain a Water Master Plan with a forecast horizon of five, ten, and twenty years that is updated every five years. Annual review of the water master plan shall be conducted with close attention to a local jurisdictions' comprehensive plans to coordinate its service extensions and capital improvements with a city's service extensions. The Water Master Plan shall set forth the District's anticipated facility expansions over the next 5, 10, and 20 years, based on projected demands tied to population and employment projections, to meet the growing needs of the Monterey Peninsula region. Cities may submit requests to the District for a service area expansion. The District will adopt procedures to ensure all requests are considered and acted upon consistently, as well as ensure its engineers have all necessary information to determine the service area expansion's impact to the District's water system.

Level of service areas to be examined to maintain or target for eventual improvement are:

- Maintain or improve water quality
- Continuously improve customer satisfaction of water service
- Build organizational capacity to achieve all improvement goals
- Improve efficiency in provision of water service
- Maintain financial viability and rate stabilization
- Improve the level of maintenance of infrastructure
- Assess or adopt a risk management policy
- Incorporate District's environmental stewardship program
- Project and develop long-term water supply options
- Engage the public on all operations, transparently

The District intends to maintain the same level and range of service as Cal-Am through the first year of ownership.

c. An indication of when those services can feasibly be extended to the affected territory.

As stated in Section 3.7.f earlier, additional approvals required include the following:

- LAFCO approval of annexation and activation of latent powers
- District approval of Resolution of Necessity (if District and Cal-Am do not reach agreement for negotiated purchase)

While the total time required to prosecute an eminent domain action to completion cannot be predicted with certainty, our expectation is an acquisition can be resolved in 2-3 years, if not settled earlier.

d. An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.

No changes are envisioned at this time, other than certain capital improvements identified by Cal-Am in a Comprehensive Planning Study or other document.

e. Any conditions which would be imposed or required within the affected territory such as, but not limited to, improvement or upgrading of structures, roads, and sewer or water facilities.

None, except for the normal operations for maintenance or growth.

f. Information with respect to how those services will be financed.

As described below, District financial consultants have shown it will require a lower annual cost of service to run the utility as a public agency and, importantly, the cost of acquisition will be covered through rates and charges of the utility, with no other increase in other taxes or expenses to ratepayers. This was demonstrated by the District's consultant Raftelis' report released October 29, 2019 and available online on the District's website (www.mpwmd.net) where there is link to Measure J documents at the top of the home page.

As described in Section 3.7.d. the District's investment banking consultants, Barclays, have affirmed the acquisition can be paid for via by rates and charges of the District, through water bills, after acquisition by the District. We have included their "Letter of Confidence" as Appendix F to this application. The conclusion is that acquisition can be covered through rates and charges to existing customers without the necessity to raise overall rates (also called "revenue requirement") to do so.

The District, upon receipt of the Court/jury's valuation of the water system, will proceed with acquiring publicly issued debt financing to purchase the water system from Cal-Am for the long-term, as well as to fund the first two to three years of capital improvement funding requirements.

The acquisition of the Monterey Peninsula water system from Cal-Am is expected to be financed by installment purchase Certificates of Participation secured by the revenues of the Water Utility Enterprise Fund (see below), primarily water rates and charges. Rates will be set in a publicly-transparent process based on periodic rate studies performed by the District's rate consultant within a Proposition 218 process. The Proposition 218 process allows the constituents to participate in the approval of water rates and charges. The District anticipates it will covenant to set rates and charges such that net revenues of the utility (gross revenues minus operations and maintenance expenses) are at least 1.20 times annual debt service, but with an operating goal of at least 1.35 times. The excess, known as coverage, will be used to meet ongoing renewal and replacement funding and to establish rate stabilization funds.

After acquisition of the Monterey Peninsula water system from Cal-Am, it is expected that the District will realign into three funds: (i) the "General Fund" a governmental fund to collect the property taxes and other general revenues of the District, (ii) the "Water Utility Enterprise Fund" a proprietary fund for all utility operations, including conservation and mitigation, for

which water volumetric rates and meter charges are collected, and (iii) the existing CAWD/PBCSD Reclamation Project enterprise fund.

Based on the water system valuation determined by the Court, and planned capital improvement funding for the first 2 to 3 years of the District's ownership, an update of the financial proforma will be completed. Prior to a bench trial in the condemnation proceeding a comprehensive rate study will be performed. New rates will be adopted by the District consistent with the public protest hearing process under Proposition 218, on a contingent basis based on alternative acquisition scenarios, shortly after the Resolution of Necessity hearing. Prop 218 ratemakings for water, sewer, and waste agencies seldom fail.

5.2. Supplemental information required for approval of a “new or different service,” per Government Code Section 56824.12:

(1) The total estimated cost to provide the new or different function or class of services within the special district's jurisdictional boundaries.

The District's financial consultants (Raftelis) were tasked with evaluating the overall cost of acquisition of the Cal-Am assets, as well as reviewing the annual "cost of service" required to run the system and recover such costs through rates.

Raftelis determined the base estimated value of the Monterey Water System (portion located within the District's jurisdictional boundaries, including the parcels to be annexed) as of the valuation date (January 1, 2020) was estimated to be approximately \$245 million. This estimate is a preliminary estimate of value that was prepared based on a desktop analysis described in the feasibility report. This value estimate may be higher or lower than the conclusion of value that may result from the completion of a formal appraisal.

This base estimate excludes the value of asset additions, such as construction-work-in-progress, the value of the desalination plant currently under development, and the value of non "used and useful" land parcels. The value of the Monterey Water System, including the base value and the identified asset additions, was estimated to be approximately \$359 million.

Cal-Am has incurred other expenses that the CPUC has approved for recovery through Monterey District water rates over time. It is possible that the District may be required to compensate CAW for these unrecouped expenses as part of a potential taking of the Monterey Water System. These expense items and their potential amounts include unrecouped portions of tank painting expenses, San Clemente Dam removal costs, the portion of the "acquisition premium" allocable to the Monterey Water System that was approved by the CPUC in 2001 in connection with CAW's acquisition of the California assets of Citizens Water Company, the portion of the "acquisition premiums" allocable to other proposed small-system acquisitions, plus the unrecovered portions of various balancing accounts. These net expenses were estimated to total approximately \$155 million as of the valuation date, and adding these net expenses to the value estimate of the "base" water system results in a total value

estimate, plus adjustments, of approximately \$513 million, including the desalination plant under development.¹⁵

Please note that as of the date any offer to purchase may be made to Cal-Am, the desalination plant may not be under construction. If so, the District cannot offer to pay for something that does not exist. In the alternative, if Cal-Am successfully gains permits, desalination plant construction may be completed before the valuation jury trial concludes. In that case, value of the acquisition would include the desalination plant.

If the plant comes to fruition, and since its purpose is to provide water for customers within the District's boundaries, the California Code of Civil Procedure Sec. 1240.125 provides statutory authority for the District to acquire the property needed for the desal plant, even though it is located outside District boundaries. The courts are authorized to determine the District may exercise this right. The District cannot envision a scenario where the desalination plant becomes operational but is not allowed to be part of the acquisition. However, if it did and the District had to substitute an alternate long-term water supply (e.g. Pure Water Monterey expansion), savings to customers could be expected to increase.

The cost of service evaluation consisted of preparing a 20-year financial projection of Cal-Am continuing to own and operate the Monterey Water System (status quo), analyzing and identifying the incremental cost differences associated with MPWMD owning and operating the Monterey Water System in comparison to the status quo, preparing an annual cash flow projection of two district ownership scenarios, and estimating customer bills under both the Cal-Am status quo and District ownership scenarios. The following cost of service scenarios were prepared:

- A. Status Quo – Cal-Am ownership
- B. MPWMD Ownership with District staff operations (integration of Cal-Am employees)
- C. MPWMD Ownership with contract operations

The cost of service modeling results indicate that significant annual reductions in revenue requirements and projected monthly water bills can be realized by the District acquiring and operating the Monterey Water System. Hence, there is no expected annual cost increase, rather a decrease in the cost of service as cited in the feasibility report available online on the District's website (www.mpwmd.net) where there is link to Measure J documents at the top of the home page.

The table below summarizes the cost of service study results. The results indicate that District ownership could save Peninsula customers \$20.6 million per year over the next 20 years, or a total of \$412 million. The 20-year savings on a current or present value basis is \$267 million.

¹⁵ The California Coastal Commission (CCC) has twice recommended against issuing a Coastal Development Permit for the desalination plant and the CCC has yet to approve it. Accordingly, the District has not at this time determined whether its proposed acquisition of the Monterey Water System will include or exclude the desalination plant and appurtenant facilities.

Summary of Cost of Service Evaluation Results
(Annual Revenue Requirement Projection for Each Scenario)
(\$000)

Year	A Status Quo CAW Ownership w/ Desal Plant	B MPWMD Ownership w/District Ops	C MPWMD Ownership w/ Contract Ops	B-A	C-A
2020	\$63,284	\$63,284	\$63,284	\$0	\$0
2021	\$105,583	\$93,018	\$96,309	(\$12,565)	(\$9,275)
2022	\$113,862	\$100,286	\$103,682	(\$13,575)	(\$10,180)
2023	\$114,880	\$98,486	\$101,959	(\$16,394)	(\$12,921)
2024	\$116,793	\$100,242	\$103,793	(\$16,551)	(\$13,000)
2025	\$118,756	\$101,622	\$105,253	(\$17,133)	(\$13,503)
2026	\$120,767	\$103,037	\$106,748	(\$17,730)	(\$14,018)
2027	\$122,826	\$104,489	\$108,283	(\$18,338)	(\$14,543)
2028	\$124,936	\$105,978	\$109,857	(\$18,958)	(\$15,079)
2029	\$127,098	\$107,507	\$111,473	(\$19,592)	(\$15,625)
2030	\$129,313	\$109,075	\$113,130	(\$20,238)	(\$16,183)
2031	\$131,582	\$110,685	\$114,831	(\$20,897)	(\$16,751)
2032	\$133,963	\$112,419	\$116,659	(\$21,544)	(\$17,305)
2033	\$136,403	\$114,172	\$118,506	(\$22,232)	(\$17,897)
2034	\$138,903	\$115,969	\$120,401	(\$22,934)	(\$18,502)
2035	\$141,465	\$117,814	\$122,346	(\$23,651)	(\$19,119)
2036	\$144,090	\$119,706	\$124,340	(\$24,383)	(\$19,750)
2037	\$146,779	\$121,648	\$126,386	(\$25,131)	(\$20,393)
2038	\$149,535	\$123,640	\$128,485	(\$25,894)	(\$21,050)
2039	\$152,359	\$125,684	\$130,638	(\$26,675)	(\$21,721)
2040	\$155,268	\$127,780	\$132,846	(\$27,488)	(\$22,423)
Total	\$2,688,446	\$2,276,543	\$2,359,208	(\$411,903)	(\$329,238)
PV (@4.0%)	\$1,805,484	\$1,538,143	\$1,592,710	(\$267,341)	(\$212,773)
PV (@6.0%)	\$1,517,276	\$1,296,636	\$1,342,061	(\$220,640)	(\$175,215)

Values shown in \$1,000s.

(2) The estimated cost of the new or different function or class of services to customers within the special district's jurisdictional boundaries. The estimated costs may be identified by customer class.

None. Please see previous answer.

(3) An identification of existing providers, if any, of the new or different function or class of services proposed to be provided and the potential fiscal impact to the customers of those existing providers.

Replacing Cal-Am as service provider is expected to reduce the cost of service of utility operations. See previous responses.

(4) A written summary of whether the new or different function or class of services or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district, pursuant to subdivision (b) of Section 56654, will involve the activation or divestiture of the power to provide a particular service or services, service function or functions, or class of service or services.

No, it will not.

(5) A plan for financing the establishment of the new or different function or class of services within the special district's jurisdictional boundaries.

Please see the answer to question 5.1.f and the reference to Appendix F.

(6) Alternatives for the establishment of the new or different functions or class of services within the special district's jurisdictional boundaries.

The District's Application poses that LAFCO activate the District's latent powers and annex certain parcels, both as described earlier herein. We can assume that LAFCO approval, if conditional on a successful acquisition, implies the acquisition will likely occur. Hence, the base case is the proposed acquisition and the annexation both occur, and the District integrates existing Cal-Am employees into the organization. The base case can be compared with three (3) alternatives:

- Base Case: Acquisition and Annexation, with integration of Cal-Am employees
- Alternative 1: No Project Alternative (Status Quo)
- Alternative 2: Acquisition, but No Annexation Alternative
- Alternative 3: Acquisition, but Private Third-Party Operator Alternative

Alternative 1 (No Project Alternative) – The No Project Alternative assumes the proposed acquisition of the Cal-Am system by the District would not occur and the status quo continues. This might occur under several alternative “off-ramp” scenarios in the process: (a) If the District Board decides not to proceed, (b) the Court decides there is no “Right to Take”, or (c) the valuation trial results in the District abandoning the acquisition. There is, however, financial exposure associated with each.

For example, to date for Phase 1 (feasibility), Phase 2 (CEQA, appraisal, findings of public necessity, etc), and CEQA litigation the District has authorized \$2.1 million which is the exposure under scenario “(a)” above. The District’s Board has also been informed that losing the Bench trial, or scenario “(b)”, would be a \$3-6 million dollar exposure, and abandonment of the acquisition after the valuation jury trial, scenario “(c)”, would be a \$15-20 million dollar

exposure.¹⁶ It is important to understand that such estimates are cumulative and include prior phases of the process, and include both District expenses and Cal-Am expenses as a result of a court judgement. In reality, because the District is on a pay-as-it-goes basis, those costs will already have been paid, so the actual judgement would be one-half to two-thirds of the figures cited above for scenarios (b) or (c).

The District is mindful of legal and financial risks and is capable of making responsible decisions for the benefit of its constituents. The District will not embark on the eminent domain process unless it has satisfied the risks of an unfavorable outcome are both highly unlikely and financially manageable. With this caveat in mind, the District fully expects to have cash reserves available to handle any adverse legal judgement or abandonment. In the unlikely situation where that is not the case, we will have access to either publicly offered notes or to private lending from certain banks who desire to leverage their balance sheets for the amount of any shortfall.¹⁷ Such lending would be secured by future District revenues for several years. In no case, is such an outcome likely to affect the solvency of the District or its ability to deliver services.

Alternative 2 (Acquisition, but No Annexation Alternative) – Alternative 2 assumes the proposed District acquisition of the Cal-Am system is allowed but that the request to annex the parcels outside the District's boundaries is not approved thus the District boundaries would remain the same. All parcels outside the District - including approximately 33 residential connections in the Yankee Point area and approximately 10 residential connections in Hidden Hills - would not be acquired from Cal-Am. Water service would continue unabated, however, not through an annexation, but as water service provided by the District under contract. The District would place a single master meter to serve each group of parcels and deliver a single monthly bill. Cal-Am could maintain the distribution system or a home-owners association could contract with the District or another party to maintain their system. Distribution of the master bill to individual homeowners could be a function of the operator, based on individual meter readings. As a result, increased operation and maintenance costs within these areas would likely occur. Therefore, annexation of the parcels is preferable. Further, this Alternative 2 would not provide direct access to locally elected policy makers for water operations, allow the District to pursue funding and other financing alternatives available to public agencies for future infrastructure needs, including grants and financing options not available to a CPUC regulated, privately-owned utility, and, ensure better coordination amongst local governmental decisions involving land use, emergency services, policy, the location and need for capital improvements, and overall planning in the water context.

Alternative 3 (Acquisition, but Private Third-Party Operator Alternative) – This Alternative assumes the proposed acquisition by the District does proceed, but Cal-Am does not make its existing employees available for integration into the District. Instead, the District would contract with a private third-party operator to operate and maintain the system. As described

¹⁶ Presentation at District Special Meeting, November 12, 2019.

¹⁷ April 21, 2021 discussion with Barclays Bank.

earlier in the Overview in Section 5, many contract operators are available in North America, including Veolia, Suez, Jacobs, and Inframark. Each has the assets and revenues to assume operations of the Cal-Am system.

A third-party operator would work out of the same operations and maintenance facilities and require the same number of employees as Cal-Am to service the system. The size of the system and the associated infrastructure would be the same for Alternative 3 as under the Base Case and no substantial construction would occur. Therefore, operation and maintenance of the system would remain the same for the initial period. However, water pricing reductions would not be as pronounced, due to additional fees required to provide a third-party operator its rate of return. As shown in Section 5.2 the third-party operations would result in an average savings per year of \$16.5 million each year over 20 years, \$4.1 million per year less than the Base Case. Therefore, for greater cost savings the District would endeavor to integrate the Cal-Am employees to continue to operate the system.

6. Map and Geographic Description

Maps of the two areas of proposed annexation are included as Appendix G (Yankee Point) and Appendix H (Hidden Hills). The Assessor Parcel Numbers and street addresses (where available) were provided in a table in Section 3.1.c. herein.

Upon request, the District can provide LAFCO with additional APN, ownership, and address information.

7. Environmental Clearance Documentation

A CD-ROM of the draft and final environmental impact reports (EIR) have been included with submittal of the two paper copies of this application.

8. Property Tax Transfer Agreement

On March 15, 2021 the District adopted Resolution 2021-02 for adoption of a Property Tax Transfer Agreement which is attached hereto as Appendix I. It is expected the County adopt its similar resolution mid-2021.

9. LAFCO Processing and Filing Fees

Enclosed with the two paper copies of this application is a check for \$7,200 reflecting a deposit on the LAFCO processing fees. The California Department of Fish and Wildlife environmental review fee has been submitted and verification is included as Appendix J.

10. Public Noticing Requirements

We have relied on LAFCO's application checklist which states: "LAFCO no longer requires applicants to compile and submit these items (*meaning public noticing*). LAFCO staff will coordinate with County staff to compile the property owner and registered voter info to create a mailing list when we reach the public noticing step." The District has a list of all affected parcel owners' contact information and is eager to work with LAFCO on outreach activities. Please see our response to Item 3.7.g earlier.

11. Indemnification Agreement

The District has signed LAFCO's indemnification agreement, unmodified, which is included here as Appendix K.

12. Appendices

The following appendices are attached:

- Appendix A: Resolution 2020-12, Seeking Authorization to Activate Latent District Powers and to Adopt a Sphere of Influence Amendment and Annexation
- Appendix B: Notice of Determination (NOD) filed on October 30, 2020 for the Final Environmental Impact Report (FEIR) certified on October 29, 2020
- Appendix C: District Census Blocks by Race/Ethnicity and Median Household Income
- Appendix D: Monterey Peninsula Water System Operations Plan
- Appendix E: Monterey Water System Contract Management Plan
- Appendix F: Barclays Confidence Letter re: Financing, September 24, 2019
- Appendix G: Yankee Point Annexation Parcel Maps and Description
- Appendix H: Hidden Hills Annexation Parcel Maps and Description
- Appendix I: Pro Forma District Resolution for Adoption of a Property Tax Transfer Agreement
- Appendix J: Verification of Payment of California Department of Fish and Wildlife Environmental Review Fee
- Appendix K: Signed LAFCO Indemnification Agreement

APPENDIX A

**Resolution 2020-12, Seeking Authorization to Activate
Latent District Powers and to Adopt a Sphere of Influence
Amendment and Annexation**

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RESOLUTION 2021-03

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SEEKING AUTHORIZATION TO ACTIVATE LATENT DISTRICT POWERS
AND TO ADOPT A SPHERE OF INFLUENCE AMENDMENT AND ANNEXATION**

WHEREAS, The Monterey Peninsula Water Management District (“District”) is organized and exists under the Monterey Peninsula Water Management District Law (Chapter 527 of the Statutes of 1977, and published at Water Code Appendix, Section 118-1, et seq.) (“District Law”).

WHEREAS, Pursuant to Section 325 of the District Law, and except as otherwise limited by the District Law, the District has the power to do any and every lawful act necessary in order that sufficient water may be available for any present or future beneficial use or uses of the lands or inhabitants within the District, including, but not limited to, irrigation, domestic, fire protection, municipal, commercial, industrial, recreational, and all other beneficial uses and purposes.

WHEREAS, Pursuant to Section 328 of the District Law, the District has the power, among other things, (a) to acquire public or private water systems necessary or proper to carry out the purposes of the District Law; (b) to store water in surface or underground reservoirs within or outside of the District for the common benefit of the District; (c) To conserve and reclaim water for present and future use within the District; (d) To appropriate and acquire water and water rights, and import water into the District and to conserve and utilize, within or outside of the District, water for any purpose useful to the District.

WHEREAS, Section 326 of the District Law authorizes the District to fix, revise, and collect rates and charges for the services, facilities, or water furnished by it, and authorizes the District to collect its rates and charges via the tax roll or other billing methods. Section 308 of the District Law authorizes the District, by resolution or ordinance, to fix and collect rates and charges for the providing of any service it is authorized to provide.

WHEREAS, The District engages in a variety of activities that supply water to properties within the District via a distribution system owned by California American Water (CAW), including water supplied by the Aquifer Storage and Recovery project and the Pure Water Monterey project.

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WHEREAS, Since 1994 the District has provided highly treated recycled water for sale to properties within the Del Monte Forest.

WHEREAS, On November 6, 2018, voters within the Water Management District passed initiative Measure J by 56% (23,757 voted yes) to 44% (18,810 voted no). Measure J directed that the following Rule 19.8 be added to the District Rules and Regulations, Regulation I, General Provisions:

Rule 19.8. Policy of Pursuing Public Ownership of Monterey Peninsula Water Systems

- A. It shall be the policy of the District, if and when feasible, to secure and maintain public ownership of all water production, storage and delivery system assets and infrastructure providing services within its territory.
- B. The District shall acquire through negotiation, or through eminent domain if necessary, all assets of California American Water, or any successor in interest to California American Water, for the benefit of the District as a whole.
- C. The General Manager shall, within nine (9) months of the effective date of this Rule 19.8, complete and submit to the Board of Directors a written plan as to the means to adopt and implement the policy set forth in paragraph A, above. The plan shall address acquisition, ownership, and management of all water facilities and services within and outside the District, including water purchase agreements as appropriate. The plan may differentiate treatment of non-potable water services.

WHEREAS, District boundaries include almost all, but not all, the properties served within the California American Water Main, Bishop, Hidden Hills, and Ryan Ranch service areas. In order to serve approximately 43 connections presently served by California American Water, but not presently within the District's boundaries, the District seeks to annex 58 parcels in the Hidden Hills and Yankee Point locales. The Hidden Hills parcels are generally in the vicinity of Rinconada Drive, east of Laureles Grade Road. The Yankee Point parcels are generally located adjacent to Yankee Point Drive and Yankee Beach Way, west of Highway One and north of

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Carmel Riviera Drive. Maps of all parcels subject to the annexation are included as Exhibits to this Resolution. Any reference on those Exhibits to Monterey Peninsula Water Management Agency shall be deemed to be refer to the Monterey Peninsula Water Management District. Any reference on those Exhibits to MPWMD shall be deemed to refer to the Monterey Peninsula Water Management District.

WHEREAS, the proposed annexation, in and of itself, would have no impact on the environment with respect to future development, as the District, should it proceed with an acquisition of California American Water assets, would be obligated to provide water service to the area regardless of whether those areas were annexed.

WHEREAS, the District exercises no land use authority within or for the areas to be annexed, therefore the boundary modification cannot make any change whatsoever in the uses to which the affected area may be put.

WHEREAS, the District is deemed to be a "district" within the provisions of the District Reorganization Act of 1965 (Division 1 (commencing with *Section 56000*) of *Title 6 of the Government Code*), and all proceedings for the annexation or detachment of territory to or from the District are required to be conducted in the manner therein provided and all the provisions of such Act apply to the District.

WHEREAS, the District has circulated a "Potential Acquisition of Monterey Water System and District Boundary Adjustment Draft Environmental Impact Report" and certified the "Potential Acquisition of Monterey Water System and District Boundary Adjustment Final Environmental Impact Report" on October 29, 2020.

WHEREAS, the District has held a duly noticed public hearing with respect to this Resolution Seeking Authorization To Activate Latent District Powers this day as required by California Government Code §56824.12(c) and considered all testimony, if any, presented at that hearing.

NOW, THEREFORE, BE IT RESOLVED, as follows:

This Resolution Seeking Authorization To Activate Latent District Powers is hereby adopted and approved by the Board of Directors of the Monterey Peninsula Water Management District.

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The District requests the Local Agency Formation Commission (LAFCO) of Monterey County act pursuant to Sections 56824.10 *et seq.* of the Cortese Knox Hertzberg Act and pursuant to California Government Code section 56700(a) to authorize the District to activate its latent powers to provide water production and distribution services for retail customers and to authorize the District to amend its sphere of influence and annex affected parcels.

The District makes the proposal to the Local Agency Formation Commission pursuant to California Government Code section 56700(a) for the purpose of complying with the directive of Measure J, as cited above.

The Board designates its General Manager, David J. Stoldt, as chief petitioner. Chief petitioner's address is 5 Harris Court, Building G, Monterey, CA 93940.

The Board finds that its proposal is consistent with the sphere of influence of all affected jurisdictions, including water providers Marina Coast Water District and the City of Seaside. Further, it is consistent with the sphere of influence of the cities of Carmel, Del Rey Oaks, Monterey, Pacific Grove, Sand City, and Seaside and the County of Monterey.

On motion of Director _____, and second by Director _____, the foregoing resolution is duly adopted this 17th day of May 2021 by the following votes:

AYES:

NAYS:

ABSENT:

I, David J. Stoldt, Secretary to the Board of Directors of the Monterey Peninsula Water Management District, hereby certify that the foregoing is a resolution duly adopted on the 17th day of May 2021.

Witness my hand and seal of the Board of Directors this ____ day of May 2021.

David J. Stoldt,
Secretary to the Board



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(831) 726.4382

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
Account No. 2141478
PO BOX 85
MONTEREY, CA 93942

Legal No. 0006571691
Notice of Public Hearing - Adoption of Resolution 2021-03

Ordered by: Sara Reyes

PROOF OF PUBLICATION

STATE OF CALIFORNIA
County of Monterey

I am a citizen of the United States and a resident of the County aforesaid. I am over the age of eighteen years, and not a party to or interested in the above-entitled matter. I am the principal clerk of the printer of The Monterey Herald, a newspaper of general circulation, printed and published daily and Sunday in the City of Monterey, County of Monterey, and which newspaper has been adjudged a newspaper of general circulation by the Superior Court of the County of Monterey, State of California; that the notice, of which the annexed is a printed copy (set in type not smaller than 6 point), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to wit:

04/28/21

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Executed on 04/28/2021 at Monterey, California.

A handwritten signature in black ink that reads "Danielle Landaker".

Signature

This space is reserved for the County Clerk's Filing Stamp



Notice of Public Hearing

NOTICE IS HEREBY GIVEN that the Monterey Peninsula Water Management District (MPWMD) has scheduled a public hearing on Monday, May 17, 2021 at 6:00 PM to consider adoption of Resolution 2021-03, a Resolution of the Board of Directors of the MPWMD Seeking Authorization to Activate Latent District Powers and to Adopt a Sphere of Influence Amendment and Annexation. Due to the County of Monterey's Shelter-in-Place Order in response to the COVID-19 outbreak, the public hearing will be held via teleconference. The meeting agenda materials will provide specific information about how to observe and provide public input virtually or by phone. The meeting agenda will be posted near the front entrance of the district office at: MPWMD, 5 Harris Court- Bldg G, Monterey, CA 93940 and at the district webpage at: <https://www.mpwmd.net/who-we-are/board-of-directors/bod-meeting-agendas-calendar/> and <https://www.mpwmd.net/regulations/public-notices/public-hearings/> at least 72 hours ahead of the scheduled meeting date/time.

To Submit Comments :

We welcome your comments on this matter. Any and all persons interested in participating in the public hearing are encouraged to submit comments to: Monterey Peninsula Water Management District, P.O. Box 85, Monterey, CA 93942 or by e-mail to comments@mpwmd.net by 2:00 p.m. on May 17, 2021 prior to the hearing to facilitate distribution of the comments to the Board of Directors. Oral comments will be received during the May 17, 2021 public hearing.

/s/ Joel G. Pablo, Board Clerk
(831) 658-5652 | joel@mpwmd.net

Dated: April 28, 2021

APPENDIX B

**Notice of Determination (NOD) filed on October 30, 2020
for the Final Environmental Impact Report (FEIR) certified
on October 29, 2020**

[Print Form](#)**Notice of Determination**

Appendix D

FILED**OCT 30 2020**

To:
 Office of Planning and Research
 U.S. Mail: Street Address:
 P.O. Box 3044 1400 Tenth St., Rm 113
 Sacramento, CA 95812-3044 Sacramento, CA 95814

County Clerk
 County of: Monterey
 Address: 168 West Alisal Street #1
 Salinas, California 93901

From:
 Public Agency: Monterey Peninsula Water Management District
 Address: 5 Harris Court, Building G
 Monterey, CA 93930
 Contact: David Stoldt STEPHEN L. VAGNINI
 Phone: (831) 658-5651 MONTEREY COUNTY CLERK
 DEPUTY

Lead Agency (if different from above): 2020-0089
 Address: _____
 Contact: _____
 Phone: _____

SUBJECT: Filing of Notice of Determination in compliance with Section 21108 or 21152 of the Public Resources Code.

State Clearinghouse Number (if submitted to State Clearinghouse): 2020040069

Project Title: Potential Acquisition of Monterey Water System and District Boundary Adjustment

Project Applicant: Monterey Peninsula Water Management District

Project Location (include county): various locations throughout Monterey County

Project Description:

As instructed by the voters pursuant to Measure J, the Monterey Peninsula Water Management District (District) is proposing to acquire the Monterey Water System that serves the Monterey Peninsula and outlying areas within unincorporated Monterey County; the acquisition and subsequent operation of this water supply system by the District represents the proposed project. The existing system is currently owned and operated by California American Water Company.

This is to advise that the Monterey Peninsula Water Management District has approved the above (Lead Agency or Responsible Agency)

described project on October 29, 2020 and has made the following determinations regarding the above (date) described project.

1. The project [will will not] have a significant effect on the environment as approved.
2. An Environmental Impact Report was prepared and certified for this project pursuant to the provisions of CEQA.
 A Negative Declaration was prepared for this project pursuant to the provisions of CEQA.
3. Mitigation measures [were were not] made a condition of the approval of the project.
4. A mitigation reporting or monitoring plan [was was not] adopted for this project.
5. A statement of Overriding Considerations [was was not] adopted for this project.
6. Findings [were were not] made pursuant to the provisions of CEQA.

This is to certify that the final EIR with comments and responses and record of project approval, or the negative Declaration, is available to the General Public at:

Monterey Peninsula Water Management District office at 5 Harris Court, Bldg G, Monterey CA. 93940

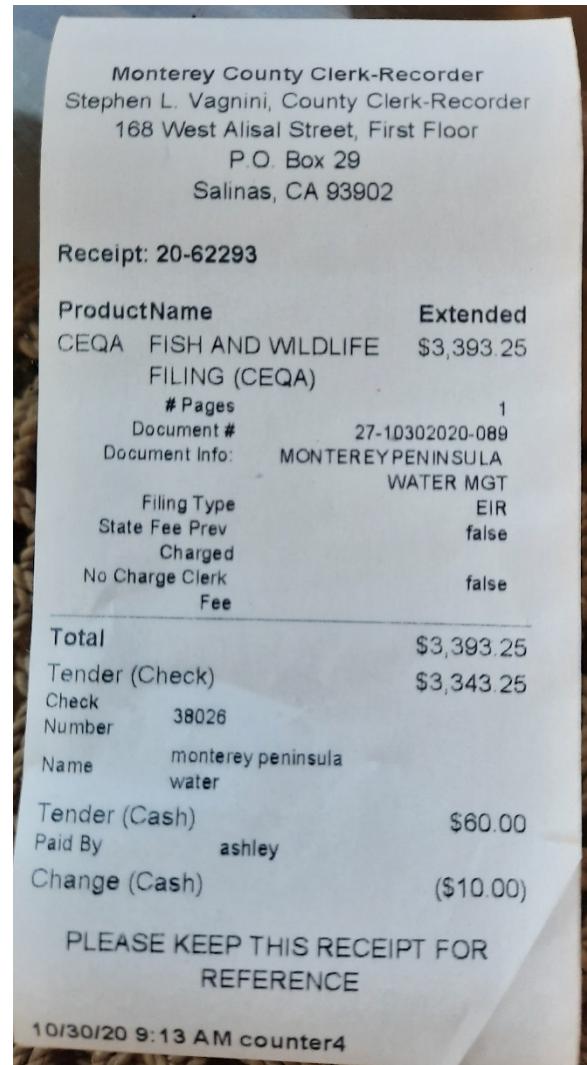
Signature (Public Agency):  Title: General Manager

Date: October 30, 2020

Date Received for filing at OPR: _____

Authority cited: Sections 21083, Public Resources Code.
 Reference Section 21000-21174, Public Resources Code.

Revised 2011



APPENDIX C

**District Census Blocks by Race/Ethnicity
and Median Household Income**

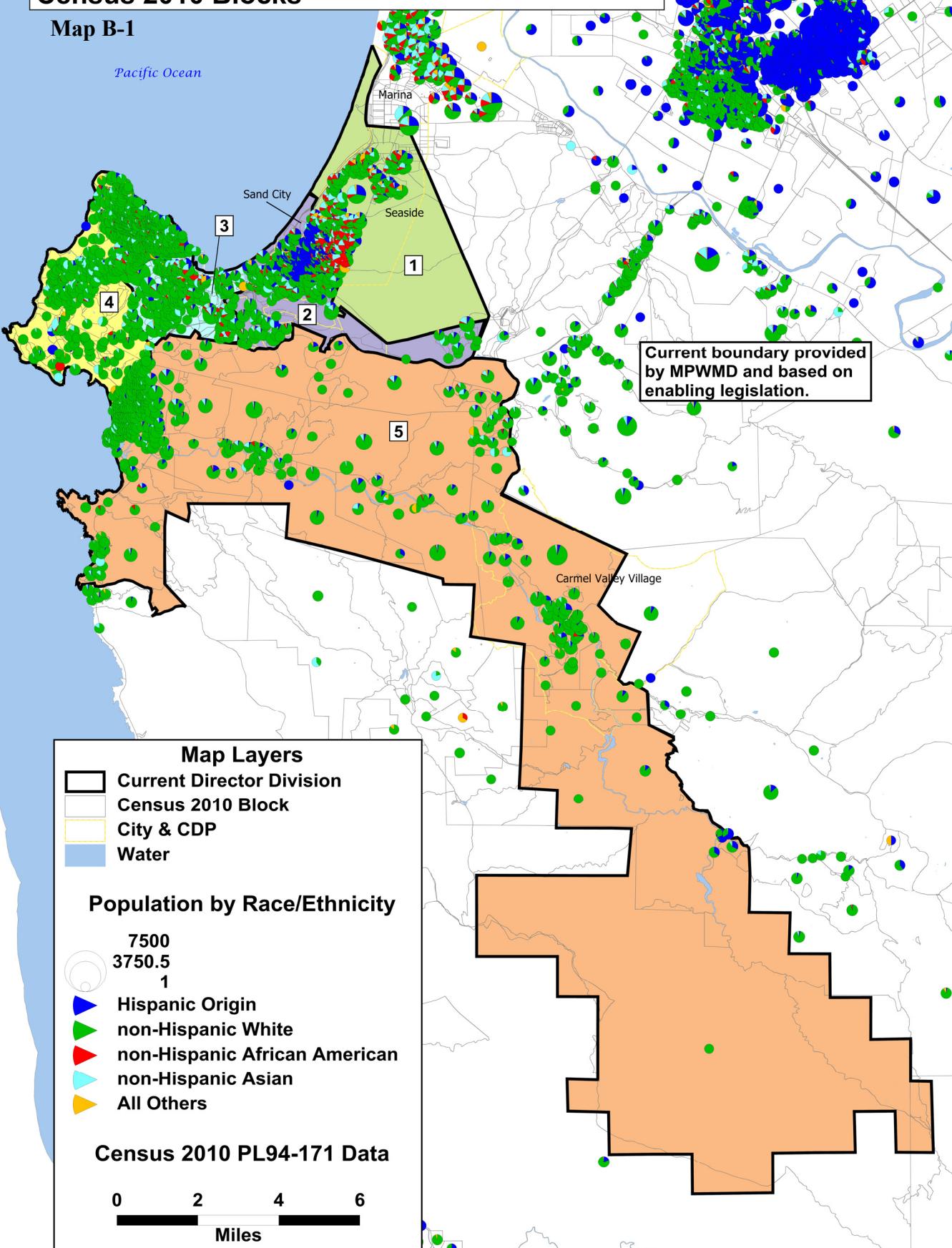
Monterey Peninsula Water Management District

Census 2010 Blocks by Race/Ethnicity

Census 2010 Blocks

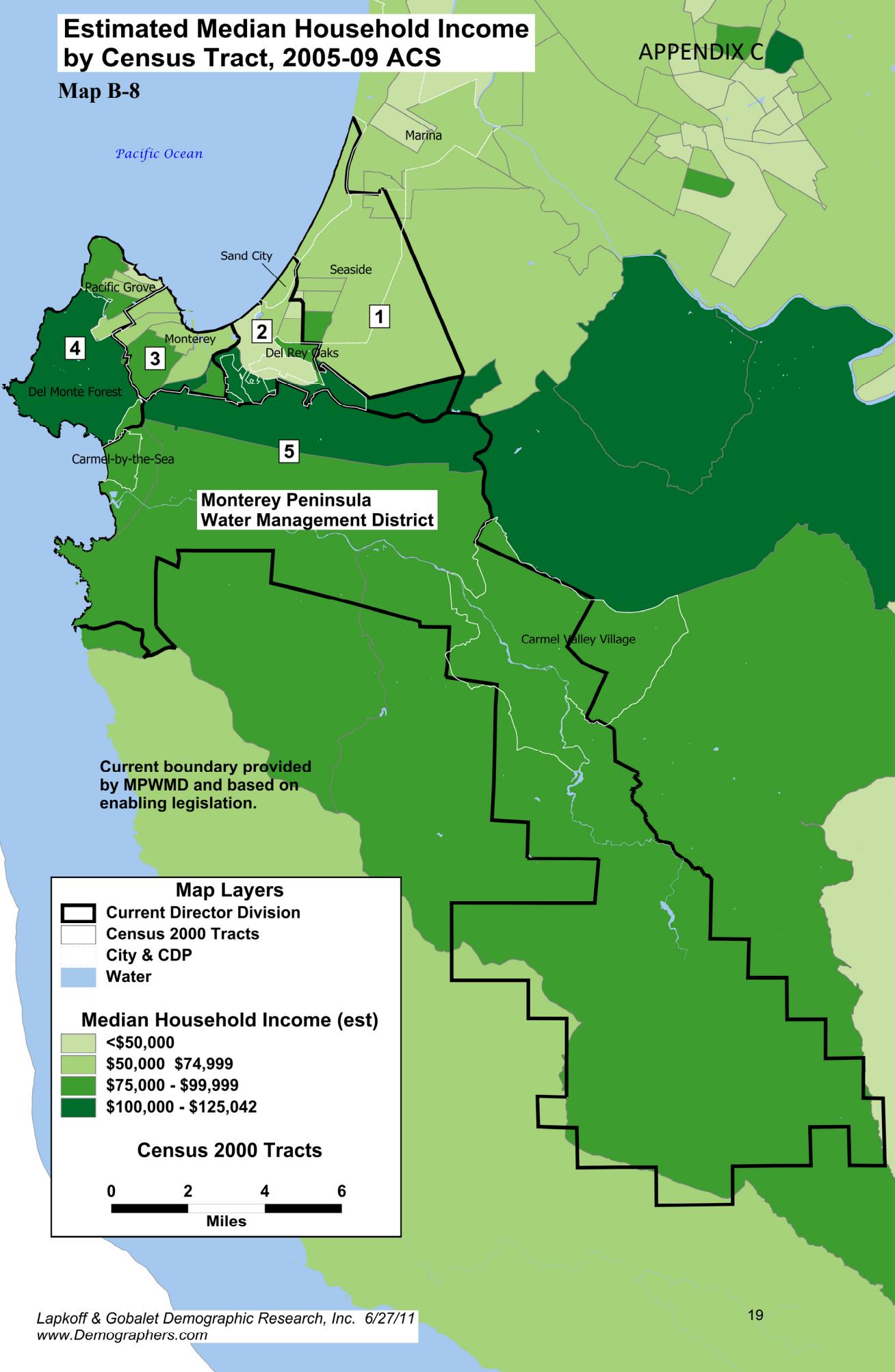
Map B-1

APPENDIX C



Estimated Median Household Income by Census Tract, 2005-09 ACS

Map B-8



APPENDIX D

Monterey Peninsula Water System Operations Plan



**Monterey Peninsula Water System
Operations Plan**

Revised November 1, 2020

Prepared by Close & Associates
And MPWMD Staff

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Purpose and Disclaimer

This Monterey Peninsula Water System Operations Plan is intended to reflect operational requirements of the California American Water (Cal-Am) system serving the Monterey Peninsula Water Management District (District) jurisdictional boundaries, as amended. The purpose of the Operations Plan is to demonstrate that the District has sufficient understanding of the Cal-Am system and water utility operations to activate its legislatively-granted latent powers to provide retail water service.

It is assumed that the District becomes owner and integrates existing Cal-Am employees and operations into the District.

As stated in Section 2.14 below and as clearly articulated by the District Board at its October 29, 2020 special meeting, the District will maintain the current policies, procedures, and practices that Cal-Am has implemented to operate the water system, for at least the first year. During the first year of operation the District will assess the operational procedures and business processes comparing the performance to the Strategic Goals and level of service (LOS) metrics initially adopted by the Board.

Because the District has not been provided access to current Cal-Am operations, strategic goals, or LOS standards there may appear to be stated objectives of the Operations Plan which may suggest a change in operations will occur. That is not the intent and, where a potential conflict in this Plan and current practice appears, the reader should assume a continuation of CURRENT operations will be maintained for at least the first year under District ownership. After experiencing current operations for a period of time, any changes desired will be subject to future discretion of the District.

The District has no intention, at this time, to make any discretionary operational decisions that have an adverse impact on the environment.

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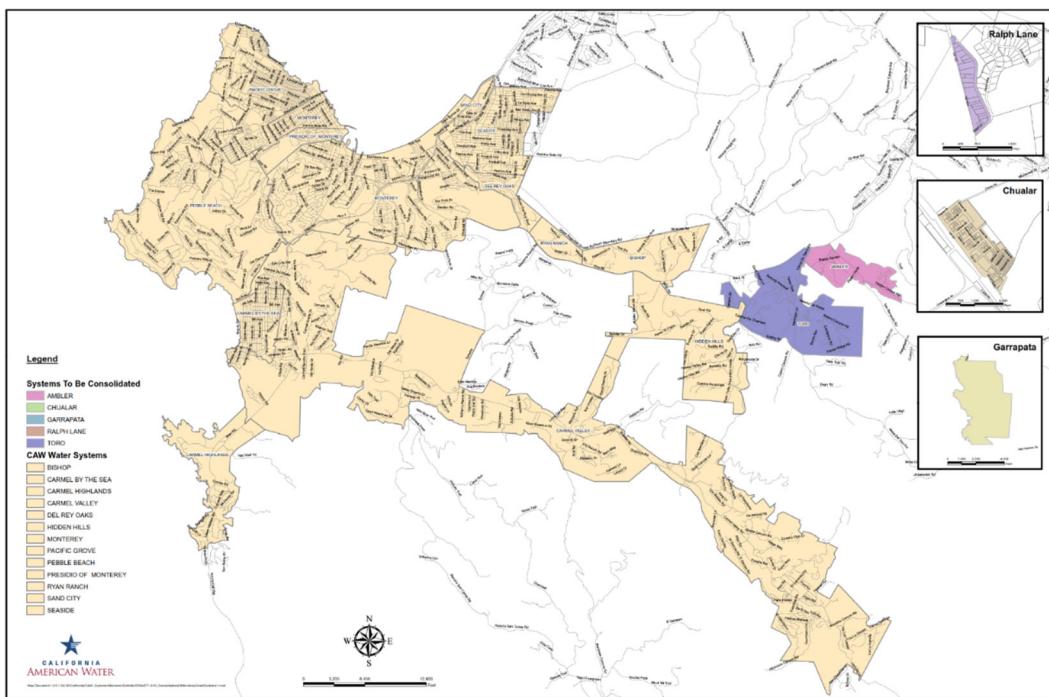
1. General Description

1.1. General Background

California American Water (Cal-Am) Company's Monterey Peninsula water system is located approximately 90 miles south of San Francisco, 300 miles northwest of Los Angeles and 70 miles southwest of San Jose. Cal-Am provides water and wastewater service to the Central Division. The Central Division is comprised of the Monterey County District, the Central Satellites, and the Monterey Wastewater District. The water system, which is comprised of the Monterey County District and the Central Satellites, serves approximately 40,000 customer connections and a population of approximately 99,794.¹

The "Main" system within the Monterey County District serves approximately 39,730 customers and includes customers within the incorporated cities of Carmel-by-the-Sea, Del Rey Oaks, Monterey, Pacific Grove, Sand City, and Seaside, and the unincorporated areas of Carmel Highlands, Carmel Valley and Pebble Beach. The Main system is generally located within the MPWMD boundaries. The Monterey County District also includes the service areas of Bishop (approx. 385 customers), Hidden Hills (approx. 454 customers), and Ryan Ranch (approx. 212 customers), that are also within the MPWMD boundaries. The Central Satellite areas, not subject to acquisition by MPWMD, include the areas of Ambler Park, Ralph Lane, Chualar, Toro, and Garrapata, which are located outside of MPWMD boundaries and serve a total of approximately 1,086 customers.

Figure 1-1: Cal-Am Central Division Water Systems²



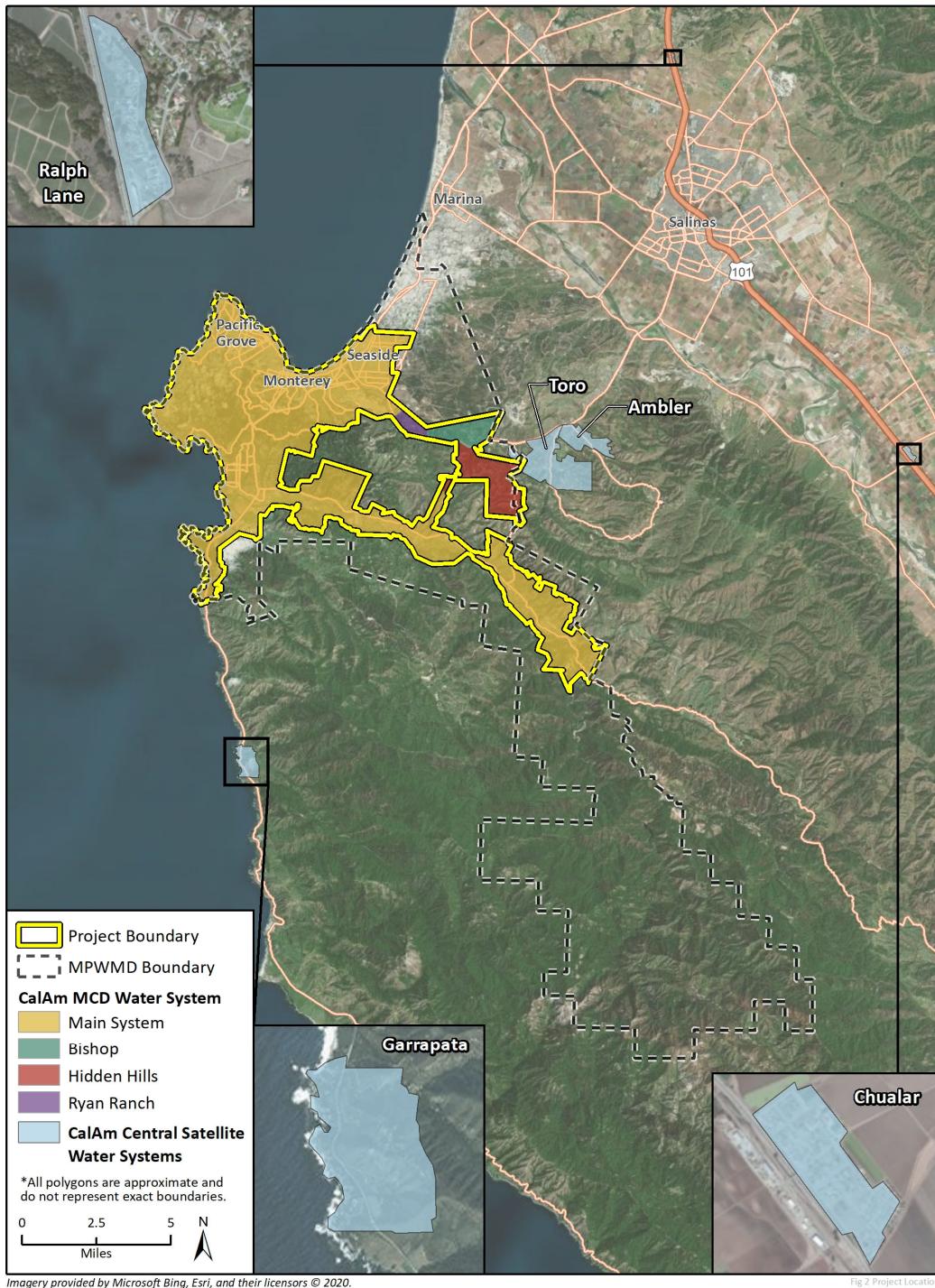
¹ 2018 Annual Report of District Water System Operations for the Monterey County District, filed by Cal-Am for the CPUC, p.16 and 17.

² Cal-Am Service Area Map as of 2013.

1.2. MPWMD Boundaries and Cal-Am Service Territory

The overlap of the MPWMD boundary (dashed line) and Cal-Am service areas is shown in the figure below.

Figure 1-2: Overlap of MPWMD and Cal-Am



Cal-Am 2019 water sales by customer class are shown below.³

Table 1-1: 2019 Water Sales (Gallons)

	Customer Class	Annual Usage	
2019 Water Sales	Residential	1,736,557,000	62.3%
	Commercial/Industrial/Public Authority/Irrigation	1,166,832,000	37.3%
	Fire Department	10,348,000	0.4%
Total 2019 Monterey Water Sales		2,785,425,000	100%

Active service connections by customer class are shown below.

Table 1-2: 2019 Active Service Connections

2019 Customers	Residential	34,114
	Commercial	5,052
	Industrial	4
	Public Authority	507
	Other	53
	Total Connections	39,730

³ 2019 Annual Report of District Water System Operations for the Monterey County District, filed by Cal-Am for the CPUC

2. Transition Plan

The operational transition period for the District to assume the ownership and water service responsibility begins after the successful court decision of the Right-to-Take and continues through the initial six months of operation. To provide a smooth transition for the community there are several activities that are necessary to be completed prior to assuming the day-to-day operation of the Monterey Peninsula Water System.

2.1. Post-Successful Right-to-Take Court Decision

Upon receiving a favorable court decision that it is in the best interest of the customers and community for the District to own and operate the public water system, the District Management Team shall initiate several activities in advance of the Valuation Trial and continue through the duration of the Transition Period.

Organizational Realignment

To integrate the water utility operation several changes are required to existing departments within the District to provide an efficient transition. A few new divisions/departments along with new positions may be required. The performance of an organizational assessment to review current core functions, work tasks, and responsibilities for current departments and identifying the additional functions and work tasks that will be required to support the additional water system operation. A review and update of the Water System Operations Plan shall be completed to reflect any changes. The key departments affected will be the Water Resources/Engineering & Planning, Administration & Finance including Customer Service, and Information Technology (IT), however all departments and functions within the District will be impacted. See Chapter 14 herein “Organizational Structure & Staffing.”

Key Management Positions: Based on the Organizational Assessment most likely several addition key management positions will be needed to be hired in advance of taking operational responsibility. Two of the key positions anticipated are the Assistant General Manager for Water Operations the Water Resources/Engineering & Planning Manager as those departments/divisions will have essential responsibilities during the transition period.

Water Utility Staff: The District’s desire is to hire the current Cal-Am staff, other than state-level general office senior management, to operate the water system. If not adopted prior, the District Board shall approve a resolution to retain the current Cal-Am operations staff for up to five years and to make best efforts financial adjustments to compensate for any lost income, pension benefits, or other fringe benefits that may occur by being an employee of the District. The District shall hire a Human Resource consultant that specializes in pension, benefits, and other compensation issues to identify issues, recommend options, and calculate any potential compensation losses for each employee.

The District shall formally request Cal-Am to permit access to staff and discuss employment with District Staff. If denied, the District shall establish job descriptions and post job

requisitions for the various positions to operate the water system. This will allow for Cal-Am employees to inquire and apply for such positions on their own, unsolicited by the District. Any employment offers shall be contingent upon a successful completion of the Valuation Trial and approval by the Court for the District to take possession of the water system.

[State and Federal Regulatory Agency Coordination](#)

The District will conduct meetings with State and Federal regulatory agencies to discuss the operational transition plan identifying any concerns and coordination requirements during the transition period. Inquire whether there are any outstanding operational or regulatory issues from the agencies and priorities they will be focusing on over the next several years. The District will establish key points of contact between the District and each of the agencies and discuss the District's desire to have periodic coordination meetings with each agency going forward. The following are the key agencies, to coordinate with prior to the Transition period.

- National Marine Fisheries Service
- EPA Region 9
- US Fish & Wildlife
- CalEPA
- CA State Water Resources Control Board (SWRCB)
- CA Regional Water Quality Control Board
- CA Department of Water Resources (DWR)
- California Coastal Commission
- California Fish & Game
- CA Dept. of Public Health (CDPH)
- California Department of Consumer Affairs

[Local Municipalities and Other Agency Coordination](#)

The District will conduct meetings with local cities, agencies, and the County of Monterey to discuss the operational transition plan to identify any concerns or coordination issues during the transition period. The District will establish points of contact with each city and agency and discuss what coordination meetings and frequency of on-going meetings. The following are some of the local cities and agencies to coordinate with prior to the transfer of ownership.

- County of Monterey
- City of Monterey
- City of Pacific Grove
- City of Seaside
- City of Carmel by the Sea
- City of Del Rey Oaks
- City of Sand City
- Monterey One Water
- Marina Coast Water District
- Carmel Area Wastewater District

- Monterey Peninsula Airport District
- Fire Districts or Agencies

[Monterey Peninsula Business and Developer Community Coordination](#)

The District will meet with prominent business associations that have interest in the operation and improvements to the water system and potential impacts related to the transfer of ownership to the District. The objective is to present a high-level summary of the District's transition plan, strategic goals, and priorities. Some of the associations could include, but are not limited to:

- Monterey Peninsula Chamber of Commerce
- Monterey County Hospitality Association
- Coalition of Peninsula Businesses
- Monterey County Association of Realtors
- Chamber of Commerce from each City within the District's Service Area
- New Monterey Business Association
- Old Monterey Business Association
- Monterey Commercial Property Owners Association
- Monterey Bay Economic Partnership
- Cannery Row Business Improvement District
- Fisherman's Wharf Association
- Pacific Grove Downtown Business Improvement District
- Seaside Community Development
- Seaside Business & Resident Association

[Community and Environmental Groups](#)

The District will meet with active community and environmental groups that could have an interest in the water related issues and the potential impact on natural resources as a result of the transfer of ownership and operation of the Monterey Peninsula water system. The objective is to present a high-level summary of the District's strategic goals and receive input from the various groups as to their concerns and priorities. Some of the groups could include the following:

- Carmel Valley Association
- LandWatch
- Public Water Now
- League of Women Voters
- Carmel River Steelhead Association (CRSA)
- Big Sur Land Trust
- Nature Conservancy
- Carmel River Watershed Conservancy
- Surf Rider Foundation
- Sierra Club

IT Systems Assessment

The District will prepare a data request for Cal-Am to provide a complete summary of its IT systems, software platforms, and equipment. Upon receipt of the data, the District will conduct an IT assessment as to the integration and compatibility of Cal-Am's information systems and data into the District's systems. Note if Cal-Am does not make such information available the District will need to consider legal remedies, if available.

Note that a number of the needed information systems and software platforms/licenses are the property of Cal-Am and American Water corporate entities and are not included with the Monterey operation assets. These information systems and associated software will have to purchased and installed prior to the IT Systems Integration prior to assuming ownership.

Working with the District's third-party IT consultant, the District will prepare an interim IT plan before acquiring ownership, to cover the first six months/year of ownership for information systems that need to be functional on day one. This would include phone systems, email system, District's intranet, financial systems, customer service systems, and other business systems. The existing IT operations systems should be capable of operating and maintaining the water system until they can be integrated into the District's overall IT system.

Contract Operations Firms

In the event that some or all of the current Cal-Am operations staff elect not to join the District, the District will identify and prequalify a list of water system contract operations firms that have experience and a work history of operating other water systems in California. The District will develop a comprehensive list and definition of the risk allocation criteria, outlining the responsibility of both the District and the Contract Operator. The District will then prepare a detailed scope of work and Request for Proposal (RFP). In 2020, the District developed a Third-Party Operations Plan to prepare for the possibility that it will not be able to integrate all the Cal-Am employees. Such plan was expected to be separately adopted by the District Board prior to its filing of an application to the Local Agency Formation Commission (LAFCO) and is available for public review on the District website.

The District will meet with each prequalified firm to confirm their interest and to review the scope of service, the draft risk allocation criteria, operations responsibilities, and solicit comments or concerns from the firms prior to issuing the RFP, if needed. Interviews of prospective firms will be conducted.

Public Outreach

The District will hire an outside public relations firm to assist the District during the Post-Successful Court Decision period, as well as during the transition. The goal will be to inform the public of the court decision and the status of the pending steps in the process including the key

transition plans that may impact them. The District will create and maintain a section in the District's current website for the water system transition that includes the ability of the public to ask questions.

The District will expect its outreach consultant to prepare and implement an operations transition communication plan for informing the public of the transition status and any changes forthcoming.

2.2. Operations Staffing Job Posting

The District will reach out to current Cal-Am employees, if permitted by Cal-Am, to initiate discussions of joining the District to continue to operate the Monterey Peninsula Water System. The objective is to clarify any misinformation and desire of the District for each employee to accept an offer from the District.

2.3. Bargaining Unit Negotiations

Cal-Am personnel currently are members of the Utility Workers Union of America (UWUA) Local 511 or are members of the International Union of Operating Engineers (IUOE) Local 36. Meeting with the two union representatives and/or their bargaining units will be the District's initial step to communicate with the existing employees.

The goal is to inform the unions of the District's plan to hire the Cal-Am staff and to present the approach to ensure employees don't lose any salaries or benefits in transitioning from a private company to a public agency. A key issue will be the valuation of a private company pension and 401k retirement plan to the CalPERS pension system. Receiving local union leadership support and preliminary negotiation of a new contract will ease the transition and acceptance by employees to join the District.

The District will also meet and confer with its own union representatives to discuss the addition of new labor staff and balancing of benefits and compensation between existing and new employees.

2.4. Job Descriptions

The District will prepare job descriptions for each job classification/position to support the hiring of current Cal-Am employees. Existing Cal-Am job descriptions shall be requested from the company or the bargaining units for the District's review and use along with American Water Works Association (AWWA) and other industry information to create the new job descriptions. The job classifications/positions are planned to be based on the latest AWWA Compensation Survey classifications as a starting point for proposed salary ranges.

2.5. Job Position Postings

To demonstrate the District's desire to hire the current Cal-Am employees, water system administrative and operations job postings will be publicly opened to recruit the Cal-Am employees and to acquire additional resumes and potential new candidates, if needed. It is

assumed that Cal-Am will not support direct communication with their employees and may try to prevent the District from initiating any contact. However, if an employee applies for an open position and on their own accord desires to meet with the District, there is nothing Cal-Am can do to counter such communication.

The District can also use communication through the bargaining units, print media, and social media to reach out to employees. This will have a secondary benefit of informing the public and other stakeholders of the District's efforts providing reassurance that the water system operation will continue without disruption. It will provide a counter to Cal-Am's public claims regarding the negative impacts of the District operating the water system. The objective is to assess the ability to retain the existing employees and determine the availability of qualified candidates in the region.

2.6. Employee Benefits Consulting Firm

The District desires to evaluate the compensation, including benefits, for each individual Cal-Am employee in an effort to offer a compensation package that will be equal to or better than they currently have with Cal-Am. To provide the assessment of the employee's current compensation, the District will hire an outside consulting firm that specializes in the economic valuation of individual's compensation. This will be used to negotiate with the candidate and provide an employment offer.

2.7. Cal-Am Employee Employment Offers

Current Cal-Am employees that apply to the District's open job requisitions will be reviewed and processed through the District's normal hiring practices using the job description and compensation valuation/comparison to prepare a formal offer to each Cal-Am employee that applies to join the District. The job offers will be contingent upon the potential hiring of the majority of Cal-Am employees and include a tentative and flexible start date. The offer and any acceptance shall remain confidential.

2.8. Post-Valuation Court Decision

The anticipated schedule is that the utility asset valuation trial will occur approximately 12 months, or longer, after the issuance of the Right-to-Take Court decision. The activities discussed in subsections 2.1 and 2.2 above are planned to be conducted during this timeframe.

The District, upon receipt of the Court/jury's valuation of the water system, will proceed with acquiring bond financing to purchase the water system from Cal-Am and to fund the first two to three years of capital improvement funding. The District shall have minimal cash reserves at the time of ownership transfer and will need both bond financing for the acquisition and working capital, as well as potentially a line of credit or short-term financing to cover any lag in revenue. It is estimated that the timeframe from issuance of the valuation court order until receiving operational ownership and responsibility can be as little as 30-45 days. Hence, most of the transition planning will occur prior.

During this period the District will continue to resolve any outstanding legal issues that remain from the valuation trial including any appeals. The District organizational structure will be adjusted to accommodate the management and operation of the water system. Current District staff education and training shall be conducted as to the changes in business processes associated with operating the system.

Documentation of the modified business processes, including business process mapping, will be completed as part of this effort. Each department shall prepare a comprehensive transition plan identifying the integration activities between departments associated with the management and operation of the water system. Any new resolutions or ordinances that need to be prepared and adopted by the District Board shall be completed during this phase of the transition.

A robust public communications program will be implemented to educate and inform the public of activities and on-going status of the transition including any customer service changes that will occur as a result of the transition of ownership to the District. Customer service department systems and procedures will be set-up in preparation for receiving the customer account data during the upcoming 90-day data and information transfer. Accounting and billing systems will be set-up in preparation of receiving customer account data, including any 3rd-party payment centers (e.g. banks) and on-line and automatic payment capabilities.

Engineering and operations will prepare for a thorough review of Cal-Am's current comprehensive planning study (CPS), 5-year Capital Budget, Urban Water Management Plan, and establish protocols and staffing needs to perform an asset inventory of Cal-Am's facilities the District is acquiring. Linear feet of buried assets, pipes and valves, services and other appurtenances shall be confirmed through review of Cal-Am's GIS database in comparison to the utility plant accounts. Specific attention will be taken to review and verify the plant additions that have been constructed and placed in service since the water system field inspection and assessment effort was completed during the discovery phase of the right-to-take trial.

2.9. Prop 218 Process

Based on the water system valuation as determined by the Court and the planned capital improvement funding for the first 2 to 3 years of the District's ownership, an update of the financial proforma will be completed. The results will allow the District to decide if Cal-Am's current rates and rate structure will be maintained or if rates will be reduced or the rate structure modified. Public outreach effort to solicit input from stakeholders will be conducted as part of this process. Once there appears to be a majority of public and stakeholder support, a comprehensive rate study will be performed. New rates will be adopted by the District consistent with the public protest hearing process under Proposition 218, on a contingent basis based on alternate acquisition scenarios, shortly after the Resolution of Necessity hearing.

2.10. Staffing, Recruitment, and Interim Contract Operations

The status of the Cal-Am employee retention effort initiated during the post-Right-to-Take phase of the transition will allow the District to decide if a third-party contract operator is needed. It is the District's desire to continue with making offers to the remaining Cal-Am employees who haven't accepted prior to initiating a contract operations solicitation. If retaining a contract operator is needed, the preparation of a Request for Proposal and detailed scope of work shall be completed and the solicitation process initiated.

Finalization of all Cal-Am employee offers will be completed and the on-boarding process initiated by Human Resources. Concurrent with the hiring of Cal-Am employees is the negotiation of new bargaining unit contracts with those unions that have members who have accepted positions to join the District. These contracts need to be finalized prior to the District assuming operation of the system.

Contingency plans will be developed in the event only a portion of the Cal-Am employees join the District that is insufficient to adequately operate the water system. If insufficient management and supervisory Cal-Am employees are retained to operate the system, then a contract operator can augment the District's staff with field personnel with the District having operational responsibility. A sufficient contract duration with incentives would have to be agreed upon to interest contract operations firms to propose on this contract.

2.11. IT Systems Integration

The integration of the IT systems and data transfer/verification is the critical path activity that will be completed during this phase of the transition. If sufficient IT system, software platforms, data storage, IT equipment and other information, that was requested during the initial transition phase (Section 2.1 above), is provided by Cal-Am then the IT integration plan can be completed prior to the data and information transfer.

If additional information is needed after the valuation Court decision is received, then an aggressive effort to obtain that data and determine what IT equipment and software platforms need to be purchased or existing information systems require programming to accept the electronic data from Cal-Am. If it is determined that the electronic data is not compatible with the District's systems, a data conversion process may be required to accurately transfer all of the data for each system/platform. The purchase of any new hardware/software or the reprogramming/data conversion of any critical system (especially customer account data and meter reading systems) could take extended time to complete.

Assessment of information systems used by operations will be critical if Cal-Am corporate (General Office) and not the local Monterey Division owns the meter reading, SCADA, dedicated radio frequencies, Computer Maintenance Management System (CMMS), hydraulic modeling software, vehicle GPS tracking systems, and other engineering and technical software platforms. If Cal-Am's general office owns the software/licenses then the District will have to purchase new licenses and have them operational before the data transfer effort.

Upgrades and modifications to the phone systems, email, District intranet, and other District systems need to be implemented to integrate Cal-Am's existing operation. A review of Emergency Plan communication requirements and inter-agency coordination protocols will be assessed and accommodated in the various communication system modifications.

2.12. Data & Information Transfer

The District will seek to have Cal-Am, agree to conduct a 90-day data, records, and information transfer period after completion of the IT integration and testing, and during the transfer of ownership and operational responsibility. The primary objective is to transfer all customer account data, financial data, GIS, CMMS, and other electronic databases from Cal-Am to the District in order to test the data and verify the accuracy of all the IT related data and information.

Cal-Am shall transfer a complete list of all assets, including those located in the Cal-Am corporate (General office) that are included in the Utility Plant Accounts. The District, if permitted by the Court, will perform a facility inspection and asset inventory of the vertical assets that will be transferred as part of this transaction. Linear or buried assets, shall be verified through review of the GIS database, as-builts, capital work order records, and other files and records received from Cal-Am.

All non-essential software platforms/programs necessary to operate (e.g. SCADA and CMMS) and perform financial transactions (e.g. billing and accounting) shall be transferred to the District along with the associated data for testing and accuracy verification.

Paper records and files shall be compiled, categorized, documented, labeled, and delivered to the District that include, but not limited to following types of information;

- All property records,
- All regulatory and water quality records,
- All water right permits and documentation,
- All operating, regulatory and environmental permits,
- All environmental (CEQA, NEPA, etc.) documents and supporting environmental surveys, studies and other information,
- All current and historical capital and O&M budget files and records,
- Distribution system atlas maps,
- All project files,
- All asset records including assets located in Cal-Am/American Water corporate (General office) offices that were funded by Cal-Am ratepayers.
- All as-built drawings,
- Inspection and condition assessment reports
- Technical and engineering reports
- Engineering calculations and internal files including historical files from Corporate (System) Engineering (New Jersey)

- Comprehensive Planning Studies (CPS) and other planning documents, technical files, and analyses
- Non-completed or in-design drawings and calculations
- Financial files, asset registries, bond financing engineering reports and other technical documentation
- Depreciation studies, cost of service studies, rate studies, and prior CPUC rate applications, decisions, and supporting work papers for each application
- Construction contracts, developer agreements, vendor contracts, maintenance contracts, and other agreements, current and historical,
- All work orders, capital, maintenance, retirement, and other internal work authorization records
- All private and public damage, insurance claims, and other liabilities that Cal-Am incurred due to operational issues
- All meeting minutes and agendas
- All IT files and records including all back-up files

Operational systems such as SCADA (including historical trend data and analyses), CMMS, maintenance and testing databases, and other software programs and data shall be copied, but not operational, and delivered to the District prior to official transfer of operational responsibility.

Upon receipt of all data, records, files, and information the District shall review the contents and verify receipt and accuracy of the data and document such to the Court.

2.13. “Day One” Operations Plan

The District will prepare an operations plan for the initial day, week, and month of operational responsibility based on the review of data, records, and information received during the data transfer period. The 30-Day operational plan will include a detailed workplan for each department and field personnel. The workplan is anticipated to include:

- Operators will take water quality samples across the water distribution system following state-approved sampling plan and all facilities to verify the water quality, compliance with regulations, and establish a baseline;
- Inspection of all water system treatment, production, and distribution facilities and record technical operations data, not recorded by the SCADA system and identify any immediate maintenance requirements;
- Confirm all current contractor contracts, service contracts, vendor purchase orders, and other commitments prior to the operational transfer have been contacted and the contracts/agreements have been assumed by or transferred to the District and active;
- Review all open new customer connections/accounts, customer complaints, capital projects, maintenance work orders and other O&M activities that were in process or

uncompleted at the time of operational transfer, prioritize and schedule completion these activities;

- Review capital and O&M budget status, and identify potential budget issues/adjustments that may be needed to the budgets approved and adopted by the District Board;
- Prioritize replacement, repair, and maintenance tasks that need to be completed during the first six months of operation;
- Confirm all facilities being monitored by the SCADA system are active and operational including all operational set-points and alarm functions;
- Establish operations staff after-hours operational and emergency call-out procedures and protocols;
- Review and update the emergency response plan, agency coordination protocols, and points of contact. Contact all agencies included in the Emergency Response Plan (ERP) to confirm coordination protocols and procedures;
- Conduct inventory of existing spare parts, equipment, and other items in the warehouse and operations yard and order needed items;
- Review and update meter reading routes, schedules, and procedures including review of meter aging report and any testing records;

2.14. 12-Month Water System Management and Operational Assessment

The District will maintain the current policies, procedures, and practices that Cal-Am has implemented to operate the water system. During the first year of operation the District will assess the operational procedures and business processes comparing the performance to the Strategic Goals and level of service (LOS) metrics initially adopted by the Board.

The operational assessment will serve as guidance to update and refine the District's strategic goals, LOS standards, and performance metrics to provide a roadmap for the organization for continuous improvement of the water service it provides its customers and community. These goals, standards, and metrics will be used as the foundation to develop or update and document business processes, operations procedures and practices, and District policies and ordinances.

After the completion of the operational assessment and refinement of the goals and LOS standards, the District will prepare a comprehensive master plan based on those goals. Adjustments to the second-year capital and O&M budgets will also be adopted to work towards achieving the District's goals and service expectations.

3. Governance and Local Coordination

3.1. Overview of Governance and Local Coordination Issues

The California Legislature created the District in 1977 for the purposes of “conserving and augmenting the supplies by integrated management of ground and surface water supplies, for control and conservation of storm and wastewater, and for the promotion of the reuse and reclamation of water.” (Statutes 1977, ch. 527, section2, Deering’s Water – Uncod. Acts (2008 Suppl.) Acts 5065, p.98-99 (“District Law”).)

When the Legislature created the the District it was given the power, both express and implied, necessary to carry out the objects and purposes of its mandate (§ 118-301). This includes the power to enact ordinances and resolutions, adopt regulations to carry out its purposes, and fix charges (§ 118-308). The District’s broadest power is provided in § 118-325, i.e., “The district shall have the power as limited in this law to do any and every lawful act necessary in order that sufficient water may be available for any present or future beneficial use or uses of the lands of inhabitants within the district ...”

The District is governed by a seven-member Board of Directors, five of whom are elected by voter divisions within the District. The other two Directors include a Supervisor appointed by the County Board of Supervisors and a Mayor appointed by the City Selection Committee of Monterey County. The District’s boundaries roughly align with those of Cal-Am’s Monterey County District, exclusive of Toro, Ambler Park, Ralph Lane, Garrapata, and Chualar.

The District has performed many functions since inception including institution of the Monterey Peninsula’s first stand-by rationing plan in 1981, establishment of limits to Cal-Am production from the Carmel River and subsequent allocation of water to jurisdictions in 1990. The 1990 Water Allocation Program was subject to an Environmental Impact Report as required by the California Environmental Quality Act, the certification of which included mitigation measures that became the District’s Mitigation Program. In 1995, the State Water Resources Control Board (“SWRCB”) issued Order 95-10, which among other things determined Cal-Am’s legal right to water from the Carmel River. Order 95-10 also concluded that the District’s Mitigation Program was effective and vital to counteracting Cal-Am’s overdrafting of the river and determined that if the District should at some point in the future cease its Mitigation Program, Cal-Am would have to perform its duties.

The District also provided the leadership in developing certain water supplies including the research and development into the expansion of the Paralta Well in the Seaside Groundwater Basin (“Seaside Basin”) in the late 1980s, a desalination facility rejected by the voters in 1993, the Los Padres Dam rejected by the voters in 1995, and the research, development, and construction of Aquifer Storage and Recovery (“ASR”) in the 2000s. The District is a co-funding partner with Monterey One Water (“M1W”) in the development of the Pure Water Monterey Groundwater Replenishment project (“GWR”).

The Water Management District serves approximately 112,000 people within the cities of Carmel-by-the-Sea, Del Rey Oaks, Monterey, Pacific Grove, Seaside, Sand City, Monterey Peninsula Airport District and portions of unincorporated Monterey County including Pebble Beach, Carmel Highlands and Carmel Valley. The District has established five main goals:

1. Increase the water supply to meet community and environmental needs
2. Develop a legal water supply delivered to the community through cost effective and efficient water production and distribution system
3. Protect the quality of surface and groundwater resources and continue the restoration of the Carmel River environment
4. Instill public trust and confidence through public outreach and transparency
5. Manage and allocate available water supplies and promote water conservation

3.2. Current Governance and Local Coordination

Upon acquisition of the water system from Cal-Am, the District, per state and federal regulations and laws, will be responsible for financing, constructing, operating, and maintaining the water supply and resources, water production and distribution system infrastructure that produces, treats, and delivers potable water to the communities within the local cities.

The local cities and the District will collaborate, through established policies and protocols as well as customary procedures and relationships, on how District-owned infrastructure are integrated, maintained, and expanded. It is especially critical that those who govern, manage, operate, and maintain integrated systems that serve a community of 112,000 people work together closely and constructively.

The District does not expect to modify its governance structure to operate the acquired and integrated water system.

The District oversight is provided by a board of seven directors, five elected, and two appointed to represent the peninsula communities.

- District 1 represents approximately 2/3rds of the community of Seaside
- District 2 represents the remainder of Seaside, Sand City, Del Rey Oaks, and a portion of Monterey
- District 3 represents the majority of Monterey
- District 4 represents the City of Pacific Grove and Pebble Beach
- District 5 represents Carmel by the Sea and the unincorporated Carmel Valley
- Mayoral Representative appointed by the Monterey County Mayors Select Committee
- Monterey County Board of Supervisors appointed by the Board of Supervisors and residing in the District

The Board is supported by a professional staff managed by the General Manager with the following Department Managers:

- Administrative Services/Chief Financial Manager

- Environmental Resources Manager
- Water Resources Manager
- Water Demand Manager

Presently, the District outsources its Information Technology services, its human resources function, and public outreach. Each would be brought back in-house with an acquisition. See chapter 14 herein.

Public monthly District Board meetings are held that provide for public comment and authorization of business activities presented by the General Manager and staff. The District has several committees, with Board Director representation.

To encourage and solicit input from the Peninsula jurisdictions, the District maintains its Technical Advisory Committee comprised of staff from the jurisdictions and its Policy Advisory Committee comprised of elected representation of each jurisdiction.

3.3. Service Extensions

Each city and county, per state law, must have a general plan for its intentions for the orderly physical growth in residential, commercial, industrial, institutional, agricultural, transportation, conservation and recreation, and other such development. Comprehensive plans must be reviewed at least every five years.

The District shall prepare and maintain a Water Master Plan with a forecast horizon of five, ten, and twenty years that is updated every five years. Annual review of the water master plan shall be conducted with close attention to a local jurisdictions' comprehensive plans to coordinate its service extensions and capital improvements with a city's service extensions. The Water Master Plan shall set forth the District's anticipated facility expansions over the next 5, 10, and 20 years, based on projected demands tied to population and employment projections, to meet the growing needs of the Monterey Peninsula region. Cities may submit requests to the District for a service area expansion. The District will adopt procedures to ensure all requests are considered and acted upon consistently, as well as ensure its engineers have all necessary information to determine the service area expansion's impact to the District's water system.

When a city requests a service area expansion, the District will conduct a preliminary water system capacity assessment and provides those results to the city. When there is sufficient water supply and transmission capacity in the system, the District notifies the city of service area expansion approval. However, if there is not sufficient capacity, then the District and the city collaboratively conduct alternative analyses to determine what system improvements are needed to accommodate additional demands from the service area expansion. Where service area requests involve large commercial or industrial customers, additional analyses must be conducted to confirm the peak demands, water storage needs, fire flow requirements, and assess the impacts to other customers.

For individual projects, the District shall establish a “Development Review Process” that governs how proposed new connections and modifications to its water infrastructure and service areas, whether from private developers or local governments, are considered and implemented. The Development Review Process begins with the preliminary project plan review, technical review, and regulatory and standards compliance analysis.

The District shall interact with all regional, county, and city economic development agencies. The District works to provide objective, straightforward water infrastructure and capacity information to all economic development partners.

3.4. Communications and Outreach

The District has dedicated staff and consultants responsible for representing the District in communicating its mission, responsibilities, and operations to external stakeholders. Post-acquisition, the District’s Community Outreach Manager will be the point person and responsible for external communication with the media and other stakeholders.

Generally speaking, the District’s Public Relation activities focus on communicating the District’s role in protecting public health and water quality. It also supports environmental protection, education and outreach projects. The District’s communications and outreach efforts run the gamut: general customer service for billing-related inquiries (very common); information on capital infrastructure projects that impact residents, businesses and commuters, such as new construction, rehabs, and repairs (very common); health and public safety officials, especially in times of emergency; schools and other community groups; and the media.

The District vests government affairs in its General Manager’s office, with support from other District staff. It is understood that the District has authority over the water infrastructure, thereby having comprehensive responsibility over water supply, treatment, and distribution systems, and local government to have increased and steady collaboration with the District.

To foster increased day-to-day communications between the District and local government staffs and officials, within six months of the acquisition the District will consider creation of a Government Affairs Liaison position to work with local governments on the Peninsula. The Liaison would be expected to develop close working relationships with local government utilities departments, administrative offices, and elected officials.

3.5. Rate-Setting Authority

The District shall have the sole rate-setting and approval authority for all water rates, water connection fees, surcharges, and other charges and fees for all water customers within the District’s jurisdictional service area. The District’s vision is to provide rate stabilization, adequate funding for capital expansion and asset renewal, and ratepayer equity based on the United States Conference of Mayors affordability analysis. All rate increases shall be in accordance with the California Prop 218 regulations and processes.

The Administrative Services/Chief Financial Manager under the direction of the General Manager shall have the responsibility for the financial security of the water system including the setting of water rates. The setting of water rates shall follow the AWWA M1 Manual – *“Principles of Water Rates, Fees, and Charges”*, as the basis for any rate increases or decrease, including all fees and surcharges. The District’s water rates are established on a Cost-Basis that will provide revenue stability and full cost recovery of all operating, capital, and interest costs. The following are some of the areas to support the water rates:

- Cost of Service Study
- Rate-Design Analysis
- Fire Service Rates
- Drought and Surcharges Rates
- Connection and Impact Fees
- Capacity and Development Charges
- System Capacity Charges
- Water Supply Availability Charges
- Reserve Account Allocation Analysis
- Permit Fees
- Asset Condition-Based Depreciation Analysis
- Capital Replacement Fund
- Capital Improvement Budget
- Operation and Maintenance Budget
- Rate Affordability Analysis
- Low-Income Affordability Program
- Rate Credits for the implementation of “Green” facility or property practices

The District shall coordinate with each local government as part of the overall affordability assessment and rate-design analyses as input to water rate-setting practices. Public outreach and involvement to solicit comments and input, especially on system improvement priorities, revenue allocation, and level of service goals from residents, businesses, developers, and other stakeholders is an essential component and transparency policy of the District’s rate-setting process.

4. Financial Management

4.1. Financial Structure and Reporting

The District, like other special districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are segregated into two categories: governmental funds and proprietary funds. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. The District maintains three individual governmental funds: the Water Supply Fund, the Conservation Fund, and the Mitigation Fund, all of which are considered to be major funds.

The Water Supply Fund is the chief operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund. This fund accounts for financial resources to be used for the acquisition of or construction of major capital facilities (other than those financed by Proprietary Funds and Special Assessments).

The Special Revenue Funds are used to account for specific revenue sources for which expenditures are restricted by law or regulation to finance particular activities of the District. The Conservation Fund accounts for financial resources used to fund water conservation activities mandated by District legislation including permit issuance and enforcement, jurisdictional water allocations, and public water conservation education. The Mitigation Fund accounts for financial resources used to finance work along the Carmel River carried out pursuant to the Mitigation Program designed to ameliorate impacts of pumping for water supply.

The District maintains one type of proprietary fund, the enterprise fund. Proprietary funds are reported using the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activity in the government-wide financial statements, but provide more detail and additional information. The District uses an enterprise fund to account for the CAWD/PBCSD Reclamation Project.

After acquisition of the Monterey Peninsula water system from Cal-Am, it is expected that the District will realign into three funds: (i) the "General Fund" a governmental fund to collect the property taxes and other general revenues of the District, (ii) the "Water Utility Enterprise Fund" a proprietary fund for all utility operations, including conservation and mitigation, for which water volumetric rates and meter charges are collected, and (iii) the existing CAWD/PBCSD Reclamation Project enterprise fund.

The California Government Code requires an annual independent audit of MPWMD's financial statements by a Certified Public Accountant (CPA). The District's financial statements have been audited by Hayashi Wayland, Certified Public Accountants (auditor). The auditor's opinion is included in the financial section of the District's annual Comprehensive Annual Financial Report (CAFR). Following acquisition of the Monterey Peninsula water system from Cal-Am, the District will continue to file a CAFR. The CAFR is believed to be accurate in all material respects and

presented in a manner designed to fairly set forth the financial position, the changes in financial position, and cash flows for the District. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activity will be included. It will bring needed transparency to the financial operations of the water utility in a manner that has proven inaccessible under Cal-Am ownership. Management assumes full responsibility for the completeness and reliability of the information contained in the report, based upon a comprehensive framework of internal control that it has established for such purpose. While the independent auditors will be expected to express an unmodified ("clean") opinion that MPWMD's financial statements are presented in conformity with generally accepted accounting principles (GAAP), responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the District.

4.2. Budget Process

Annually, the District prepares and adopts an operating budget and updates its three-year Capital Improvement Program (CIP). Both serve as the District's financial planning and fiscal control. Budgets are adopted on a basis consistent with governmental GAAP. Budgetary controls are set at the department level and are maintained to ensure compliance with the budget approved by the Board of Directors. The District's budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes the projects, services and activities to be carried out during the fiscal year and the estimated revenue available to finance these operating and capital costs. The budget represents a process wherein policy decisions made by the Board of Directors are adopted, implemented and controlled. Budget control is maintained through the use of project codes and account appropriations. Actual expenditures are then compared to these appropriations on a monthly basis. The General Manager or the Administrative Services Manager/CFO has the discretion to transfer appropriations between activities. Board approval is required for any overall increase in appropriations or changes to the Capital Improvement Program. Additionally, a mid-year budget adjustment is prepared and presented to the District's Board for adoption.

4.3. Internal Control

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurances that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

4.4. Investment Policy

The Board of Directors annually adopts an Investment Policy that conforms to California State Law, District ordinances and resolutions, prudent money management and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity and yield.

District funds are normally invested in the State Treasurer's Local Agency Investment Fund (LAIF), Certificates of Deposits, and Money Market accounts.

4.5. Rate Covenant and Debt Service Coverage

The acquisition of the Monterey Peninsula water system from Cal-Am is expected to be financed by installment purchase Certificates of Participation secured by the revenues of the Water Utility Enterprise Fund, primarily water rates and charges. Rates will be set in a publicly-transparent process based on periodic rate studies performed by the District's rate consultant within a Proposition 218 process. The Proposition 218 process allows the constituents to participate in the approval of water rates and charges. The District will covenant to set rates and charges such that net revenues of the utility (gross revenues minus operations and maintenance expenses) are at least 1.20 times annual debt service, but with an operating goal of at least 1.35 times. The excess, known as coverage, will be used to meet ongoing renewal and replacement funding and to establish rate stabilization funds.

5. Strategic Goals & Level of Service Standards

The Monterey Peninsula municipalities, businesses, community groups, and public governance leadership understand that to encourage and accommodate economic growth in the region it must have a reliable and efficient water system to support residential, commercial, industrial, and public needs providing safe drinking water and fire protection. The water industry in the United States does not have definitive operating standards consistent for all water utilities. Initially upon acquisition and early operation of the water utility, the District will assess the existing practices and level of service (LOS) being provided. It is subsequently the responsibility of the District, along with public input, to establish and adopt strategic goals and LOS standards for the water utility operation going forward and should certainly be no less than the existing Cal-Am standards.

5.1. AWWA Effective Utility Management Principles

The water utility industry has a variety of guidelines and recommended operational practices that are available for public water utilities. The District has decided to use the American Water Works Association (AWWA) Effective Utility Management (EUM) Program developed in collaboration with the EPA and six North American Water and Wastewater utilities in 2015. The AWWA EUM identifies ten effective management attributes that are the foundation of high performing and innovative water agencies in the industry.

AWWA Effective Utility Management Attributes

- Product Quality
- Customer Satisfaction
- Employee and Leadership Development
- Operational Optimization
- Financial Viability
- Infrastructure Strategy and Performance
- Enterprise Resiliency
- Community Sustainability
- Water Resource Sustainability
- Stakeholder Understanding and Support

The District management has developed and adopted a comprehensive Strategic Plan for the Monterey Peninsula water utility that establishes targeted strategic goals and level of service standards, for each of the ten EUM attributes, to implement and measure the performance of the water service to exceed the EUM benchmark metrics.

The District's Strategic Plan has been developed to initially adopt Cal-Am's current operating and management practices upon assuming ownership and operational responsibility of the Monterey Peninsula water system. As indicated in Section 2 – Transition Plan, the District will conduct a 12-month operational assessment to refine the strategic goals, management policies,

operating procedures and practices, performance metrics (LOS), and establish a timeframe to work towards and achieve those goals.

The following preliminary Strategic Plan has been developed based on adopting the AWWA Effective Utility Management Attributes as guidance and to utilize the AWWA Standards, G200, G400, G410, G420, G430, G440, and J100 as a foundation for the initial Strategic Plan. **AWWA G400 – Utility System Management** and **AWWA G410 – Business Practices for Operation and Management** specifically identify the requirement to adopt a Strategic Plan and implement written management policies, strategic goals, performance metrics, Level of Service (LOS) standards, and standard operating procedures (SOPs).

5.2. Water System Management and Operations Strategic Goals

The District's prevailing operational strategy is to review Cal-Am's existing goals, LOS metrics, programs, policies, and procedures and expand or improve them under the District's operation. New goals, metrics, programs, and policies, and procedures shall be adopted and implemented in the absence of needed documents and standards. The following Strategic Goals, Policies and Procedures (Section 5.3 below), and Operational LOS metrics (Section 5.4 below) are those the District would expect to be in place at the time of assuming operational responsibility, and should certainly be no less than the existing Cal-Am standards.

Strategic Goal No. 1 – Maintain or Improve Water Quality

Maintain or Improve the Monterey Peninsula Water System water quality the is delivered to its customers and community beyond the state and federal water quality standards.

- 1A. Actively Engage and Meet with local, state, & federal regulatory agencies*
- 1B. Improve Water Quality and Strive to Reduce Detected Contaminants Below State & Federal MCLs*
- 1C. Customer Education & Involvement Program*
- 1D. Receiving Water Quality Protection Program to monitor the water quality in the Carmel River and other community bodies of water that potentially could be impacted by scheduled and non-scheduled discharges from the water system and other utilities and property owners.*

Strategic Goal No. 2 – Continuously Improve Customer Satisfaction of Water Service

Efficiently deliver water service and customer service to minimize customer complaints.

- 2A. Customer Service Performance Plan*
- 2B. Improve Customer Service Representative Training*
- 2C. Customer Outreach Policy*
- 2D. Launch a Water System Informational Website for Public Access*
- 2E. Improve Customer Communication*
- 2F. Improve Operations Staff Customer Interaction Training*

Strategic Goal No. 3 – Provide the Organizational Capacity and Technology to Achieve the Strategic Goals

Ensure the District has sufficient qualified and trained staff to operate and maintain the water system to achieve the strategic goals and customer expectations.

- 3A. Maintain a Water System Staffing Succession Plan
- 3B. Continuous Improvement Policy
- 3C. Knowledge Retention & Transfer Program
- 3D. Employee Retention and Advancement Program
- 3E. Employee Certification and Training Program
- 3F. Employee Internal Education Program
- 3G. Employee Health and Safety Program

Strategic Goal No. 4 – Improve Water System Operations to Efficiently Provide Water Service

Develop and Implement Level of Service and Operational Performance Metrics, with input from Stakeholders, to continuously improve operations.

- 4A. Operations Performance Goals & Metrics
- 4B. Document Operational Procedures
- 4C. Preventive Maintenance Program
- 4D. Emergency Response Procedures
- 4E. Improve Fire Protection Capabilities
- 4F. Improve Stand-by Power Capabilities
- 4G. Reduce O&M Costs per MG

Strategic Goal No. 5 – Provide Financial Viability and Rate Stabilization

Provide the financial integrity and budget management effectiveness to achieve the strategic goals.

- 5A. Strategic Business Plan
- 5B. Fixed Asset Registry Integrated with the District's Asset Management Program
- 5C. Capital Replacement Fund
- 5D. Emergency Response Reserve
- 5E. Low-Income Assistance Program
- 5F. Debt Service Coverage Requirement and Rate Stabilization Fund
- 5G. Rate Affordability Analyses and Program

Strategic Goal No. 6 – Maintain or Improve the Condition and Level of Service of the Water System Facilities and Assets

Adopt a continuous facility and asset condition assessment and replacement program to cost-effectively maximize the useful life of all water system facilities and equipment.

- 6A. Five-Year Water Master Plan
- 6B. Asset Management Program
- 6C. Asset Renewal Forecast Plan
- 6D. Tank Inspection, Cleaning, and Safety Improvement Program
- 6E. Pump Testing, Inspection, and Replacement Program
- 6F. Water Treatment Performance Improvement Program
- 6G. Main Renewal and Replacement Program
- 6H. Electrical Equipment Testing, Inspection, and Replacement Program
- 6I. Water System Planning Criteria

Strategic Goal No. 7 – Adopt a Risk and Resilience Management Policy

Establish the acceptable risk and resilience levels, with stakeholder engagement, for potential threats/hazards exposure to the water system including water service recovery based on projected consequences of operational impacts and asset failures.

- 7A. Risk Management Program
- 7B. Utility Resiliency and Recovery Program
- 7C. Risk-Based Project Prioritization Process
- 7D. Information Technology and Document Protection and Recovery Program
- 7E. Consequence of Failure and Asset Criticality Assessment Program
- 7F. Water System Threat/Hazard Vulnerability Assessment Program

Strategic Goal No. 8 – Adopt an Environmental Compliance, Protection, and Sustainability Policy

Foster the scenic values, environmental qualities, native vegetation, fish and wildlife, and recreation on the Monterey Peninsula and in the Carmel River Basin.

- 8A. Incorporate System Operations into District's Carmel River Mitigation Program under its Environmental Resources Division
- 8B. Continue to engage California Department of Fish and Wildlife (CDFW) and National Marine Fisheries Service (NMFS) in Quarterly Water Budget Planning and Low-Flow Memorandum Compliance
- 8C. Continue Public Engagement with Quarterly Carmel River Task Force Stakeholder Meetings (District, CDFW, NMFS, Carmel River Advisory Committee, Carmel River Watershed Conservancy, Carmel River Steelhead Association, Coastal Conservancy, US Fish and Wildlife Service, Big Sur Land Trust, Monterey Peninsula Regional Park District)

Strategic Goal No. 9 – Provide Sustainable Long-Term Water Supply Adequacy

Augment the water supply through integrated development and management of ground water, surface water, reclaimed waste and storm water, and desalination water resources

- 9A. Complete and adopt the 5-Year Urban Water Management Plan (UWMP) required by CA DWR
- 9B. Secure reliable long-term water supplies to meet the full build-out and growth of the Peninsula's community as defined in the combined Peninsula Municipalities' General Plans
- 9C. Reduce water loss to exceed the AWWA 75th Benchmarks designated in the 2018 Utility Benchmarking Study
- 9D. Implement conservation measures tied to the state drought designation including adopting conservation water rate.
- 9E. Continued Participation on Seaside Groundwater Basin Watermaster

Strategic Goal No. 10 – Adopt a Policy of Water System Management and Operational Transparency and Stakeholder Engagement

Manage and operate the water system in a cost-effective and efficient manner to achieve the strategic goals and level of service accepted, understood, with input from all Community Stakeholders.

- 10A. Stakeholder Management Program
- 10B. Public Communications Program
- 10C. Public Outreach and Involvement Program
- 10D. Customer Water System Education Program

5.3. Water Operations Administrative and Management Policies

In the Governance Section 3.4 above, the District Board and management Team have the responsibility and authority to develop and adopt operations and management policies, procedures, strategic goals, and performance metrics necessary to provide oversight of the water system operation. As indicated in the Transition Plan Section 2.10, the District upon assuming ownership and operational responsibility of the water system, will initially maintain the current Cal-Am management and operational activities, policies, procedures, and practices for one year to provide a smooth transition of the water system operation.

During this initial 12-month transition period, the District shall conduct a management and operational assessment of the current management policies and procedures, operational activities and workplans, and maintenance practices. The goal is to assess the efficiency and overall customer service of the water system operation as a basis to update, revise, or develop written strategic goals, management policies, standard operating procedures, performance metrics and other documents in accordance with the District's current policies and procedures and AWWA Standards.

A list of anticipated policies and procedures are listed in Appendix 15-1 by Department and Operational Function.

5.4. Operations Level of Service Standards and Performance Metrics

AWWA Standards G400 and G410 state to meet these standards that the water utility must have written procedures and performance standards. During the initial 12-month operational assessment effort, the District plans to use the latest version of the AWWA Utility Benchmarking Report as an initial performance indicator to compare current operational practices and performance. However, in that initial 12-month assessment the District has no intention to operate the system any differently than then-current Cal-Am operations and certainly do not intend to adopt a level of service lower than Cal-Am's.

Because the District has not been provided access to current Cal-Am operations, strategic goals, or LOS standards there may appear to be stated objectives of the Operations Plan which may suggest a change in operations will occur. That is not the intent and, where a potential conflict in this Plan and current practice appears, the reader should assume a continuation of CURRENT operations will be maintained for at least the first year under District ownership. After experiencing current operations for a period of time, any changes desired will be subject to future discretion of the District.

The AWWA Utility Benchmarking data is based on an annual survey of water and wastewater utilities across the country and the performance indicators are summarized and presented in three measurements, 75th, Median, and 25th percentile of utilities that responded. The District will use the Median percentile as the basis for assessing acceptable performance with a goal of achieving the 75th percentile or greater for each performance metric.

Example Indicator: MGD of Water Produced Per Employee (ADD/FTE)

- 75th Percentile – 0.26 MGD
- Median – 0.19 MGD
- 25th Percentile – 0.14 MGD
- Cal-Am 2018 – $(3,016 \text{ MG}/365)/82 \text{ Employees} = 0.1 \text{ MGD}$ Below the 25th Percentile. At Median percentile – 43.5 FTEs

Operations Level of Service and Performance Metrics

Customer Service:

- 1.5 Total # of Customer Complaints per 1000 Customers per Month – (~60 Complaints)
- 1 Technical Service Complaint per 1000 Customers per Month – (~40 Complaints)
- 1.5 Meter Reading Errors per 10,000 accounts per Year – (~6 Meter Reading Errors per year)

Water Quality:

- 100% Water Quality Regulatory Compliance per Year
- Zero Water Quality Violations per Year
- 1 Secondary Contaminant Public Notification per Year
- Zero Boil Orders per year
- 1 Non-Violation Treatment Facility Shutdown due to Water Quality per Year

Employee Health, Safety, & Training:

- 60 Total Hours of Operations Training per FTE per Year
- 24 Hours of Safety Training per FTE per Year
- 5 Reportable Injury Accidents per Year
- 2 Vehicle Accidents per Year
- 24 Hours of Emergency Response Training per FTE per Year
- 5 Hours of Emergency Response Readiness Training per FTE per Year

Water Service Interruptions:

- Planned Service Outages Less than 4 Hours – 0.9 per 1000 customers – (~36 per year)
- Planned Service Outages of 4 – 12 Hours – 0.2 per 1000 customers – (~8 per year)
- No Planned Service Outages over 12 Hours
- Unscheduled Service Outages Less than 4 Hours – 0.8 per 1000 customers – (~ 32 per Year)
- Unscheduled Service Outages of 4 – 12 Hours – 0.25 per 1000 customers – (~10 per year)
- Unscheduled Service over 12 Hours – 0.01 per 1000 customers – (~ 0.4 Annual Average or Maximum 1 per year)
- Average Service Outage Time – 4 Hours
- Maximum # of Total Outages – 3 per 1000 customers per year – (~120 outages per year)
- No Commercial Customer out of water for longer than 8 Hours
- Average # of Customers Out of Service per Outage – 10
- Maximum # of Customers Out of Service During an Outage – 20 (0.05%)
- No Hospital, First Responder Facility, Military, or Government Facility Service Interruptions – (Redundancy)

Water Loss:

- Annual Water Loss less than 5% of total production per year
- Infrastructure Leak Index (ILI) of 1.5 or Less
- Annual Completion of the AWWA Water Audit Analysis
- Annual Water Loss from Water Operation & Maintenance – 0.3% of total annual water production – (~10 MG)

Operation and Maintenance:

- O&M Cost per MG - \$2,700/MG

- O&M Cost per Customer - \$400/Customer
- O&M Cost per 100 Miles of Pipe - \$2.5 Million per 100 miles per Year
- Average of 5 after-hours call-out per month
- 50 Percent of Program Maintenance of Total Maintenance Cost
- 60 Percent of Facility Maintenance of Total Maintenance Cost
- 40 Percent of Distribution (Buried/Linear Assets) Maintenance of Total Maintenance Cost
- 90 Percent of Program Maintenance Work Orders Completed within 40 hours of issuance
- 75 Percent of Unscheduled Maintenance Completed within 24 Hours
- 20 Percent of all Distribution System Valve Exercised per Year – (~ 2,650 Valves per year)
- Average # of Days to repair or replace inoperable valve or broken valve stem – 5 business days
- 20 percent of all Hydrants inspected and flow tested per Year
- Maximum of 1 percent of all hydrants inspected inoperable per year
- 24 Hour Notification of Appropriate Fire Department or Agency
- Average # of Days to repair or replace inoperable hydrant once detected – 5 business days
- 100 Percent of all Pumps inspected and tested per year
- 25 Percent of all Pumps taken out of service for longer than 6 hours, once per year for inspection, program maintenance, or replacement.
- Maximum of 5 Pumps out of service due to unscheduled maintenance or inoperable per year – (~ 3%)
- Average of 6 Main Breaks per 100 Miles per year
- Average of 10 Main Leaks per 100 Miles per year
- Average of 15 Breaks/leaks per 100 Miles per year
- Average response time and shut-down from reported break/leak notification – 1 hour
- 20 Percent of Mains flushed per year – (~125 miles)

Asset Renewal and Capital Improvements:

- 90 Percent of Planned Capital Projects/Improvements Completed per year
- Water Main Renewal Rate of 1%-2% per year based on a pipe renewal forecast using AWWA M77 methodology – (~6-12 Miles per year)
- Service Line Renewal Rate of 3%-5% per Year – (~1200-2000 services per year)
- 20 Percent of all Assets completed condition assessments – (~ 700 Assets per year)
- Maximum 1 Percent Equipment Failure Rate per year – (~350 Equipment “Failures” based on definition of failure for each asset class)

5.5. Stakeholder and Agency Communication & Outreach

A key District strategic goal is to improve transparency and engagement of all stakeholders in the challenges facing the community water system and solicit their input as to the District's

plans and priorities including level of service expectations and costs/rates associated with those expectations and priorities.

To achieve stakeholder understanding and acceptance the Districts will implement a comprehensive outreach program to connect with the various community, county, state, and federal stakeholders and resource agencies. The following are, but not limited to, anticipated stakeholders that the District wants to build relationships with regarding the water system operation:

[Resource Agencies](#)

In addition to the regular stakeholder meetings described under Strategic Goal No. 8 above, the goal is to hold bi-annual meetings with key local, state, and federal resource agencies to discuss pending issues and the District's plans. One public workshop with representatives from some of the key agencies is anticipated to be held annually to jointly present current and future regulatory issues to stakeholders.

- State Water Resources Control Board (SWRCB)
- Department of Water Resources (DWR)
- Environmental Protection Agency (EPA) Region 9
- California EPA
- California Coastal Commission
- California Fish and Game
- US Fish and Wildlife

Level of Service Metric – Prepare and Maintain a Regulatory Agency Management Plan

Level of Service Metric - Conduct Regularly Scheduled Meetings and Communications with Regulatory Agencies

Level of Service Metric- Post all current permits and regulations on the Public Website and provide a link to each agency.

[Local Municipalities and Agencies](#)

The goal is to quarterly meetings with local cities and agencies to discuss pending issues city priorities and the District's plans including collaboration on capital improvements, emergency response coordination, and District policy and procedures. Issues would include coordination of the cities' general plans with the District's Water Master Plan, water service expansion, business and economic development support, and other inter-agency coordination.

- County of Monterey
- City of Monterey
- City of Pacific Grove
- City of Carmel
- City of Seaside
- City of Carmel by the Sea

- City of Del Rey Oaks
- City of Sand City
- Monterey One Water
- Carmel Area Wastewater District
- Monterey Peninsula Airport District
- Fire Districts or Agencies

Level of Service Metric – Establish and document meeting objectives and priorities with each city and public agency and schedule the quarterly meetings.

Level of Service Metric – Establish protocols for coordination for integrating the city or agency general/master plans with the District's Water System Master Plan.

Level of Service Metric – Develop and implement a procedure for review and approval of general construction, developer project, and service extensions between each city/agency and the District.

[Business and Developer Stakeholders](#)

The business communities in each city and municipality have considerable interest in the District's operational and construction project plans in their respective community. The District's support of commercial economic growth and residential development expansion and the District's priorities forecast in the Water System Master Plan. The District's communication and outreach plan provides for routine attendance at Chamber of Commerce and developer group meetings and conducting bi-annual workshops with these groups. Regular presentations to the government affairs committees of the Coalition of Peninsula Businesses and the Monterey County Association of Realtors will be made.

Level of Service Metric – Establish objectives and priorities with appropriate business organizations and a forum for developers to provide information on potential future development and impacts with the water system to accommodate such expansion.

Level of Service Metric – Assign a District point of contact for the business community and developers. Identify and schedule attendance at business association meetings and developer forum/workshops.

[Environmental Groups](#)

The District's stewardship of the environmental resources and habitat on the Monterey Peninsula is of great interest by local, regional, state, and national environmental groups. The District will provide specific information on its website with links to each of the environmental groups. A goal is to periodically attend the various group/association meetings, or conference calls and to conduct an annual environmental association workshop to present the District's

plans to protect and monitor receiving water quality, environmental habitat, fisheries, and other resources present on the peninsula.

Some of the environmental associations and groups that the District will provide outreach to are:

- Carmel River Steelhead Association (CRSA)
- Big Sur Land Trust
- Nature Conservancy
- Carmel River Watershed Conservancy
- Surf Rider Foundation
- Sierra Club

Level of Service Metric – Identify and contact interested environmental associations and groups and create an outreach plan.

Level of Service Metric – Meet with each identified group to understand their objectives and priorities as it pertains to the water system.

Level of Service Metric – Create and maintain a section in the water system website for environmental issues and related environmental groups including a link to each of their websites.

[Public Advocate and Community Group/ General Public Stakeholders](#)

There are various public and community groups in support and opposing the District on a number of water-related issues that its responsible for. To improve public transparency and engage the community to educate and inform them of regulatory issues, improvement plans, and active construction projects the District will create and maintain a water system website for the public.

The website will include information regarding the water system configuration, water consumption, supply, demand forecasts, system improvement plans, and construction project locations and status. The webpage will be updated at a minimum once a month and include a schedule of upcoming workshops and public outreach activities.

Key documents will be made publicly available, including rate studies, capital improvement plans, budgets, and annual financial statements.

Level of Service Metric - Create and maintain a Stakeholder Management Plan.

Level of Service Metric - Adopt a Public Communications Plan and procedures that address the methods for communicating issues specific for each department and public outreach approach to solicit comments and priorities from stakeholders

Level of Service Metric – Develop and maintain a water system website for public access that includes a water education section on various topics.

6. Planning Process & Criteria

To achieve the strategic goals and level of service standards (LOS) outlined in the previous section, the District shall initially maintain Cal-Am's existing planning methodology and criteria that will be reviewed during the initial 12-month transition operational assessment phase as described in Section 2 above. Based on the understanding of the Cal-Am planning approach, the District has summarized below the planning process and criteria that is anticipated to be adopted under District ownership.

6.1. Planning Process

A Water Master Plan (WMP) will provide a comprehensive analysis of the operation and regulatory compliance of the Monterey Peninsula Water System over a 20-year planning horizon. The objective is to forecast the operation, maintenance, asset management and renewal, and capital improvement needs to meet or exceed the LOS standards adopted by the District that provides reliable, safe, and affordable water service to the Monterey community.

The planned improvements to operational practices, preventive maintenance programs, asset condition assessment and renewal forecasting, and a 20-year capital improvement plan to meet residential, commercial, government/public, and industrial water demands, provide adequate fire protection, meet or exceed all state and federal regulatory requirements, and to protect the environmental resources on the peninsula. The recommended operation, maintenance, asset management, and capital projects will be prioritized and summarized in 5-year, 10-year, and 20-year planning periods.

The master plan will be a “living” document that is reviewed and updated annually with revisions documented as an appendix to the report. After five years, a complete update of the master plan will be prepared incorporating the annual updates and extending the 20-year planning horizon. Service extensions, capacity analyses, development plans, and other technical reviews during the year will also be included as appendices to the master plan.

The WMP is an integrated risk-based assessment process that balances the water supply and system capacity current and future needs with the regulatory compliance requirements, asset condition and renewal forecasts, operational and maintenance impacts, environmental impacts, and long-term affordability. Recommended projects, both construction and operational, shall be prioritized using a weighted risk-based “triple bottom line” type of methodology.

The intended use of the WMP is to provide the District Board and management team with the information necessary to make informed business decisions including business and operational processes, customer service and staffing needs, capital improvement projects, and financial and rate impacts.

6.2. Population and Customer Demand Forecasts

The water master plan will incorporate the general or comprehensive plans adopted by the cities, county, and regional planning agencies as the basis for forecasting water demands over the 20-year horizon. The general plans include land use, population and density projections, economic and employment forecasts (local and regional), commercial and industrial expansion, tourism growth, traffic impacts, and environmental/sustainability goals. This data and other planning information shall be incorporated into the GIS system and maintained to provide historical trends of these planning attributes.

Population and customer historical demand data will be used along with the 5, 10, and 20-year population and other general plan attributes to forecast future water supply needs and customer demands. Typically, 10-year historical peak customer demand data is used for peak supply planning, however, for baseline current demand more recent data can be used. Historical data can also be normalized by the water year designation: extremely wet, wet, normal, dry, and extremely dry water years. Historical demand trends by water year will also be performed to consider adjustments to future demand projections.

Climate change impacts will be assessed based on national weather data specific to the Monterey region to project the probability and severity of droughts, major storm events, and even local micro-burst rainfall conditions. A statistical analysis providing a 95 percent confidence level for demand projections, by customer class, incorporates the historical, water year and climate impacts, and general planning data will be the basis for assessing the water supply and system capacity needs over the 20-year horizon and build-out.

Table 6.1: Peaking Factors for Planning Purposes

Planning Demand Criteria	Peaking Factor from ADD
Minimum Day Demand (Min DD)	0.5
Average Day Demand (ADD)	1.0
Maximum Day Demand (MDD) – System Wide	1.5
Maximum Day Demand (MDD) – Upper Pressure Zones	1.75
Peak Hour Demand (PHD) – System Wide	3.0
Peak Hour Demand (PHD) – Upper Pressure Zones	3.5

A current analysis and demand forecast are summarized in Section 8 of this report.

6.3. Sustainable Water Supply & Quality

The Monterey Peninsula community expects the District to have sustainable water supplies to meet current and future demands, in normal conditions and in extreme or emergency conditions. The lead time to develop and construct additional water supplies can be considerable. The District has adopted a policy to develop and maintain a forecasted twenty-

year water supply, in service, to meet the future community needs. Maintaining projected in-service water resources provides the community of reliable water supply and reserves to meet extended drought and emergency conditions.

The location of the District's diverse existing and future water supplies are distributed around the Peninsula as described in Section 7 of this report. Having a 20-year water supply reserve along with adequate distribution storage provides increased flexibility to maximize conjunctive use operational practices, and minimize local water service interruptions due to extended emergencies.

The District's long-term goal is to eliminate the pumping of the Carmel River underflow from the lower Carmel Valley wells to protect and restore the environmental habitat and fisheries. To replace that supply in the near term, the District will expand the use of reclaimed water and groundwater injection in the Seaside basin. Long-term, in approximately 30 years, a small desalination plant may be constructed to meet future build-out demands, if needed. A detailed description of the District's water supply development plan is discussed in Section 7 below.

The water quality delivered to customers is equally important as having sufficient water supply capacity to meet demands. The water quality priorities for operating the system is 100 percent compliance with all primary and secondary water quality Maximum Contaminant Levels (MCLs) regulated by the state and federal agencies.

The District's Strategic Goal No. 1 – Improve Water Quality, as summarized in Chapter 5 above, is to strive to reduce all detected contaminants, even those below the MCL, in the raw water sources to non-detectable levels in the water delivered to customers. The Water Master Plan will evaluate the impacts of all potential new contaminants that may be promulgated within the 10-year planning horizon. Recommended solutions and projects will be identified within the 5 & 10-year planning periods, even if it becomes a regulated contaminant in that timeframe.

Any production facilities, wells, or treatment plants that a finished water detection of a primary or secondary contaminant that reaches 90 percent of the MCL will be evaluated in the master plan to compare treatment or source replacement alternatives to be implemented within the 5-year planning period.

The presence of microbial contaminants, bacteria, and viruses in water systems is the primary purpose for disinfection of raw water in the production process prior to the first customer in the distribution system. Surface water or groundwater under direct influence of surface water are required to provide a 4-log inactivation of viruses prior to the first water connection and maintain a 0.2 mg/L chlorine residual through-out the distribution system. Groundwater sources currently are not required to maintain a 0.2 mg/L residual; however, EPA has been considering the adoption of a Groundwater Rule that would require it. The District will adopt the water industry best practice of achieving a 4-log inactivation of viruses and maintaining a minimum 0.2 mg/L residual in the distribution system.

To provide a 4-log inactivation each production facility, well, or treatment plant must feed a disinfectant, chlorine or sodium hypochlorite, at a sufficient concentration for a long enough contact time in the discharge piping before the first connection. The following is a brief overview of the “Chlorine Contact Time” or CT value verification method.

4 - Log inactivation is based on the **Delivered Dose, “Ct”**

“**C**” is the disinfectant residual (mg/L)

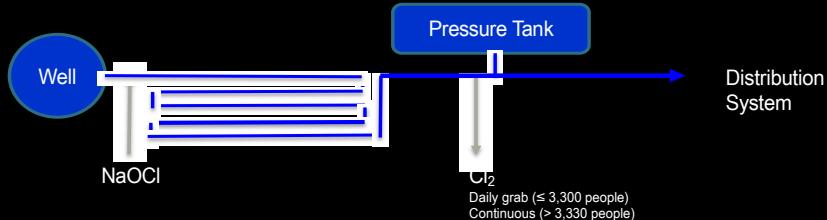
“**t**” is the exposure or contact time (minutes)

Multiply them:

$C \cdot t = \text{mg/L} \cdot \text{min (delivered dose)}$

The calculated **Ct** value is looked up in **EPA Ct** tables to determine the log inactivation based on specific monitoring parameters (pH, disinfectant residual and/or temperature).

Calculating **Ct** and Log Inactivation Pipeline Contactor



Distribution system water quality is an increasing concern and focus within the water industry. Aging distribution mains, tanks, and other assets especially unlined metallic pipes have deteriorated due to internal corrosion creating sediment that collects in pipes and storage tanks. Unlined metallic assets in contact with chlorinated distribution water releases carbon compounds in the sediment that absorbs the chlorine in the water reducing the residual in the water system. Surface water or groundwater have organic material that is measured by the Total Organic Compound (TOC) levels adding to the carbon content in the distribution system.

To minimize the internal corrosion of unlined metallic pipes, the District will dose finished water with a corrosion inhibitor, such as zinc orthophosphate, that coats the metallic surfaces reducing the deterioration of the pipes. The corrosion inhibitor provides other benefits such as

reducing the corrosion of customer's internal copper piping helping minimize the lead and copper levels that leach into the potable water delivered. The reduction in corrosion potential in the distribution water also extends the service or useful life of the water pipes minimizing main and service line leaks and breaks.

There must be assured a balancing of providing adequate disinfection of water for microbial protection versus increasing the formation of disinfection by-products, Trihalomethanes (THMs) and Haloacetic Acids (HAAs), that are known carcinogens with prolonged exposure. Disinfection by-products are formed through chlorine contact with primarily highly organic content (TOC) that is slightly acidic (pH), bromide ion concentration, and elevated temperatures.

Increasing chlorine residual in the system, although beneficial for microbial control such as biofilm bacteria that can form on the walls of unlined metallic pipe, also increases the formation of disinfection by-products. The use of corrosion inhibitor reduces the carbon content minimizing the loss of chlorine residual resulting in lower chlorine dosing at the source resulting in lower disinfection by-product levels.

The growth of biofilm bacteria in distribution piping systems is prevalent in systems that have unlined metallic pipe materials. The presence of organic material and carbon compounds that reduce the chlorine residual in the water allows for the growth of bacteria along the walls of the pipe. To prevent biofilm bacteria contamination, the District will analyze the water system operation for age of water to identify areas of the system that have low demands, poor circulation (lack of pipe looping), and dead-end mains.

Routine water quality testing of the distribution, especially in known "hot spots" by taking Heterotrophic Plate Counts (HPC) samples daily through-out the service area. There is no MCL for HPC levels, however HPC levels above 500 Colony-Forming Units (CFU)/mL is a threshold of a potential biofilm problem. The District's goal will be to maintain HPC levels at 10 CFU/mL or lower. A HPC sampling survey will be conducted as part of the master plan to establish a CPU/mL baseline for the distribution system. A HPC testing database shall be maintained with "hot spots" highlighted in the GIS system.

Included in the planning criteria for assessing the water quality of the system are thresholds/indicators that identify potential impacts that require further evaluation. The key indicators are:

- 90% detection of the MCL for any primary or secondary regulated contaminant in finished water
- Calculated "Ct" values of 90% of the EPA required Ct requirements to achieve a 4-log inactivation of viruses
- Portions of the distribution piping system that have age of water projections greater than 7 days
- Portions of the distribution system that routinely have HPC levels above 100 CPU/mL or an increase above baseline levels of 20% or more within one quarter timeframe

- Portions of the distribution system that chlorine residual decreases below 0.3 mg/L or drops by more than 50% from the average chlorine residual from active production facilities.
- 80% detection of the MCL for disinfection by-products in portions of the distribution system
- Shutdown of any production or treatment facility due to treatment process or water quality problem
- 10% annual Increase in raw water detected contaminants from any source

6.4. Production and Distribution Facility Capacity Assessment and Reliability

To meet maximum day customer demands the District will have sufficient well production and treatment capacity to deliver potable drinking water throughout the service area. Compliance with California Title 22 requires that the water system shall have adequate capacity to meet Maximum Day Demands (MDD) at all times in every pressure zone.

The water system is also required to meet 4-hours of Peak Hour Demand (PHD) in all pressure zones with consideration of the total combined capacity from water sources or pumped sources, storage capacity, and any interconnections (which can be between pressure zones). These requirements shall be met including redundancy criteria, the largest well, pump, or PRV out of service that supplies that pressure zone.

For planning purposes, the District's long-term goal will be to provide sufficient water source, booster pump, and storage capacity to meet 110 percent of the Title 22 requirements (see below) in each pressure zone and the entire water system.

The production from wells degrades over time due to deterioration of the well casing and screen, sand and fines compacting around the screen and the gravels within the cone of depression, iron bacteria growth, and pump capacity. The water system has historically experienced an annual loss of well capacity of approximately 3 percent overall. In determining the well source capacity over the planning horizons (5, 10, 20 years) the annual loss of well capacity shall be accounted for in the capacity projections. Annual well capacity data shall be maintained for each well to evaluate the actual capacity reduction compared to forecasted capacity.

Wells that are treated for removal of contaminants (e.g. iron, manganese, hydrogen sulfide, arsenic) at water treatment facilities shall be limited to the reliable treatment facility capacity. The Monterey system treatment facilities all include the use of pressure filters (with exception to the Ord Grove facility), either for removal of oxidized precipitate or absorption of soluble contaminants. The reliable treatment capacity for these facilities is determined based on the largest filter out of service and 90 percent of the permitted hydraulic loading on the remaining filters. For facilities that treat groundwater from one well source do not require redundant filters if the service area it serves has alternate/redundant water sources and production capacity to comply with Title 22.

As discussed in Sections 9 and 12 below, the Upper Carmel Valley wells have good water quality and only require chemical treatment for disinfection (4-log inactivation of viruses), pH adjustment/stabilization, and corrosion inhibitor to protect deterioration of unlined metallic mains to prevent dirty water and bio-film bacteria from forming as well corrosion of customer's copper pipes with lead joints to comply with the lead and copper regulations. The Upper CV wells have a capacity of 2.53 MGD, however these wells cannot be operated during summer months to maintain river flows in the Carmel River and cannot be included as available source to meet Title 22 regulations.

The Lower Carmel Valley wells have naturally occurring soluble iron and manganese present in the groundwater and are treated at the Begonia Iron Removal Plant (BIRP). The lower Carmel Valley aquifer water quality has an elevated level of Total Organic Carbon (TOC) that creates an environment with the presence of iron for the formation of iron bacteria growth in the well screens and casings. Routine maintenance of the wells is necessary to minimize the loss of capacity from the Lower CV wells. The BIRP removes the iron and manganese from the raw water via the dosing of sodium hypochlorite chemical treatment to oxidize the contaminants and absorption of remaining soluble iron and manganese in the greensand pressure filters. Potassium Permanganate is fed to recharge the greensand filters. Caustic Soda and Zinc Orthophosphate is fed post filtration for pH adjustment and corrosion control.

Treatment facilities that remove arsenic from the groundwater typically use ferric chloride to oxidize the arsenic prior to filtration.

The reliable capacity of the BIRP and other water treatment facilities are dependent on the total well capacity with the largest well out of service, total hydraulic capacity with the largest filter out of service and 90 percent of the remaining filter hydraulic loading, and reliable capacity of each chemical feed system. Smaller water treatment facilities that only have two pressure filters, the reliable plant capacities are limited to 75 percent of the rated hydraulic loading of the one remaining filter with the largest filter out of service. This is to account for the reduction in production due to filter backwashing when the other filter is out service, particularly during media replacement.

Liquid chemical storage capacity shall be a minimum of 30 days of plant maximum day demand and day tank storage equivalent to 5 days of the plant maximum day demand. Redundant chemical feed or metering pumps are required to feed the plant maximum day demand with the largest pump out of service. Redundant chemical feed lines, injectors, and chemical feed booster pumps are required.

Dry chemical feed systems, potassium permanganate, and on-site sodium hypochlorite generators shall have a minimum of 30 days of plant dry storage. A dry chemical feed hopper storage and day tank storage shall have a minimum of 5 days of plant maximum demand. Redundant chemical mixers, feed/booster pumps, and chemical feed lines/injectors are required to meet the plant maximum day demand.

Wells that have on-site chlorine or sodium hypochlorite generators shall have 30 days of salt storage capacity with a day tank storage of a minimum of 5 days of well pumping capacity. Redundant chemical booster pumps, chemical feed lines, and injectors are required. The chlorine/sodium hypochlorite generator and booster pumps shall have 115 percent of the maximum day chemical demand.

All liquid chemical storage tanks, including day tanks shall have chemical spill containment of 110 percent of the total maximum chemical storage on-site. All chemical feed equipment shall be located within the spill containment area. Chemical spill containment shall be provided at all chemical supply delivery locations including chemical supply trucks. Chemical feed lines shall be dual-wall for spill prevention, and injectors shall have spill containment with equivalent of 12 hours of maximum chemical feed rates. All spill containment areas shall have spill detection devices connected to the SCADA system. Proper wall separation of chemicals, especially acids and bases, and separate spill containment areas for each chemical is required for safety protection.

The reliable capacity of all treatment facilities is dependent on the reliability of incoming electrical service, electrical equipment (MCC or switchgear), and the reliability of the discharge pipe lines. All treatment facilities shall be equipped with on-site permanent emergency generators and automatic transfer switches, or smaller facilities shall, at a minimum, have manual transfer switches with electrical quick-disconnections for portable emergency generators. If a well or treatment facility does not have emergency generator capabilities, it will not be included in the overall reliable production capacity.

Where reasonably feasible, redundant process and discharge piping shall be installed sufficient to convey the maximum capacity of the facility. Determination of which facilities are recommended to have redundant piping systems will be based upon a comprehensive facility/asset criticality assessment.

6.5. Distribution Water Storage Capacity Assessment and Reliability

Adequate distribution storage capacity is required to supply the maximum day demand, peak hour demand, fire flow storage volume, and dead storage in each pressure zone. The Monterey water system has 74 pressure zones, of which 14 pressure zones are supplied solely from pressure Reducing Valve (PRV) stations. Distribution storage capacity in pressure zones that supply the PRV zones are required to meet the storage requirements for both the zone the tank(s) are located and the PRV zone(s) it supplies.

The Monterey water system has historically experienced multiple consecutive maximum day demand periods of 3 to 4 days. To meet this multiple maximum day events, storage tanks should have the ability to refill the entire pressure zone capacity within 8 hours to have the tanks full at the start of the next day. The actual refill rate required will be determined based on the diurnal demands in each pressure zone during a maximum day event. If there is insufficient hydraulic capacity to refill the tanks within the required refill period, then additional storage or

pumping/pipeline capacity shall be provided. In the alternative, if staff can demonstrate that current operations provides sufficient protection for multiple maximum day events, this standard can be reduced.

The long-term goal will be to have adequate storage capacity to meet a 110 percent of consecutive 4-day maximum day event in each pressure zone. In the main or gravity pressure zone, the long-term goal is to have 5-days of maximum day demand storage capacity for the entire system to meet both multiple maximum day demand events and to have reserve capacity during an emergency or extended power outage as the Monterey water system does not have sufficient interconnections with other water systems capable of supporting the Monterey Peninsula customers.

Upper pressure zones supplied by pump stations from the lower pressure zone must have 120 percent of the reliable capacity to meet the maximum demand and storage requirement for that upper zone. If a by-pass pipe is located at the pump stations(s) that service the upper zone, allowing stored water to be supplied back to the lower zone by gravity, then this additional storage requirement shall be accommodated in the upper zone. Excess storage in upper zones that have by-pass piping capabilities, can be considered in meeting the storage requirement for the lower zone.

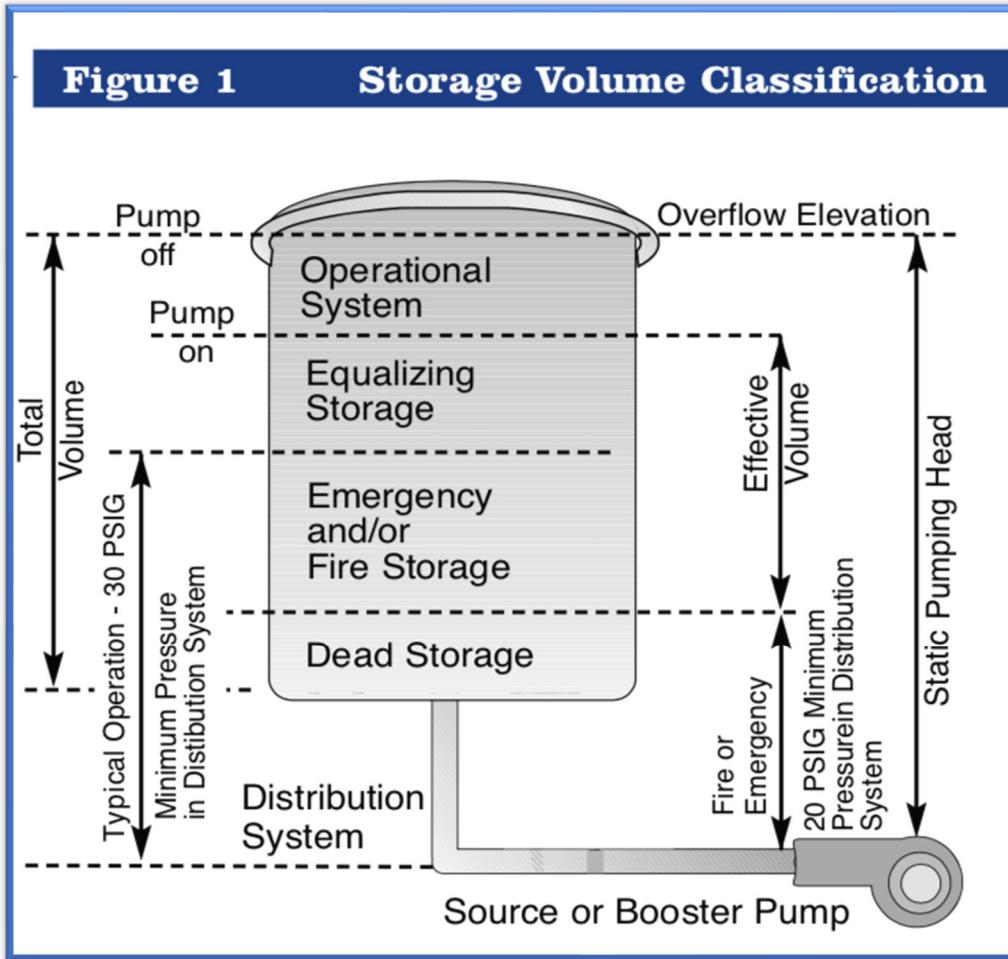
The reliable storage capacity in each zone is the total available storage in that zone with the largest tank out of service. Where feasible dual tanks at each tank site is the preferred approach to providing redundant storage capacity. Multiple distributed tanks serving a pressure zone are included in the reliable storage capacity provided that the remaining tank(s) can meet a single maximum day demand storage requirement and have the distribution piping capacity to deliver the demands and fire flows with a tank out of service.

If reliable storage capacity is unavailable in an upper pressure zone, then piping connections and other appurtenances for the connection and temporary storage tanks shall be provided to supply the pressure zone when a tank is taken out of service.

The capacity requirements for storage facilities that supply critical customers such as hospitals, first responder facilities, public emergency shelters, and other essential public buildings shall provide additional redundancy in the event of a major fire or emergency event.

The storage classifications are shown in the figure on the next page and are highlighted below:

- Operational Storage – Maximum Day Demand
- Equalizing Storage – Peak Hour Demand
- Fire Storage – Required Fire Flow for Designated Timeframe
- Dead Storage – Tank Level based on 20 psig in the Distribution System and the Volume Remaining in the Tank

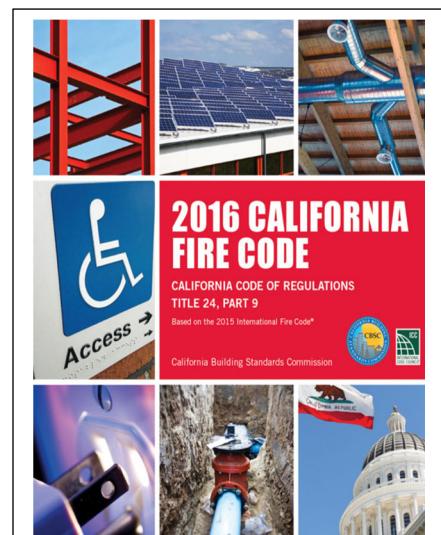


6.6. Fire Flow Requirements and Reliability

The District will coordinate with the local cities, fire agencies, and the county to review current fire flow conditions within their jurisdiction and to update requirements. However, fire flow requirements in the Monterey water system service area will not be less than the California Fire Code Regulations.

The District's long-term objective will be to coordinate with each city, fire department, and other jurisdictions to obtain a Insurance Services Office (ISO) Public Protection Classification (PPC) program, PPC-3001, rating of 5 or better.

Most U.S. insurers of home and business properties use ISO's PPC in calculating premiums. In general, the price of insurance in a community with a good PPC is lower than in a community with a poor PPC, assuming all other factors are equal. One of the



District's first missions upon taking ownership will be to confirm the system's ability to meet minimum fire flow requirements.

A community's PPC depends on:

- emergency communications systems, including facilities for the public to report fires, staffing, training, certification of telecommunicators, and facilities for dispatching fire departments
- the fire department, including equipment, staffing, training, and geographic deployment of fire companies
- the water supply system, including the inspection and flow testing of hydrants and a careful evaluation of the amount of available water compared with the amount needed to suppress fires
- community efforts to reduce the risk of fire, including fire prevention codes and enforcement, public fire safety education, and fire investigation programs

Table 6-2: Minimum Fire Flow Requirements

Customer Class	CA Fire Code ¹
Residential	< 3,600 Sq. Ft.
Low Density	1500 – 3000 GPM – 2 hours
Medium Density	1500 – 3000 GPM – 2 hours
High Density	1500 - 3000 GPM – 3 hours
Multi Family	2500 – 6000 GPM – 3 to 4 hours
Commercial	3500 – 8000 GPM – 3 to 4 hours
Public	3500 – 8000 GPM – 3 to 4 hours
Industrial	4000 – 8000 GPM - 4 hours
Hospital	4000 – 8000 GPM - 4 hours

1. Varies with footage of facility and construction type

6.7. Pump Station Capacity Assessment and Reliability

The Monterey water system has 65 pump stations (excluding production wells) directly supplying 58 pressure zones and 14 zones indirectly through Pressure Reducing Valve (PRV) stations. In general, each pump station shall be capable of supplying water from a lower zone to

meet Maximum Day Demands (MDD) of the upper zone. If multiple upper pressure zones are distributed, the pump stations shall have sufficient capacity to meet MDD of the total combined pressure zones with the largest pump out of service.

If multiple pump stations provide water to the same pressure zone(s), then the combined capacity of the stations shall meet the MDD with the largest pump out of service. Additionally, each pump station shall have sufficient capacity to meet the Average Day Demand (ADD) with the other pump station(s) out of service. Provisions to prevent high surge pressures and power outages shall be evaluated for all pump stations as part of the planning process.

Table 6-3: Pump Station Planning Criteria

Pump Station	Water System Assessment & Reliability Criteria	
Single Pressure Zone Capacity	Provide MDD in Pressure Zone with the Largest Pump Out of Service	Single PS, and does not include fire pumps
	Tank(s) Refill Rate – in 8 hours after being empty	
Multiple Pressure Zone Capacity	Provide combined MDD of all pressure zones with the largest pump out of service	Single PS, and does not include fire pumps
	Tank(s) Refill Rate – in 8 hours of all tanks in upper zones after being empty	
Multiple Pump Station Capacity	Provide MDD in Pressure Zone(s) with the largest pump out of service	
	Each pump station supplying the pressure zone(s) deliver ADD with other pump stations out of service	
	Sufficient pumping capacity to deliver the maximum fire flow required in the pressure zone(s) with the largest pump out of service	This includes any fire pumps
	Tank(s) Refill Rate – in 8 hours after being empty with the largest pump out of service	Does not include fire pump capacity
Surge/Water Hammer Protection	All pump stations that have a TDH of 250 ft. or greater (~108 psi) shall have a surge anticipator valve or surge tank to prevent peak transient pressures	This includes all pumps that have control valves on the discharge line
	All pumps with a TDH of 200 ft (~86 psi) or greater shall have soft start/stop motor starter or VFD	This does not apply to pressure zones with less than 50 customers
	All pumps that have a TDH of 100 – 200 ft. shall have pump control valves	
Emergency Power	All pump stations shall have either a permanent on-site generator with automatic transfer switch or electrical quick-disconnections for	Electrical quick-disconnectors and manual transfer switches shall be provided on all hydro-

	portable diesel generators with manual transfer switches	pneumatic and “grinder” pumping facilities
	Pressure Zone(s) with multiple pump stations – at least one PS shall have a permanent on-site generator	
	Pump Stations that supply multiple pressure zones shall have permanent on-site generators	This does not apply to multiple pressure zones that serve 50 customers combined
	All generators shall have a minimum of 12-hours of fuel storage at ADD. Main zone pump stations with generators shall have a minimum of 24 hours of fuel storage at ADD.	All portable generators shall have belly tanks with 12-hours of fuel capacity at the rated kW generator capacity
Pump and Asset Redundancy/Reliability	Redundant pumps to meet MDD with the largest pump out of service	
	If the average runtime cycle is less than 1 hour, consider adding smaller multiple pumps or VFDs	Average start/stop runtime of pump over 12-hour (typically ~ 6 am – 6 pm) period
	Critical assets in pump stations are electrical MCC and motor switchgear and suction/discharge headers. Consider dual/redundant suction and discharge headers	Consider dual electrical feeds, having motor starters on separate feeds or ability to use motor starters on alternate pumps
	Remote and/or upper pressure zones are impacted by seasonal demands. Minimum Day Demand is approximately 50% of ADD. To minimize loss of chlorine residual in these zones consider chlorine residual analyzers and sodium hypochlorite generators in critical pump stations	

6.8. Pressure Reducing Valve (PRV) Station Capacity Assessment and Reliability

The Monterey water system has 16 pressure reducing valve (PRV) stations that supply water to lower or intermediate zones as a result of the topographic configuration of the water system. Historically, PRV stations were utilized to either reduce high operating pressures to customers, increase customer operating pressures by connecting them to an upper zone, or for new customer service extensions.

The PRV stations can have 1 or multiple valves, some set at different operating pressures. Typically, the PRV stations are located underground installed in vaults, many in roadways or rights-of-way. The PRVs are hydraulically controlled diaphragm valves, usually CLA-Val, as most stations do not have electrical power. In general, the PRV stations are in precast concrete vaults with gravel bottoms for drainage, isolation valves, and PRV by-pass line to allow maintenance

to be performed. The PRV vaults are confined spaces, and access must comply with OSHA 29CFR 1910.146 regulations.

Example of a PRV Shown Below



Annual maintenance is required on the pressure reducing valves, as described in Chapter 12 below, to replace the diaphragm, seals, and pilot valves. Pressure settings are periodically adjusted for seasonal demand changes.

The PRV must have sufficient capacity to deliver the PHD flows to the pressure zone it supplies or the maximum fire flow required for the zone, whichever is greater. A PRV pressure zone shall have redundant valves to meet PHD with the largest PRV out of service. The PRV shall have the capacity range to deliver minimum daily flows up to PHD/fire flows, but the flow range cannot exceed 80% the maximum rated capacity of the valve, nor can the minimum or maximum pressure settings be set at the valve rated minimum/maximum pressure range. As stated in section 6.8 below, the PRV pressure settings cannot allow operating pressures in the zone to drop below 40 psig or exceed 90 psig.

6.9. Distribution System Main Capacity Assessment and Reliability

The capacity assessment and sizing of new and replacement mains shall be based on the Extended Period Simulation (EPS) hydraulic model. The model will include all 4-inch diameter

and larger pipes, with exception where smaller pipes are necessary for the configuration and connectivity. Diurnal usage curves will be developed for each pressure zone based on the SCADA system and field collected data. Hazen-Williams “C” Factor testing shall be performed on primary transmission mains and the remaining pipes shall use the values listed in Table 6-4, below.

Table 6-4: “C” Factor Criteria

Pipe Type	Hazen-Williams “C” Value
Unlined Metallic	100
Concrete	120
Cement Lined Cast Iron	110
PVC	130
Asbestos Cement	120
Existing Cement Lined Ductile Iron	110
Existing Cement Lined Welded Steel	110
Life-Cycle Planning Value for All New PVC Pipe	130
Life-Cycle Planning Value for All New Cement-Lined Metallic Pipe	120

Pipe nodes in the model shall be located at each pipe connection point, branch, and isolation valve. Wells, WTPs, tanks, pumps (with integrated pump curves, adjusted to reflect latest pump test), PRVs, and all fire hydrants shall be included in the hydraulic model. The long-term objective is to simulate the water system and integrate it with the asset registry in the GIS system.

ADD, MDD, PHD, and minimum day demands shall be developed for each pressure zone by meter route and adjusted for seasonal conditions. Customer demands shall be equally distributed on the model nodes based on customer class within each pressure zone. Model simulations shall be run for all demand parameters for current system conditions, 5, 10, and 20-year demand forecasts and emergency scenarios.

A 4-day consecutive MDD scenario shall be analyzed for all planning periods. Fire flow analyses shall be evaluated for each planning horizon under MDD conditions. Specific fire flow analyses will be performed at critical facilities, such as hospitals, medical facilities, first responder facilities, public emergency shelters, and other public building locations.

Age of water analyses shall be performed in all pressure zones over a 30-day simulation for all demand parameters and planning horizons.

Distribution system deficiencies will be identified based on the hydraulic model simulations as compared to the planning parameters listed in Table 6-5. Field verification of the identified deficiencies will be conducted where feasible.

Table 6-5: Distribution System Evaluation Criteria

Planning Parameter	Value	
Minimum Pressure (psi)	ADD	40
	MDD	40
	PHD	35
	MDD plus fire flow	20
Maximum Pressure (psi)		90
Design Pipeline Velocity (fps)	ADD & MDD	2-3
Maximum Desirable Pipeline Velocity (fps)	PHD; higher allowed during fire flow	5
Maximum Headloss	Pipe diameter < 16 inches	6 ft per 1000 ft
	Pipe diameter > 16 inches	2 ft per 1000 ft
Age of Water	Minimum Day Demand, ADD, MDD	Desired Maximum Age of Water in Tanks and Mains is 7 days
Pipe Sizes	Nominal Pipe Diameter, no longer use 10", 14" or 20" pipes for new or replacement. Minimum pipe size for new mains is 6-inch and 4-inch for replacement mains. Exceptions for use of 2-inch mains.	Min. 6-inch 8-inch 12-inch 16-inch 18-inch 22-inch 24-inch 30-inch 36-inch
Pipe Material	4" to 12" diameter	PVC Preferred unless near gas stations, fuel storage facilities, or in soils contaminated with hydrocarbon fluids/materials due permeation potential
	16" to 36" diameter	Ductile Iron Pipe (DIP) Preferred unless in highly corrosive soils, then Reinforced Concrete Pipe (RCP)
	Asbestos Cement, Cast Iron, Riveted Steel, and Galvanized Steel pipes will no longer be used.	

Planning Parameter	Value
	<ul style="list-style-type: none"> • Untreated sewage, • Primary or secondary treated sewage, • Disinfected secondary-2.2 recycled water, • Disinfected secondary-23 recycled water, • Hazardous fluids such as fuels, industrial wastes, chemicals and wastewater sludge.
Water Main Separation	<ul style="list-style-type: none"> • Disinfected tertiary recycled water, • Storm drainage, • Raw Drinking Water
	<p>8.3.1 If crossing a pipeline conveying a fluid listed above, a new or replacement water main shall be constructed no less than 45-degrees to and at least 2 feet above that pipeline. No connection joints shall be made in the water main within ten horizontal feet of the fluid pipeline.</p>
	<p>9.3.1 Water mains shall not be installed within 100 horizontal feet of the nearest edge of any sanitary landfill, wastewater disposal pond, stormwater retention pond, or hazardous waste disposal site, or within 25 horizontal feet of the nearest edge of any cesspool, septic tank, sewage leach field, seepage pit, underground hazardous material storage tank, or groundwater recharge project site.</p>
Water Main Looping & Isolation Valves	<p>Adequate looping of water mains and location of water mains</p>
Fire Hydrant	<p>Follow CA Fire Code Spacing Requirements, (see below), as reasonably feasible</p>
	<p>Maximum hydrant spacing is 750 Feet</p>

Planning Parameter	Value
Air-Release (AR), Air Vacuum (AV), & Combination Valves	All wells shall have AR and AV or combination valves on the pump discharge. All highpoints in the distribution system mains that have the potential of air accumulation shall have AR and AV valves. Based on specific surge analyses, AR and AV valves shall be installed at locations in the distribution piping system that have the potential for water column separation caused by a water transient event.

Condition assessment ratings shall be designated on each pipe segment or asset (node to node) based on the Desktop Condition Assessment methodology outlined in Chapter 4 of AWWA M77 – *Condition Assessment of Water Mains*.

Distribution main improvement projects will be developed through a weighted integrated risk-based evaluation of alternate solutions to resolve the identified deficiency. This risk scoring, in general, includes factors for water service interruption, environmental impacts, social & community impacts, service reliability to critical customers, funding, O&M cost impacts, and life-cycle cost benefits. Defining these risk factors and the weighting will be developed with input from the public and other stakeholders.

Title 22 Regulations

§64602. Minimum Pressure.

- (a) Each distribution system shall be operated in a manner to assure that the minimum operating pressure in the water main at the user service line connection throughout the distribution system is not less than 20 pounds per square inch at all times.
- (b) Each new distribution system that expands the existing system service connections by more than 20 percent or that may otherwise adversely affect the distribution system pressure shall be designed to provide a minimum operating pressure throughout the new distribution system of not less than 40 pounds per square inch at all times excluding fire flow.

§64573. Minimum Water Main Size for Community Water Systems.

Newly installed water mains in a community water system shall have a nominal diameter of at least four inches.

California Fire Code Regulations

**TABLE C102.1
REQUIRED NUMBER AND SPACING OF FIRE HYDRANTS**

FIRE-FLOW REQUIREMENT (gpm)	MINIMUM NUMBER OF HYDRANTS	AVERAGE SPACING BETWEEN HYDRANTS ^{a, b, c, f, g} (feet)	MAXIMUM DISTANCE FROM ANY POINT ON STREET OR ROAD FRONTAGE TO A HYDRANT ^{a, f, g}
1,750 or less	1	500	250
2,000-2,250	2	450	225
2,500	3	450	225
3,000	3	400	225
3,500-4,000	4	350	210
4,500-5,000	5	300	180
5,500	6	300	180
6,000	6	250	150
6,500-7,000	7	250	150
7,500 or more	8 or more ^e	200	120

For SI: 1 foot = 304.8 mm, 1 gallon per minute = 3.785 L/m.

a. Reduce by 100 feet for dead-end streets or roads.

b. Where streets are provided with median dividers that cannot be crossed by fire fighters pulling hose lines, or where arterial streets are provided with four or more traffic lanes and have a traffic count of more than 30,000 vehicles per day, hydrant spacing shall average 500 feet on each side of the street and be arranged on an alternating basis.

c. Where new water mains are extended along streets where hydrants are not needed for protection of structures or similar fire problems, fire hydrants shall be provided at spacing not to exceed 1,000 feet to provide for transportation hazards.

d. Reduce by 50 feet for dead-end streets or roads.

e. One hydrant for each 1,000 gallons per minute or fraction thereof.

f. A 50-percent spacing increase shall be permitted where the building is equipped throughout with an approved automatic sprinkler system in accordance with Section 903.3.1.1 of the *California Fire Code*.

g. A 25-percent spacing increase shall be permitted where the building is equipped throughout with an approved automatic sprinkler system in accordance with Section 903.3.1.2 or 903.3.1.3 of the *California Fire Code* or Section P2904 of the *California Residential Code*.

6.10. Water System Risk Assessment Criteria

Preparing a comprehensive Water Master Plan providing an assessment of the water system and a roadmap for operational, maintenance, and capital improvements will include performing a risk assessment of the water system operation, facilities, and cyber-security. The findings from the risk assessment are added to the risk score for all facilities/assets and integrated into the improvement recommendations. Risk is defined as:

$$\text{Risk} = (\text{Likelihood of Occurring}) \times (\text{Vulnerability or Condition}) \times (\text{Consequence or Impact})$$

Generally, risks to a water system could include the impacts from:

- Earthquakes
- Severe Storm Events (Local Micro-bursts)
- Floods
- Droughts (Climate Change)
- Vandalism or Terrorist Act

- Customer Information Data Breach
- SCADA Security Breach
- Power Outage
- Facility Failure
- Asset Failure
- Transmission Main Failure
- Water Storage Tank Failure
- Chemical Spills
- Water Service Interruption – Customer Impact (Capacity Deficiency, Main Break, etc.)
- Water Source Contamination

The District, as owner, intends to expand the risk assessment methodology outlined in AWWA *Standard J100 - Risk Analysis and Management for Critical Asset Protection (RAMCAP) Standard for RISK AND RESILIENCE MANAGEMENT OF WATER AND WASTEWATER SYSTEMS* to include water operational risks, asset consequence of failure, and environmental impacts risks in the overall risk assessment. The resilience or recovery from a risk impact is incorporated into the risk score of the operational activity, facility, and asset. Operational resilience is defined as:

$$\text{Operational Resilience} = \text{Duration} \times \text{Severity} \times \text{Vulnerability} \times \text{Likelihood} \times \text{Cost Rating}$$

The results of the water system risk assessment will be foundational for preparing a Risk Management Plan as outlined in Section 4.13 Risk Management of AWWA *G410 – Business Practices for Operation and Management*. The District will seek to maintain a risk register and matrix to prioritize and mitigate risks within the water system. The operational, facility, and asset risks are defined in the risk register associated with the likelihood of occurring, risk exposure (vulnerability), and consequence of failure (impact) ratings. The risk matrix integrates the operational resilience rating providing an overall risk score associated with mitigation measures to minimize the risk.

The risk assessment findings will also be integrated into the District's Emergency Response Plan (ERP) which will implement the practices outlined in AWWA *Standard G440 - Emergency Preparedness Practices*.

The objective of the risk assessment process is to integrate the risk scores in the alternative analysis of operational or improvement project resolution of identified deficiencies. The risk scores of the recommended improvements will be combined with the asset condition rating in the risk-based project prioritization process described in Chapter 13 – Capital Improvement Plan.

6.11. Asset Condition Assessment and Reliability Criteria

The District has adopted an asset management program as indicated in the Strategic Goal No. 6 summarized in Chapter 5 above. A description of the Asset Management Program is presented in Chapter 13. The Water Master Plan integrates the asset condition rating as a component of the project alternative analysis and recommended improvement projects.

The District's Asset Management Plan (AMP) will be prepared based on the *AWWA Standard G410, Section 14; AWWA M77; and AWWARF Research Project No. 4002 - Asset Management Roadmap*. Some of the key attributes of the AMP and process are:

- Defining assets and asset classes
- Implement asset numbering system
- Create asset database platform, data requirements, and IT interfaces
- Defining “failure” of each asset type
- Define asset data collection requirements
- Create asset inventory and registry
- Establish asset condition assessment rating criteria and associated remaining useful life estimates for each asset class
- Create condition assessment inspection, testing, and methodology for each asset type
- Prepare facility and asset class criticality analyses and rating
- Combine asset condition rating with criticality rating and rank assets

The asset condition ranking is defined as:

Equipment Asset Ranking = Facility Criticality x Asset Criticality x Asset Condition

Pipeline Asset Ranking = Main Criticality x Condition Rating x Customer Impact

The Water Master Plan shall identify the facilities and assets impacted by each operational deficiency/resolution resulting from the water system planning process and combine the Asset Ranking and Asset Risk Score to prioritize the recommended improvements.

Recommended Project Ranking = Asset Ranking x Risk Score

The text box on the next page shows an exercise in ranking asset needs for pump station capacity based on scoring incoming Power equipment, suction/Discharge Piping, Pumps/Motors, and Switchgear.

Project Example: Pump Station Capacity Deficiency in 5 Years

1. Impacted Assets – Two booster pumps, electrical switchgear, incoming electrical power facilities, and suction and discharge piping
 - a. Capacity of incoming electrical equipment and suction/discharge headers is sufficient – Condition rating – 1.5 and 2 respectively
 - b. Pumps, motors, and switchgear have insufficient capacities – Condition rating, Pump #1 – 4.2, Pump #2 – 3.8, switchgear #1 – 2.5, #2 – 3.5
2. Facility Criticality Rating (1 to 10) – 7
3. Asset Criticality Rating (1 to 10):
 - a. Incoming Power equipment – 10
 - b. Suction/Discharge Piping – 8
 - c. Pumps/Motors – 5 (Has Redundancy)
 - d. Switchgear – 6
4. Risk Score (Asset Failure & Service Interruption – 1 to 20):
 - a. Incoming Power Equipment – 1
 - b. Suction/Discharge Piping – 5
 - c. Pumps/Motors – 15
 - d. Switchgear – 10
5. Asset Ranking (Condition Rating x Criticality Rating):
 - a. Incoming Power Equipment = $7 \times 1.5 \times 10 = 105$
 - b. Suction/Discharge Piping = $7 \times 2 \times 8 = 112$
 - c. Pump/ Motor #1 = $7 \times 4.2 \times 5 = 147$
 - d. Pump/ Motor #2 = $7 \times 3.8 \times 5 = 133$
 - e. Switchgear #1 = $7 \times 2.5 \times 6 = 105$
 - f. Switchgear #2 = $7 \times 3.5 \times 6 = 147$
6. Project Ranking:
 - a. Incoming Power Equipment = $105 \times 1 = 105$
 - b. Suction/Discharge Piping = $112 \times 5 = 560$
 - c. Pump/ Motor #1 = $147 \times 15 = 2205$
 - d. Pump/Motor #2 = $133 \times 15 = 1995$
 - e. Switchgear #1 = $105 \times 10 = 1050$
 - f. Switchgear #2 = $147 \times 10 = 1470$
7. Project Prioritization:
 - a. Replace Pump/Motor #2 & Switchgear #2 = $1995 + 1470 = 3465$
 - b. Replace Pump/Motor #1 & Switchgear #1 = $2205 + 1050 = 3255$
 - Highest Rating Value = Worst Condition, Most Critical, & Highest Risk
 - A Total Facility Ranking = Addition of all asset class rankings

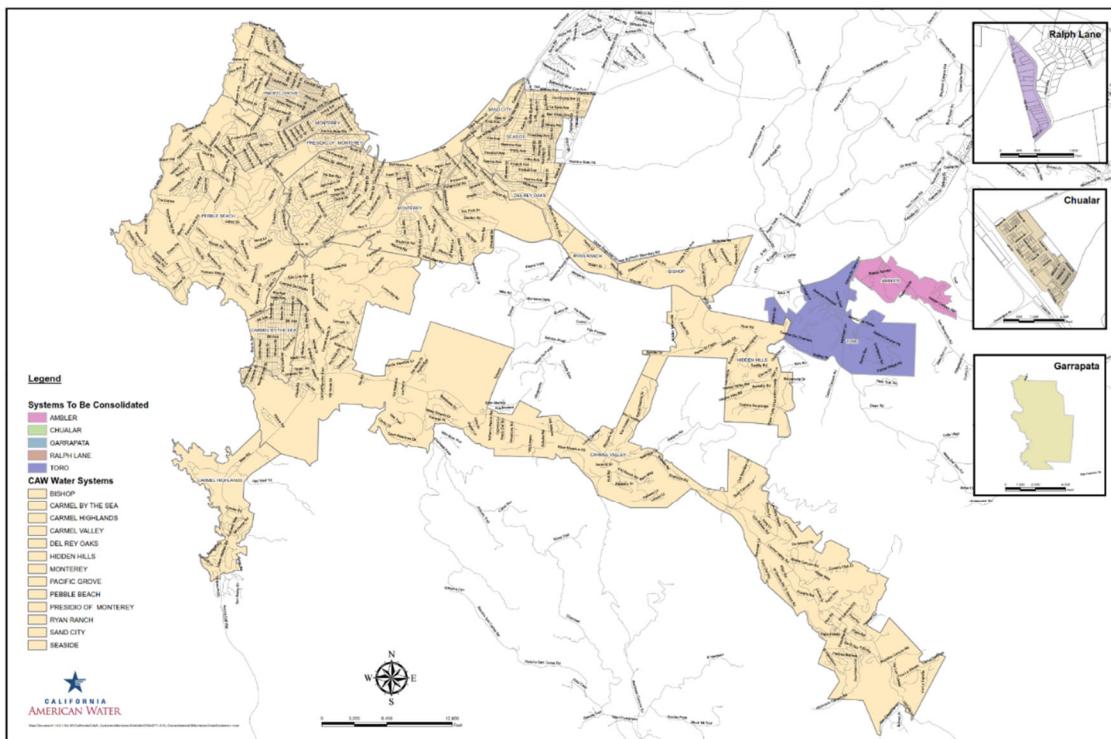
7. Monterey Peninsula Water Supplies

7.1. General

Cal-Am provides water and wastewater service to the Central Division. The Central Division is comprised of the Monterey County District, the Central Satellites, and the Monterey Wastewater District. The water system, which is comprised of the Monterey County District and the Central Satellites, serves approximately 40,000 customer connections and a population of approximately 99,794.⁴

The “Main” system within the Monterey County District serves approximately 39,730 customers and includes customers within the incorporated cities of Carmel-by-the-Sea, Del Rey Oaks, Monterey, Pacific Grove, Sand City, and Seaside, and the unincorporated areas of Carmel Highlands, Carmel Valley and Pebble Beach. The Main system is generally located within the MPWMD boundaries. The Monterey County District also includes the service areas of Bishop (approx. 385 customers), Hidden Hills (approx. 454 customers), and Ryan Ranch (approx. 212 customers), that are also within the MPWMD boundaries. The Central Satellite areas, not subject to acquisition by MPWMD, include the areas of Ambler Park, Ralph Lane, Chualar, Toro, and Garrapata, which are located outside of MPWMD boundaries and serve a total of approximately 1,086 customers. A map depicting Cal-Am’s water system areas within the Central Division is provided in Figure 7-1.

Figure 7-1: Cal-Am Central Division Water Systems⁵



⁴ 2018 Annual Report of District Water System Operations for the Monterey County District, filed by Cal-Am for the CPUC, p.16 and 17.

⁵ Cal-Am Service Area Map as of 2013.

7.2. Sources of Supply

Currently, water supply for most customers comes from: (a) underflow in the Carmel River Alluvial Aquifer withdrawn from shallow wells in Carmel Valley, (b) mid-depth and deep wells in the Seaside Basin, and (c) deep wells along Highway 68 corridor. Since 2003, Cal-Am has not pumped any of its supply directly from the Carmel River. Most of the Carmel River withdrawal comes from shallow wells located near the river in its lower reaches.⁶

Carmel River

The Carmel River is a 38-mile river that flows through Monterey County and into the Pacific Ocean. Historically, damming of the river and diverting its flow for municipal use spurred developments on the Monterey Peninsula, including the Del Monte Hotel (now part of the Naval Support Activity, Monterey), the Pebble Beach area, and Cannery Row in Monterey. The river was dammed at three locations upstream of the present-day Carmel Valley Village between 1883 and 1948; until the late 1950s, surface flow in the river supplied most of the municipal demand of the Monterey Peninsula.

Severe declines in returning steelhead numbers and significant degradation of the river's resources occurred over several decades beginning in the late 1970s. Municipal demand and sediment accumulation in the reservoirs accelerated in the 1970s along with the impacts of direct diversion of surface flow, which became unacceptable. The portion of municipal demand met by direct diversion of surface flow at San Clemente Dam was initially ratcheted down in the early 1980s by agreement between Cal-Am, California Department of Fish and Wildlife ("CDFW"), and MPWMD.

As a result of four complaints filed against Cal-Am in the 1980s about impacts to Carmel River resources from diversions, the State Water Resources Control Board ("SWRCB") determined in 1995 that Cal-Am was diverting about 10,730 acre-feet per year (AFY or AFA) from the Carmel River and its underflow without a valid basis of right. The SWRCB ordered the company to replace the unlawful diversions with lawful sources. SWRCB WR Order 95-10 described that Cal-Am's withdrawals from the Carmel River constituted the largest single impact to instream beneficial uses of the river.

The SWRCB action reduced Cal-Am's rights to diversion to storage at Los Padres Reservoir to 2,179 AFY⁷ and recognized other riparian and pre-1914 water rights associated with Cal-Am property along the river and San Clemente Dam. Surface diversions to the Carmel Valley Filter Plant at San Clemente Dam ceased in 2002. Since that time, surface flow impounded along the river has been used to augment dry season flows in the Carmel River to benefit threatened Carmel River steelhead and other species dependent on river flows.

In 2013, the National Marine Fisheries Service determined that all the dams on the river blocked passage for steelhead listed as threatened under the Endangered Species Act and

⁶ Cal-Am 2019 General Rate Case Proposed Application, Exhibits A-D, Chapter 1, pg 1.

⁷ SWRCB Order 95-10 limited Cal-Am's diversion right due to siltation in the reservoir (see footnote 15, p. 25). San Clemente Dam is the only described point of re-diversion in License 11866 and this point of re-diversions has been removed; however, Order 95-10 requires Cal-Am to divert at the lower-most wells along the river.

needed to be removed or modified.⁸ Two dams were removed after they were determined to be obsolete and/or unsafe.⁹

Cal-Am is the current owner of the remaining Los Padres Dam and Reservoir at approximately 25 miles upstream of the ocean. The reservoir, built in 1948 by California Water & Telephone, had an original storage capacity estimated at 2,709 acre-feet.¹⁰ By 2017, storage capacity was reduced to 1,679 acre-feet due to sediment accumulation over its nearly 70 years of operation.¹¹ Cal-Am currently relies on a portion of the water rights associated with the dam to provide about 20% of the Monterey Peninsula's existing demand. Cal-Am has legal rights to 3,376 AFA from the Carmel River comprised of 2,179 AFA from License 11866, 1,137 AFA of pre-1914 appropriative rights, and 60 AFA of riparian rights. This does not include what is referred to as Table 13 rights, discussed under "*Other Available Supplies*" below.

The watershed contributing to Los Padres Reservoir is highly erosive and subject to periodic wildfires followed by intense rainfall that have resulted in about a 40% reduction in surface storage capacity over the 70-year life of the reservoir. In 2013, it was estimated that the reservoir has a useful life between 20 and 134 years. More recent analysis based on periodic bathymetric surveys indicates that at the present long-term sedimentation rate, reservoir capacity in the year 2100 may approach 1,000 acre-feet, or less than one-third of original capacity.¹²

Sediment removal alternatives were investigated to increase the reservoir's capacity to as high as 95% of its original storage capacity. These alternatives are costly, however, with plans ranging between \$47-\$90 million and would cost \$53,000-\$112,000 per acre-foot removed.¹³ These costs exclude the costs for steelhead passage improvements that could range from under \$10 million to over \$100 million.¹⁴ With a height differential of just over 120 feet from the dam spillway to its plunge pool, Los Padres Dam and Reservoir remains a challenge to provide adequate facilities to freely pass steelhead. MPWMD and Cal-Am continue to investigate alternatives to improve passage and manage sediment at the site.

⁸ P. 7-12, National Marine Fisheries Service. 2013. South-Central California Coast Steelhead Recovery Plan. West Coast Region, California Coastal Area Office, Long Beach, California.

⁹ San Clemente Dam and Reservoir, which was built in 1921 at RM 18.6 and originally stored up to 1,810 acre-feet with flashboards installed, stored 70 acre-feet of water as of 2008 after years of severe sediment accumulation. It was removed in 2015 in response to public safety concerns about the dam's resiliency to earthquakes and major floods. It was the largest dam removal in California history at the time. The Old Carmel River Dam, built in 1883 with Chinese laborers at RM 18.3, was removed in 2016.

¹⁰ Prior to 2017, estimates of the original storage capacity of the reservoir cited in the record varied from 3,030 acre-feet to 3,200 acre-feet. The SWRCB licensed a storage right of 3,030 AFY in 1986. In 2017, it was determined that the original capacity was incorrectly estimated. See Los Padres Dam and Reservoir Alternatives and Sediment Management Study Final Sediment Characterization Technical Memorandum, Prepared by: AECOM, prepared for MPWMD in cooperation with California American Water, December 2017.

¹¹ Smith, D.P., Kvitek, R., Iampietro, P., and Consulo, P., 2018, Fall 2017 Stage-Volume Relationship for Los Padres Reservoir, Carmel River, California: Prepared for the Monterey Peninsula Water Management District. The Watershed Institute, California State University Monterey Bay, Publication no. WI-2018-05, 21 pp.

¹² MPWMD analysis of historical bathymetric survey data.

¹³ Los Padres Dam Sediment Removal Feasibility Study, dated April 2013, pg. 1 (2013) <https://www.mpwmd.net/wp-content/uploads/MWH-Cal-Am-LPD-Study-Report-Final-20130425.pdf>

¹⁴ Los Padres Dam Fish Passage Study Technical Review Committee Meeting No. 3, Evaluate Alternatives, January 17, 2018.

Seaside Basin

The Seaside Basin underlies the cities of Seaside, Sand City, Del Rey Oaks, Monterey, and portions of unincorporated county areas, including the southern portions of Fort Ord, and the Laguna Seca Area. Generally, the Seaside Basin is bounded by the Pacific Ocean on the west, although it is recognized that the aquifer extends offshore under the seafloor, the Toro Park area on the east, Highways 68 and 218 on the south, and the northern boundary of the basin follows a groundwater flow divide separating groundwater flowing toward the Salinas Valley from groundwater flowing toward the coastal subareas of the Seaside Basin. Flow divides are hydraulic features that develop between two centers of concentrated pumping. The divide acts like a ridge in the regional water-level surface much like the way a topographic ridge separates two surface watersheds. The Seaside Basin consists of subareas, including the Coastal subarea and the Laguna Seca subarea in which geologic features form partial hydrogeologic barriers between the subareas. The Seaside groundwater basin has been pumped by Cal-Am to a degree that exceeds the basin's sustainable yield.¹⁵

Cal-Am filed the action which initiated adjudication on August 14, 2003. The defendants were the City of Seaside, the City of Monterey, the City of Sand City, the City of Del Rey Oaks, Security National Guaranty, Inc., Granite Rock Company, D.B.O. Development Company No. 27, Muriel E. Calabrese 1987 Trust, Alderwoods Group (California), Inc., Pasadera Country Club, LLC, Laguna Seca Resort, Inc., Bishop, McIntosh & McIntosh, and The York School, Inc. A decision was entered March 2006 and was amended in February 2007 to allow Cal-Am to combine its production from the Coastal Subareas and Laguna Seca Subarea in determining its compliance with its assigned production allocation.

Based on estimates of then-recent basin extractions of approximately 5,600 AFY, the Court concluded that the basin was in overdraft. That conclusion was confirmed in the adjudication decision which established a "Natural Safe Yield" for the Seaside Basin of 3,000 AFY. The 2006 Seaside Groundwater Basin adjudication imposed triennial reductions in operating yield for Standard Producers such as Cal-Am until the basin's Natural Safe Yield is achieved. The last reduction will occur in 2021 and Cal-Am will have rights to 1,474 AFA. However, with the delivery of a long-term permanent water supply, the company would like to begin replacing its accumulated deficit of over-pumping through in-lieu recharge by leaving 700 AFA of its production right in the basin for 25 years. Hence, only 774 AFA is reflected as long-term supply available, although the additional 700 AF becomes available again in the future.

Aquifer Storage and Recovery

MPWMD developed an Aquifer Storage and Recovery ("ASR") program utilizing available storage in the Seaside Basin. The ASR program entails diversion of excess winter flows from the Carmel River for storage in injection/recovery wells in the Seaside Aquifer for withdrawal in the summer months to reduce pumping from the river. Winter flows are considered excess only when they surpass what is necessary to shelter the river's threatened steelhead trout population. Phase 1 of the ASR project was completed in 2008 and allows for a maximum

¹⁵Todd Groundwater <http://www.toddgroundwater.com/seaside-injection.html>

annual diversion of about 2,400 AFY from the Carmel River, and an average yield of approximately 920 AFY. Phase 2 of the project, completed in 2013, involved constructing two ASR wells designed to store up to 2,900 AFY and provide an average yield of 1,050 acre-feet of additional water supply.¹⁶ For water supply planning purposes, ASR is estimated to produce an average of 1,300 acre-feet annually.

Sand City Desalination Plant

Sand City Coastal Desalination Plant is a brackish seawater desalination facility. It was designed to be capable of producing 300 acre-ft of water (98 million gallons approximately) per year and uses reverse osmosis (RO) process to desalinate brackish seawater. The Sand City plant has failed to achieve more than the 276 AF in 2011. Due to source water quality issues and discharge permit requirements the plant has averaged 188 AFA the four years ending water year 2019. The intakes will likely be augmented and production increased (see “*Other Available Supplies*”, below.) Here only the 94 AFA of long-term production legally committed to offset Carmel River pumping is included in the combined supply availability.

The plant became operational in April 2010. The facility includes four brackish water feed wells, a concentrate disposal well and associated pipelines and components. Of the four wells that are used to pump sea water to the plant, two are in use at any given time. These are over 18 meters (m) deep and located 61m from the surf line and over 760m from the plant. Cal-Am operates the plant under a lease with the City of Sand City, the developer of the project.

Monterey Peninsula Water Supply Project

The Monterey Peninsula Water Supply Project (“MPWSP”) is an initiative to create an ocean desalination plant with sub-surface intake wells, as well as related desalination facilities such as source pipelines, water product pipelines, and brine disposal systems. This project resulted from Court-ordered reductions in water sourcing from the Carmel River and as a safeguard against drought and basin overuse that could result in seawater intrusion. This desalination plant will use reverse-osmosis technology and use slant wells to avoid the impacts to marine life that are posed by open ocean intakes. The 7-mile pipeline to deliver water from the desalination plant and Pure Water Monterey projects has already been constructed. The desalination plant is expected to be able to deliver 6.4 MGD or 6,252 acre-feet of water annually and is expected to cost \$322 million to complete.¹⁷ The brine resulting from the desalination process will be discharged to the ocean through Monterey One Water’s existing outfall. Monterey One Water is a regional agency providing wastewater treatment services in the region. The desalination facilities are anticipated to be commissioned in 2022 or 2023. In June 2019, it was announced that The California Department of Water Resources will provide a \$10 million grant to the utility to help fund this desalination project.¹⁸ The District’s Water Supply and Demand Analysis has shown that the regions needs could be met with a Pure Water Monterey expansion (see below) and the desalination plant may be unneeded.

¹⁶ <https://www.mpwmd.net/water-supply/aquifer-storage-recovery/>

¹⁷ Water Supply Project <https://www.watersupplyproject.org/about>

¹⁸ Water Supply Project Update (2019) <https://www.watersupplyproject.org/single-post/2019/06/20/CALIFORNIA-AMERICAN-WATER-DESALINATION-PROJECT-AWARDED-10-MILLION-STATE-GRANT>

Pure Water Monterey Project

The Pure Water Monterey (“PWM”) project is a water supply project jointly developed by MPWMD and Monterey One Water that will provide purified recycled water for recharge of the Seaside Basin that serves as a drinking water supply, and recycled water to augment the existing Castroville Seawater Intrusion Project’s crop irrigation supply. By sourcing reclaimed wastewater, stormwater, food processing water, and impaired surface water, this initiative seeks to replenish groundwater, as well as provide water for domestic and irrigating uses.¹⁹ This program became operational in 2020 and will yield 3,500 acre-feet of potable water annually.²⁰

An expansion of PWM has been contemplated as a less expensive and more appropriately sized alternative to the desalination plant, as discussed in more detail below. The expansion of Pure Water Monterey is expected to yield 2,250 AFA.²¹ The source waters for the expansion are secure: In multiple presentations by the staff of Monterey One Water (M1W)²² it has been shown that none of the source water for expansion of Pure Water Monterey is speculative, nor comes from Salinas valley sources for which M1W doesn’t already have rights. In one example, source water for the expansion would come from ocean discharge from the Regional Treatment Plant (54%), the Reclamation Ditch (5%), Blanco Drain (10%), wastewater outside the prior M1W boundaries (30%), and summer water rights from the County Water Resource Agency (1%). This project could come online by late 2022.

Other Available Supplies

There also exists approximately 406 additional acre-feet of other available supplies. In 2013, Cal-Am received Permit 21330 from the State Water Board for 1,488 AFA from the Carmel River. However, the permit is seasonally limited to December 1 through May 31 each year and subject to instream flow requirements. As a result, actual production will vary by water year. Here, we have assumed 300 AFA on average. For the Sand City desalination plant the amount produced in excess of 94 AFA is available for general Cal-Am use and eventually to serve growth in Sand City. With new intakes, we have assumed average production of 200 AFA or 106 AFA of other available supply. There is also available unused capacity in the Seaside Basin which annually is reallocated to the Standard Producers such as Cal-Am as “Carryover Credit” under the adjudication decision. Such Carryover capacity has been on the order of 400 AFA recently. While not insignificant, Carryover Credit has not been included in the 406 AFA of “Other Available Supplies” stated earlier.

7.3. Combined Supply Availability

Available sources of supply are shown in Table 7-1 below. Supply is shown with both desalination and with PWM expansion as an alternative.

¹⁹ MPWMD Website <https://www.mpwmd.net/water-supply/pure-water-monterey/>

²⁰ Water Supply Project <https://www.watersupplyproject.org/about>

²¹ Notice of Preparation of a Supplemental Environmental Impact Report and Public Scoping Meeting Notice, page 4, May 15, 2019

²² For example, November 12, 2019 M1W presentation to the Monterey County Farm Bureau and the Grower-Supplier Association and the September 30-2019 M1W board meeting

Table 7-1
Monterey Peninsula Available Supply
(Acre-Feet Annually)

Supply Source	w/ Desalination	w/ PWM Expansion
MPWSP Desalination Plant	6,252	0
Pure Water Monterey	3,500	3,500
PWM Expansion	0	2,250
Carmel River	3,376	3,376
Seaside Basin	774	774
Aquifer Storage & Recovery (ASR)	1,300	1,300
Sand City Desalination Plant	94	94
Total Available Supply	15,296	11,294

8. Economic & Population Growth

8.1. Demand Forecast

The MPWSP was initially sized solely as a replacement supply²³ for current customer demand, but this has changed over time as described below. Consideration was also given to peak month and peak day. Additional demand was recognized to accommodate legal lots of record, a request by the hospitality industry to anticipate a return to occupancy rates similar to that which existed prior to the World Trade Center tragedy, and to shift the buildout of Pebble Beach off the river.²⁴ Table 8-1 below shows the demand assumptions originally used in sizing the MPWSP in the April 2012 application to the California Public Utilities Commission (CPUC). Each component is discussed below.

Table 8-1
Water Demand Assumed in Sizing the MPWSP
(Acre-Feet Annually)

Demand Component	Acre-Feet Annually
Average Current Customer Demand	13,290
Legal Lots of Record	1,181
Tourism Bounce-Back	500
Pebble Beach Buildout	325
Total Water Demand	15,296

The District recently adopted a demand forecast that reviewed the demand components. Table 8-2 shows the range of demand estimates have been revised. These long-term demand estimates can be compared to existing current demand to determine how much water supply is needed.

Table 8-2
Range of Potential Demand Scenarios in MPWSP Sizing
(Acre-Feet)

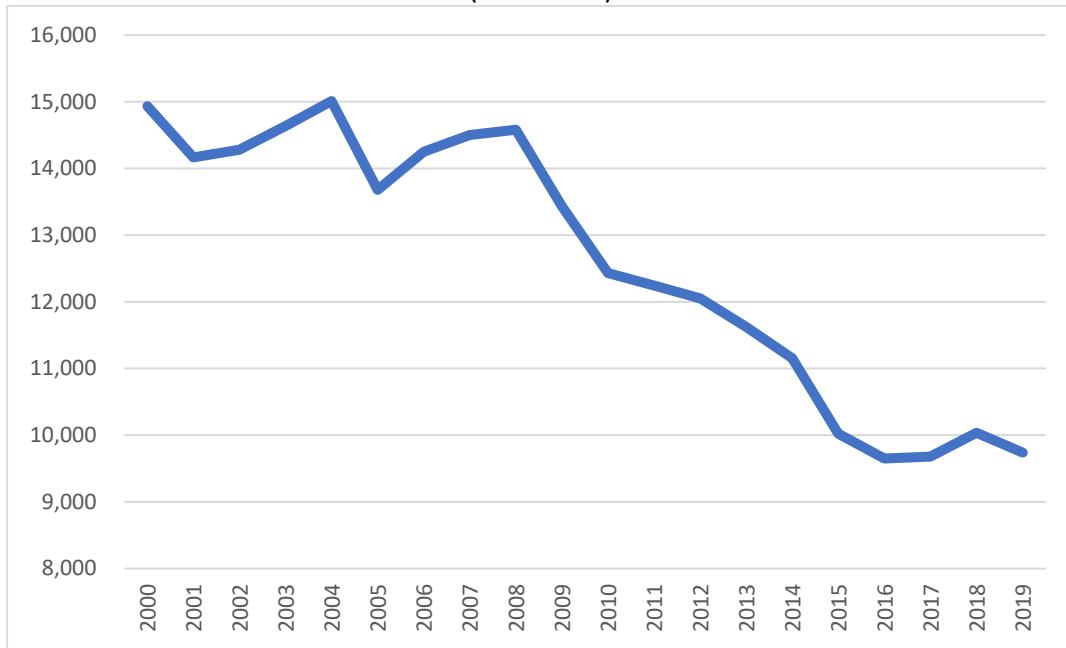
Demand Component	Revised High	Revised Low
Average Current Customer Demand	10,863	9,817
Legal Lots of Record	1,014	864
Tourism Bounce-Back	250	100
Pebble Beach Buildout	160	103
Total Water Demand	12,287	10,884

²³ Direct Testimony of Richard C. Svindland, April 23, 2012, pages 4,5,7

²⁴ Supplemental Testimony of Richard C. Svindland, January 11, 2013, pages 4-5

Figure 8-1 below shows water production for customer service, a proxy for customer demand, for the past twenty-one-year period, through Water Year 2019. As can be seen, demand has been in decline, but somewhat leveled out over the last five years.

Figure 8-1
Annual Water Production for Customer Service (Demand)
Last 21 Years
(Acre-Feet)



As a measure of existing demand, Table 8-3 shows the 10-, 5-, and 3-year average demand.

Table 8-3
Alternate Average Current Customer Demand Assumptions
Updated for 2019 Water Year
(Acre-Feet)

Period	Amount
10-Year Average - Actual	10,863
5-Year Average - Actual	9,825
3-Year Average - Actual	9,817

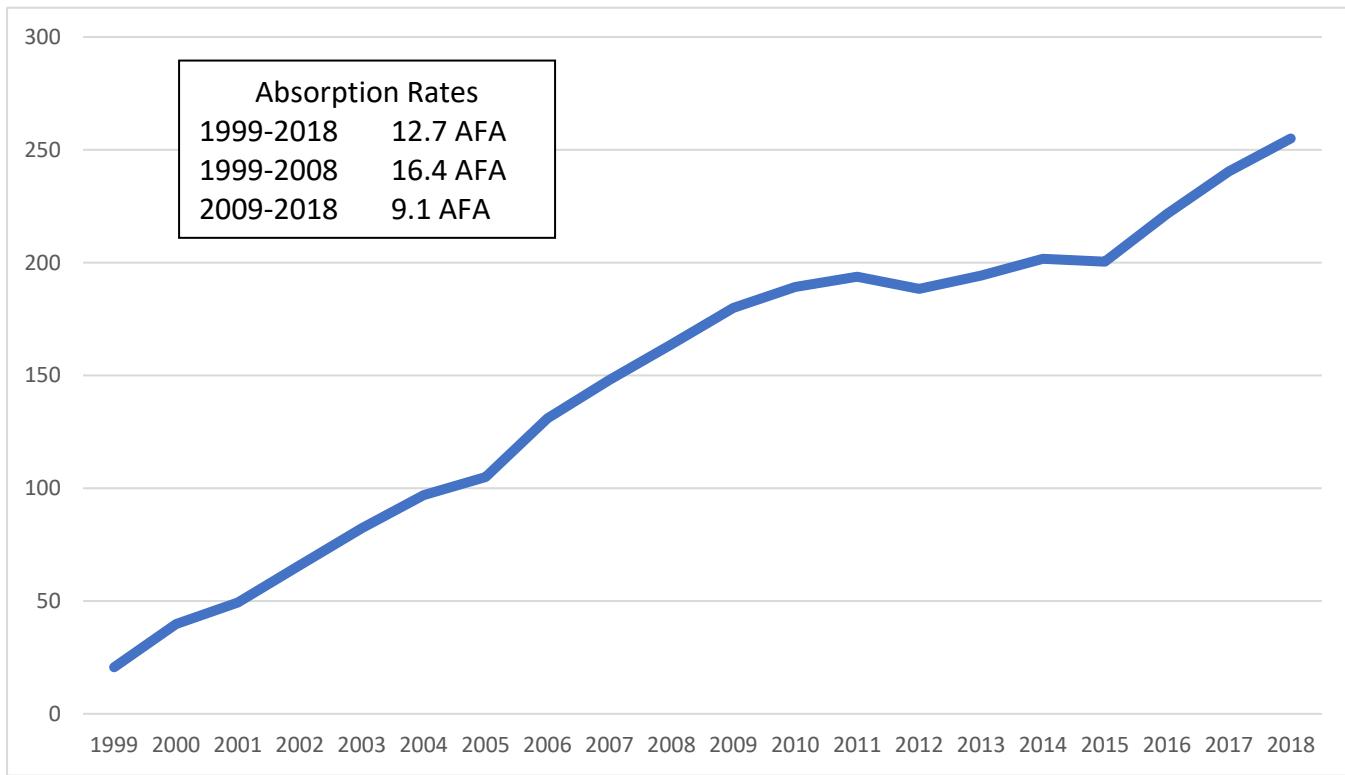
Hence, the case could be made that the average existing customer demand assumption in the sizing of new water supply should be 9,817 to 10,863 AFA.

The trend is similar for peak month demand: 10-year maximum month through 2018 was 1,111 AF, the 5-year max was 966 AF, and the 3-year max was 950 AF. By comparison, the maximum month at the time the plant was first sized was 1,532 AF. The proposed desalination plant, in conjunction with the other production facilities can meet peak month/peak day requirements.

Pure Water Monterey expansion adds 4 new extraction wells, two for production and two for redundancy. Analysis shows that peak month/peak day can also be met with Pure Water Monterey expansion.

However, the ability of the Monterey Peninsula to generate or “absorb” the housing and commercial growth will help determine when such water supply is needed. Figure 8-2 shows the past 20 years of market absorption of water demand based on water permits issued. The average growth or absorption in water use was 12.7 AF per year. The first decade preceded the CDO and was a period of relative economic stability, available property, no moratorium on new service connections, and lower water rates resulting in 16.4 AF per year of absorption. The second decade was after the CDO and moratorium on service connections and understandably had a lower absorption rate of 9.1 AF per year.

Figure 8-2
Market Absorption of Water Demand
Last 20 Years
(Acre-Feet)

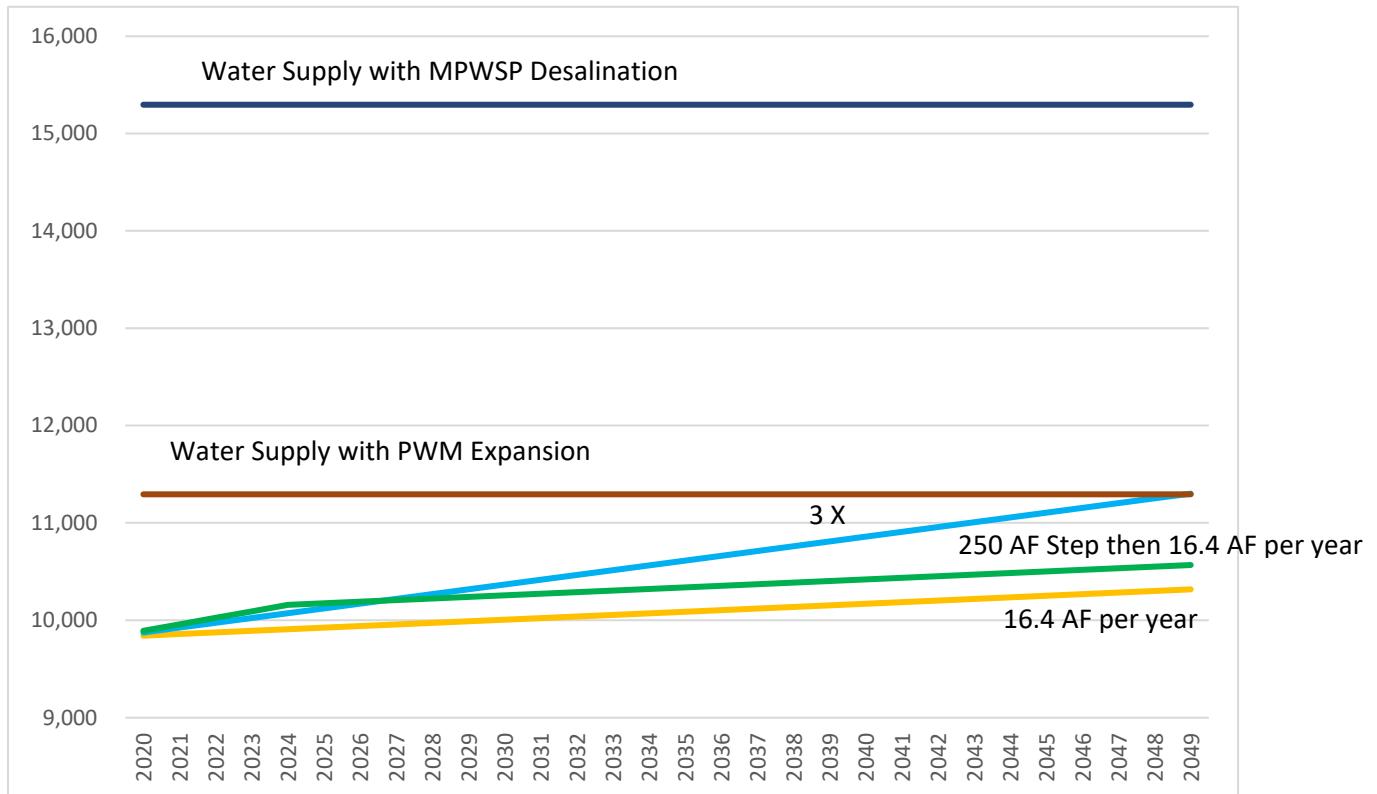


By adopting assumptions about current demand and market absorption rates, it can be determined the sufficiency of certain supply alternatives over time.

Scenario 1: Supply v Demand Using Pre-CDO Absorption Rate Scenarios: In Figure 8-3, the current demand assumption of 9,825 AF (most recent 5-year average) is shown with three market absorption rates: (a) 16.4 AF per year (pre-CDO decade rate), (b) three times that rate,

and (c) 250 AF over the first five years on top of the pre-CDO rate. These are also compared to the two supply alternatives in Table 7-1.

Figure 8-3
Market Absorption of Water Demand Compared to Water Supply
Current Demand at 5-Year Average
Pre-CDO Growth Rate Alternatives
(Acre-Feet)



This chart shows that, assuming a starting current demand at the 5-year average, both water supply alternatives meet 30-year market absorption at the historical rate, 250 AF in the first 5 years on top of the historical rate, and at 3-times the historical absorption rate.

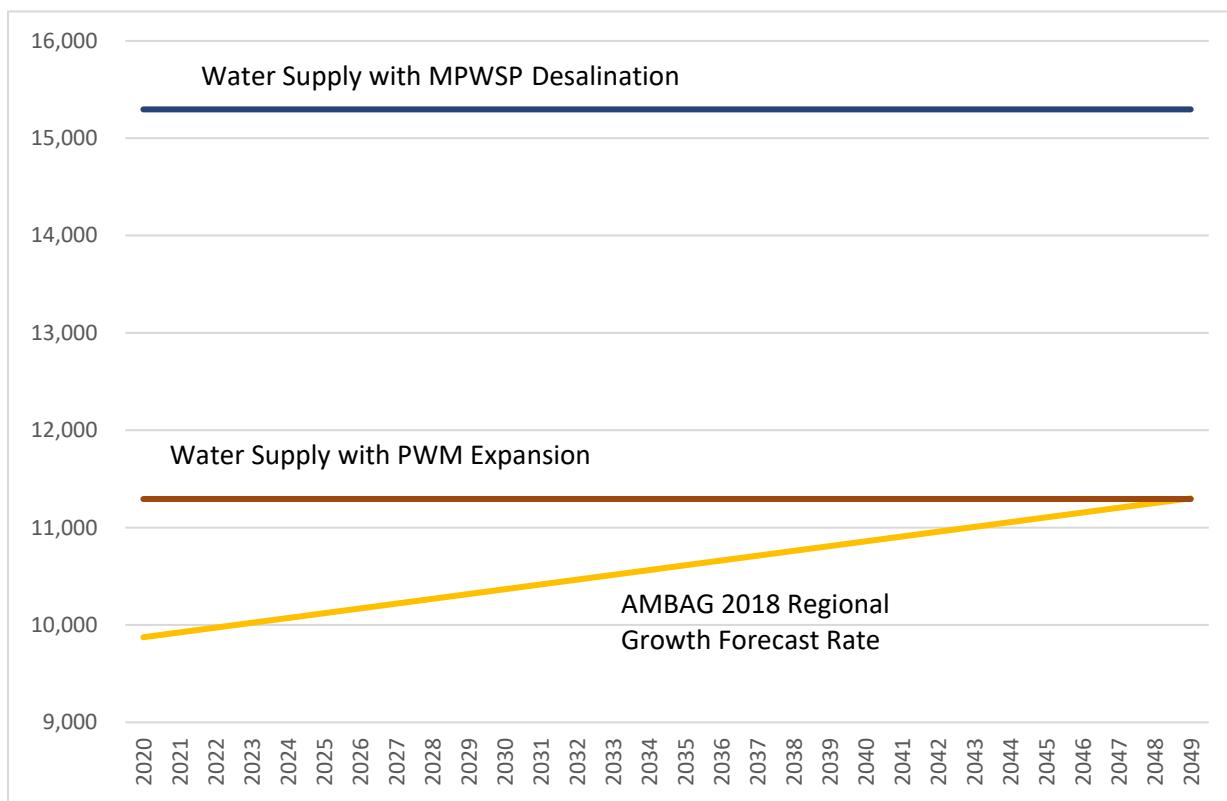
Scenario 2: Supply v Demand Using 3rd-Party Growth Forecast Absorption Rate: Rather than to rely on pre-CDO absorption of water demand or alternative theoretical future demand scenarios, as was done in the September report, it is instructive to instead look at a regional growth forecast by an objective third-party. Here, we evaluated AMBAG's 2018 Regional Growth Forecast, specifically the subregional population forecast as a proxy for residential water demand, and the subregional employment forecast, using job growth as a proxy for commercial water demand. (Certainly, other factors could be considered.)

AMBAG implemented an employment-driven forecast model for the first time in the 2014 forecast and contracted with the Population Reference Bureau (PRB) to test and apply the model again for the 2018 Regional Growth Forecast (RGF). To ensure the reliability of the

population projections, PRB compared the employment driven model results with results from a cohort-component forecast, a growth trend forecast, and the most recent forecast published by the California Department of Finance (DOF). All four models resulted in similar population growth trends. As a result of these reliability tests, AMBAG and PRB chose to implement the employment-driven model again for the 2018 RGF.²⁵

Using this methodology, the total water demand increase in the 20 year study period is 984 AF or 49.2 AFA. Applying the 49.2 AFA linearly across a 30-year horizon results in the demands shown in Figure 8-4.

Figure 8-4
Market Absorption of Water Demand Compared to Water Supply
Current Demand at 5-Year Average
AMBAG 2018 Regional Growth Forecast
(Acre-Feet)



This chart shows that, assuming a starting current demand at the 5-year average (inclusive of water year 2019), both water supply alternatives meet 30-year market absorption at the AMBAG 2018 Regional Growth Forecast rate.

Scenario 3: Supply v Demand Using “Pent-Up Demand” Plus AMBAG Growth Forecast
Absorption Rate: The Regional Growth Forecast is intended to include new housing starts for increasing population, and new commercial businesses for job formation. However, several

²⁵ 2018 Regional Growth Forecast, Technical Documentation, Association of Monterey Bay Area Governments (AMBAG), June 2018, page 5

cities have approved and unbuilt projects that might happen more quickly once a permanent water supply becomes available and new meters can be set.

Examples of housing projects include Garden Road and Strangio in Monterey, Del Dono in Carmel, South of Tioga in Sand City, and various mixed-use projects and ADUs throughout the service area. Example non-residential projects include almost 120,000 square feet of commercial space at Ocean View Plaza in Monterey, approximately 1,250 rooms across five hotels in Pacific Grove (2) and Sand City (3). Hotels have their own demands and the guests can increase demand at local establishments. There can also be variability in students and service members attending MIIS, MPC, NPS, DLI, or living in the service area attending other institutions.

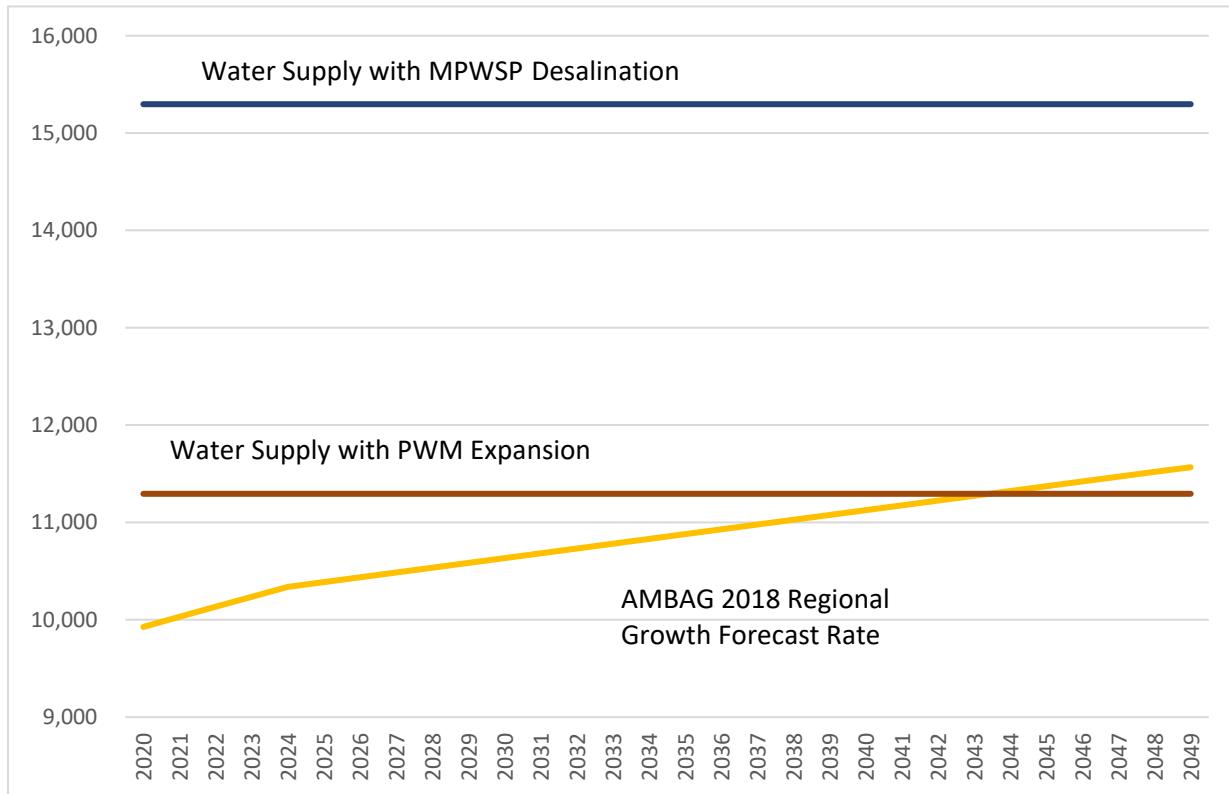
There is little likelihood that the market can absorb all of this quickly, but if it did there might be assumed to be something similar to the following pent-up near-term demand:

Table 8-4
Potential Near-Term Demand
(Acre-Feet)

Type of Demand	Acre Feet Required
1,250 Hotel Rooms X 0.064 AF/room	80
1.5 guests/room X 1,250 rooms X 75% occupancy X 0.02 AF/restaurant seat	28
200,000 new square feet of commercial space X 0.00007 AF/sq.ft.	14
1,000 new students X 57 gal/day X 260 days/Year	45
Approved but Unbuilt Housing	100
TOTAL Near-Term Demand	267

Figure 8-5 shows what the supply and demand relationship would be if this 267 AFA is added to the first five years, on top of the AMBAG Growth Forecast. The chart shows that, assuming a starting current demand at the 5-year average (inclusive of water year 2019), Pure Water Monterey Expansion meets 24-year market absorption, and the MPWSP desalination plant exceeds 30-year demands.

Figure 8-5
Market Absorption of Water Demand Compared to Water Supply
Current Demand at 5-Year Average
“Pent-Up” Demand in first 5 Years plus AMBAG 2018 Regional Growth Forecast
(Acre-Feet)



Principal conclusions of the demand projections are:

- Either supply option can meet the long-term needs of the Monterey Peninsula
- Either supply option is sufficient to lift the CDO
- The long-term needs of the Monterey Peninsula may be less than previously thought

Several factors will contribute to pressure on decreasing per capita water use, as discussed in the next section.

8.2. Water Conservation & Demand Management

The District conducts a number of programs to reduce potable water use and increase water efficiency. These programs include mandatory requirements for new construction, remodels/additions, changes in use/ownership, and efficiency requirements for all residential and non-residential users. The District enforces prohibitions on water waste and inefficient use of water. Enforcement is achieved through site inspections and deed restrictions, through permit coordination with local land-use agencies, and by partnerships with Cal-Am. The District

also administers a comprehensive and aggressive rebate program and offers water saving devices and equipment free of charge. The rebate program and devices are funded primarily by Cal-Am ratepayers and will be easily folded into District operations after acquisition. Similarly, Cal-Am's Waterwise house call program will dovetail nicely into the District's Water Demand Division. The District and Cal-Am already coordinate on public outreach and training in the conservation area.

The effectiveness of the District's conservation programs, combined with a tiered rate structure, is shown in Figure 8-6 on the next page.

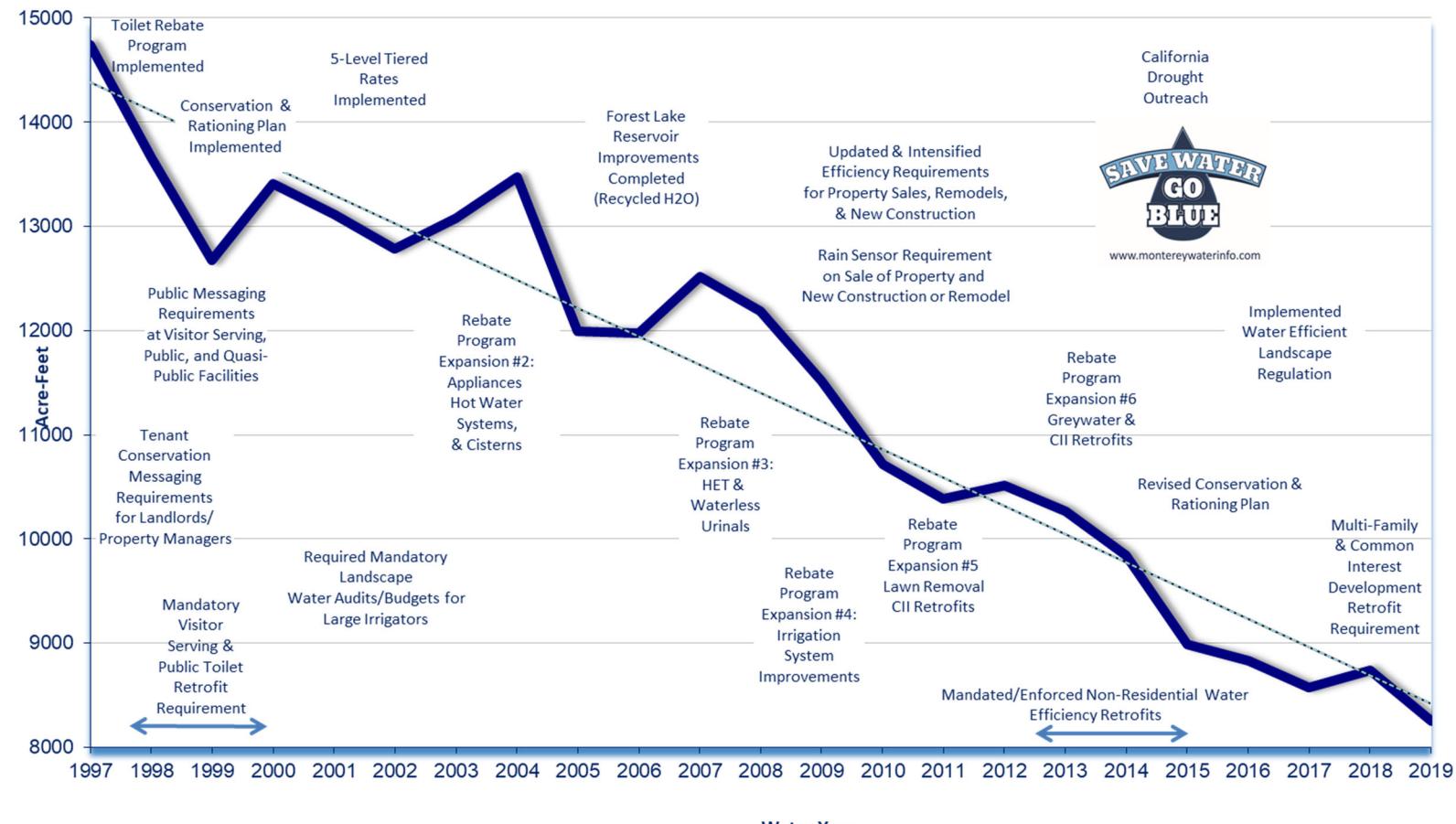
On May 31, 2018, Governor Brown signed two bills which build on the ongoing efforts to "make water conservation a California way of life." SB 606 (Hertzberg) and AB 1668 (Friedman) reflect the work of many water suppliers, environmental organizations, and members of the Legislature. The mandates will fall on urban water suppliers – not customers.

Specifically, the bills call for creation of new urban efficiency standards for indoor use, outdoor use, and water lost to leaks, as well as any appropriate variances for unique local conditions.

Each urban retail water agency will annually, beginning November 2023, calculate its own *objective*, based on the water needed in its service area for efficient indoor residential water use, outdoor residential water use, commercial, industrial and institutional (CII) irrigation with dedicated meters, and reasonable amounts of system water loss, along with consideration of other unique local uses (i.e., variances) and "bonus incentive," or credit, for potable water reuse, using the standards adopted by the State Water Board.

The indoor water use standard will be 55 gallons per person per day (gallons per capita daily, or GPCD) until January 2025; the standard will become stronger over time, decreasing to 50 GPCD in January 2030. For the water use objective, the indoor use is aggregated across population in an urban water supplier's service area, not each household. Presently, the average June 2014-May 2019 gallons per capita per day for the Cal-Am Monterey system is 57 GPCD. Hence, existing users are unlikely to increase their water consumption with the availability of new water supply.

Figure 8-6
Impact of Conservation Programs on Customer Demand



9. Production and Treatment Facilities

9.1. Production Facilities

Cal-Am Main System wells located in the Upper Carmel Valley, Lower Carmel Valley, and Seaside Basin, have the capability to pump 17.24 million gallons per day (“MGD”) of groundwater within District boundaries, respectively, as summarized in Table 9-1. However, District data suggest that on a longer-term average many wells have higher capacities than reported by Cal-Am in 2019 below.²³

Table 9-1: Seaside and Carmel Valley Active Well Summaries²⁶

Region	Well Name / Number	Well Capacity (gpm)	Well Capacity (MGD)
Upper Carmel Valley	Los Laureles No. 5	280	0.40
	Los Laureles No. 6	347	0.50
	Garzas No. 3	272	0.39
	Garzas No. 4	307	0.44
	Panetta No. 1	313	0.45
	Panetta No. 2	243	0.35
	Total Capacity	1,762	2.53
Lower Carmel Valley	Rancho Canada No. 2	348	0.50
	Cypress No. 2	867	1.25
	Pearce No. 1	1,168	1.68
	Schulte No. 2	567	0.82
	Eastwood-Canada	27	0.04
	Begonia No. 2	643	0.93
	Berwick No. 8	586	0.84
	Berwick No. 9	177	0.25
	Total Capacity	4,383	6.31
Seaside	Plumas No. 4	197	0.28
	LaSalle No. 2	Monitoring	-
	Darwin No. 1	Monitoring	-
	Luzern No. 2	510	0.73
	Ord Grove No. 2	667	0.96
	Paralta No. 1	1,037	1.49
	Playa No. 3	229	0.33
	Santa Margarita No. 1 ²⁷	1,700	2.45
	Seaside Middle School No. 3	1,500	2.16
	Total Capacity	5,840	8.40

²⁶ 2019 Annual Report filed w CPUC; However, MPWMD data suggest many wells have higher capacities than reported

²⁷ ASR well couplets; Only one well operated in production at a time; Santa Margarita site owned by MPWMD

There are also several satellite wells owned by Cal-Am, considered to be part of the “Main” system, as shown in Tables 9-2 through 9-4.

Table 9-2: Ryan Ranch Service Area Well Summary²⁸

Well Name / Number	Well Capacity (gpm)	Well Capacity (MGD)
Ryan Ranch No. 7	70	0.10
Firm Capacity ²⁹	0	0

In 2020, the Ryan Ranch system was connected via a new intertie to the Main System, enabling Cal-Am to place the Ryan Ranch No. 7 well on inactive status.

Table 9-3: Bishop Service Area Well Summary³⁰

Well Name / Number	Well Capacity (gpm)	Well Capacity (MGD)
Bishop Well No. 1	340	0.49
Bishop Well No. 3	308	0.44
Total Capacity	648	0.93
Firm Capacity	0	0

Table 9-4: Hidden Hills Service Area Well Summary³¹

Well Name / Number	Well Capacity (gpm)	Well Capacity (MGD)
Bay Ridge Well	279	0.40
Standex Well	Inactive	-
Firm Capacity	0	0

Additional wells are in the water system areas outside of the MPWMD boundaries serving the Ambler, Ralph Lane, Toro, Garrapata, and Chualar water system areas and are not under consideration for acquisition.

9.2. Water Treatment Facilities

As of 2019, the Monterey Water System was comprised of six water treatment facilities of various types and sizes, as summarized in Table 9-5, required to remove contaminants and

²⁸ 2008 Comprehensive Planning Study pg. 199, updated by MPWMD

²⁹ For single well satellite systems, redundancy is achieved through emergency interties.

³⁰ 2019 Annual Report filed w CPUC

³¹ Ibid

meet state and federal water quality regulations. The Upper Carmel Valley wells only require disinfection and corrosion control chemical treatment. The Lower Carmel Valley wells require the removal of iron and manganese at the Begonia Iron Removal Plant (BIRP).

The Luzern, Ord Grove, and Paralta Seaside Coastal wells require the removal of hydrogen sulfide, and all of the satellite wells require iron removal, with the Ryan Ranch well requiring additional manganese and arsenic removal.

Table 9.5: Summary of Water Treatment Facilities³²

Facility Name	Type	Age	Capacity (MGD)
Begonia Iron Removal Plant	Iron & Manganese Filtration	Originally built in 1975, upgraded in 2001.	16.9
Ord Grove Treatment Plant	Chemical Disinfection	N/A	4.0
Luzern GAC Filtration System	Granular Activated Carbon Filtration, Hydrogen Sulfide Removal	N/A	1.0
Ryan Ranch Water Treatment Plant	Greensand Pressure Filtration Plant for Iron, Manganese, and Arsenic Removal	Originally built in 1981 with upgrades made in 2007. Taken off-line in 2020.	0.22
Bishop Water Treatment Plant	Chemical Disinfection	N/A	1.2
Hidden Hills Water Treatment Plan	Chemical Disinfection	Built in 2001.	1.0

Wells utilizing chemical disinfection at the wellhead include Plumas 4, Los Laureles 5 & 6, Panetta 1 & 2, Garzas 3 & 4, Playa 3, and ASR 1.

³² 2008 Comprehensive Planning Study (pg 5-7 to 5-15), updated by MPWMD

10. Distribution & Storage Facilities

10.1. Water Distribution

The existing Cal-Am water system is divided into four district areas. Each area has different operational conditions and requirements.³³ The four areas are: (i) Upper Carmel Valley; (ii) Lower Carmel Valley and Monterey Peninsula; (iii) Seaside; (iv) Upper Lift Zones.

Upper Carmel Valley

Water from the Upper Carmel Valley (“UCV”) aquifer is pumped direct to the system with wellhead treatment. Additionally, the Del Monte Booster Station is able to lift water from the Lower Carmel Valley district into the UCV. Many upper lift zones are in the UCV district.³⁴

Lower Carmel Valley and Monterey Peninsula

Wells in the Lower Carmel Valley (“LCV”) pump raw water to the Begonia Iron Removal Plant (“BIRP”). BIRP is a pressure filter plant. LCV has a 36-inch diameter transmission main that transports water from the BIRP to the west. At the intersection of Valley Greens Road and Carmel Valley Road, the 36-inch transmission main divides into a 30-inch pipe that goes to the Segunda Tank and pumping facility and another 30-inch main that continues to the Forest Lake Tanks in Pebble Beach. Water pumped to the Segunda Tank is then pumped to the Crest Reservoir, which has a capacity of 0.25 MG. The Crest Reservoir is a break tank that sends flow to Del Ray Oaks and Seaside through the Del Rey Regulator. From Seaside, the water moves to meet the demands in Monterey and Pacific Grove. Water pumped towards the Forest Lake Tanks is pumped via the Monterey Pipeline completed in 2018. The transmission mains at Valley Greens include 12-inch and 24-inch manually operated valves that can each partially control the flow split from BIRP.³⁵

Seaside

Water is drawn from the Carmel Valley via the Segunda Booster Station and Crest Reservoir to serve the Seaside area. In the summer, water is extracted from the Seaside Basin to meet water demands. Water from Luzern well is filtered with Granular Activated Carbon (“GAC”) filters. Water from Playa and Plumas wells is chlorinated on-site and is then distributed to the system. Water from the Ord Grove and Paralta wells is pumped to the Ord Grove Treatment Plant and then to the Ord Grove Tank via the Ord Grove Treatment Plant Booster Station. The Santa Margarita and Seaside Middle School Wells are treated at the Santa Margarita site then distributed to the system. The Hilby Tanks are also in Seaside; these tanks are only available when the Hilby Booster pumps are active to pump water into the distribution system as a result of their lower elevation. Pressures within the Seaside system are regulated by the Del Rey Regulating Station. Limited supplemental flow is provided by the Fairway Tanks for periods of high demand and fire flows, but a recirculation line has been added in the upper Seaside area

³³ 2008 Comprehensive Planning Study (pg. 250), updated by MPWMD

³⁴ Ibid, pg. 263.

³⁵ Ibid, pg. 263-264.

to ameliorate that issue. Flows there are regulated by the Hwy 68 Regulating Station.³⁶

Upper Lift Zones

There are 68 upper lift zones in the Monterey system. Booster stations within the lift zones are utilized to pump the water to higher gradients. Flow can travel through up to four lifts to service customers at the outer boundaries of the system. Forty-two of the upper lift zones have gravity storage, 14 are supplied from PRVs, eight have hydropneumatic (closed loop) systems, and the remaining are simply pumped. Upper lift zones account for around 34% of the average day demand in the Monterey system.³⁷ The main upper valley lift zones are served from the Segunda Tanks.

10.2. Water Distribution Piping

The water distribution system of the Central Division includes a distribution piping network consisting of approximately 614 miles of pipe, primarily cast iron, steel, cement asbestos, PVC, and ductile iron pipe with diameters of 1-inch to 36-inch.³⁸ A summary of the size and type of pipe that comprise the distribution pipe network is summarized in Table 10-1. The average age of the distribution pipe network within the Monterey District is 48.5 years.³⁹

Table 10-1: Distribution Pipe Network – Length (Ft) by Diameter

Material	1"	1 ½"	2"	2 ½"	3"	4"	5"	6"	8"
Cast Iron	187		14,739	176	6,534	132,511		98,293	56,538
Cast Iron (Cement Lined)	178		25,829		103	153,776		242,584	86,867
Concrete									
Copper	284		216						
Riveted Steel	267	102	1,217		143	9,911		19,808	39,191
Standard Screw									
Screw or Welded Casing									
Cement-Asbestos	173		1,988		1,086	125,820	2,137	382,710	126,411
Welded Steel									
Wood									
Other-Galvanized	517	970	27,057	1,666					3
Other-PVC	2,692	3,229	25,042	5,195	3,366	30,633		210,091	549,951
Other-Ductile Iron	124		1,841			1,598		9,960	7,913
Other-Brass	1		203	9				15	
Other-PE			1,144						
Other-Unknown	2,266	3,414	21,017		1,370	41,914		61,718	36,945

³⁶ Ibid, pg. 264-265

³⁷ Ibid, pg. 265.

³⁸ Ibid, pg. 15.

³⁹ CAL-AM 2019 General Rate Case, MDR II.E.10.

Material	1"	1 ½"	2"	2 ½"	3"	4"	5"	6"	8"
Total	6,689	7,715	120,293	7,046	12,602	496,163	2,137	1,025,180	903,819

Material	10"	12"	14"	16"	17-18"	20-22"	24"	30-36"	Total All
Cast Iron		42,359		9,657		993			361,987
Cast Iron (Cement Lined)		38,282		2,068	139		1,205		551,032
Concrete									-
Copper									500
Riveted Steel	20,421	17,468	1,356	2,627	7,815	16,310	3,702	53,975	194,314
Standard Screw									-
Screw or Welded Casing									-
Cement-Asbestos	4,109	70,202	5,483	5,686			505		726,311
Welded Steel									-
Wood									-
Other-Galvanized									30,213
Other-PVC	8,002	93,757	8	12,489		3,427	3,853		951,735
Other-Ductile Iron	160	9,551	281	46,588	2,932	33,430	44,717	82,825	241,919
Other-Brass									228
Other-PE									1,144
Other-Unknown	338	6,333	57	3,528	119	359	2,708	29	182,114
Total	33,030	277,953	7,184	82,644	11,004	54,519	56,690	136,829	3,241,498

Source: 2018 Annual Report to CPUC.

The distribution system must have the capacity to maintain water pressures between 40 – 90 psig at all customer meters during maximum day conditions. The capacity and reliability of the mains and service lines is essential to maintain water service throughout the service area.

10.3. Service Lines

The water system has approximately 40,000 service lines ranging in size from $\frac{3}{4}$ inch to 12-inch diameter. Cal-Am owns and is responsible for the service lines from the main up to the meter box, typically the property line. On average service lines range from 50-100 feet and are of various materials. The majority of service lines in the water system are High-Density Polyethylene (HDPE or PE) and Copper, however Galvanized Steel, and Polybutylene lines still exist. PVC, cast iron, or DIP piping typically are used for larger diameter service lines.

10.4. Pressure Zones and Storage Capacity

The Monterey water system covers a large geographic area of approximately 55 square miles that ranges in elevation from sea level to over 1,300 feet through 74 different pressure zones, of which 14 are supplied by pressure reducing stations (PRVs). The numerous pressure gradients are supplied by pump stations that pump to 88 water storage facilities located in

most of the pressure zones. The system has approximately 35 MG of usable water storage, excluding the earthen Los Padres Dam. Service sub-areas are pressures that do not have separate source of supplies and are served off of the Main Zone.

Table 10-2: Summary of Pressure Zone Facilities

Service Area	Sub-Area	# of Pressure Zones	Zones Supplied by PRV or Pneumatic
Main		1	0
Upper Carmel Valley	Los Tulares	4	2
	Robles	4	1
	Airway	2	0
	Middle Canyon	4	0
	Ranchitos	2	1
	Rancho Fiesta	3	1
	Vista Hermosa/ Carmel Valley Ranch	2	0
	Total	21	5
Lower Carmel Valley	Tierra Grande	5	1
	Mercurio	1	0
	Crest	1	0
	Quail Meadows	1	0
	Del Mesa	1	0
	Rio Vista/ Carmel Views	5	3
	Lower Carmel Valley Reduced	1	2
	Total	15	6
Peninsula	Cypress/ Mt. Devon	2	0
	Lower Walden/ Crest Canyon	2	0
	Carmel Woods	5	2
	Old Pebble Beach	6	4
	Pacific Grove	9	2
	Total	24	8
Seaside	Fairways	1	0
	Darwin	1	0
	Del Rey Oaks Reduced	1	1
	Hilby Pneumatic	1	1
	Total	4	2
Ryan Ranch		1	0
Bishop		5	1
Hidden Hills		3	1
Monterey Water System	8 Service Areas 24 Sub-Areas	74	24

10.5. Booster Pump Stations

As of 2008, the Monterey Water System was comprised of 65 booster pump stations (excluding production wells) in the main Monterey system, and 9 pumping stations in the satellite systems.⁴⁰ The Hilby Pump Station was added in support of the Monterey Pipeline in 2018 and a future Carmel Valley Pump Station will begin construction in 2020 or early 2021.

10.6. Water Storage Facilities

There are 105 finished water storage facilities within the Monterey District with a total combined capacity of 579 million gallons, which includes an earthen collecting reservoir.⁴¹ A summary of the distribution storage tanks by system and type is provided in Table 10-3.

Table 10-3: Water Storage Facility Summary

System	Type	Quantity	Combined Capacity (MG)
Monterey Main System	Steel	77	31.719
	Concrete	11	2.165
	Earthen	1	543.780
Hidden Hills	Steel	6	0.440
Bishop	Steel	7	0.750
Ryan Ranch	Steel	1	0.500
	Plastic	2	0.026

10.7. Other Distribution Appurtenances

The water distribution system also contains 3,496 fire hydrants and an estimated 12,000 distribution valves.

A summary of the water meters and active service connections by size is provided in Table 10-8, but excludes four 18-inch meters at the ASR sites.

Table 1-8: Water Meters and Services⁴²

Meter Size (inches)	No. of Meters	Service Line Diameter (inches)	Active Service Connections
5/8 x 3/4	32,922	Less than 3/4	0
3/4	223	3/4	1,254
1	6,182	1	35,335

⁴⁰ 2008 Comprehensive Planning Study, p.6-11.

⁴¹ 2019 Annual Report of District Water System Operations for the Monterey County District, prepared by Cal-Am for the CPUC, p.14.

⁴² 2018 Annual Report of District Water System Operations for the Monterey County District, prepared by Cal-Am for the CPUC, p.16.

1 1/2	1,064	1 1/2	380
2	747	2	3,414
3	89	3	56
4	36	4	452
6	21	6	100
8	18	8	47
12	-	12	3
Other (unknown)	-	Other (unknown)	8
Total	41,302		41,049

10.8. Monterey Pipeline and Pump Station

The Monterey Pipeline was completed in 2018 and provides conveyance infrastructure for CAL-AM to move water north-to-south to Pacific Grove, Carmel, and Carmel Valley. It is comprised of approximately 6.5 miles of 36-inch pipe that conveys water from an existing pipeline at the intersection of Yosemite Street and Hilby Avenue (its eastern terminus) in Seaside, through Seaside and Monterey to the Eardley pump station within the City of Pacific Grove (the western terminus). The pipeline route improves the hydraulics of the existing system, will allow for delivery of desalination water from the new Monterey Peninsula Water Supply Project desalination plant, will allow for deliveries of Pure Water Monterey advance purified water, and will allow for maximum use of ASR and Carmel River excess diversion rights. The Monterey Pipeline connects two pressure zones in the Cal-Am system (one in the area of the City of Pacific Grove and one in the area of the City of Seaside), by-passing the distribution system in Old and New Monterey. With implementation of this pipeline, water stored in Forest Lake Tanks in Pebble Beach could flow via gravity to the LCV or be pumped to the UCV, with construction of a new pump station.

The existing Cal-Am distribution system currently conveys Carmel River water through the Segunda-Crest pipeline network to the existing ASR facilities; however, the capacity of this pipeline can constrain the volume of water that can be delivered to the injection wells. The capacity of the Carmel Valley wells can also constrain amounts available for ASR injection. The Monterey Pipeline, completed in 2018, is expected to improve the capacity of Cal-Am's existing system to convey additional excess Carmel River winter flows to specially-constructed injection/recovery wells in the Seaside Groundwater Basin. The pipeline is expected to better achieve the full yield authorized by previously approved water rights for later extraction and use by Cal-Am during dry periods. This "conjunctive use" more efficiently utilizes local water resources to improve the reliability of the community's water supply while reducing the environmental impacts to the Carmel River and Seaside Groundwater Basins.

The Monterey Pipeline will also enable Cal-Am to deliver Pure Water Monterey water to its customers and could be used for both the ASR Project and the Pure Water Monterey Project.

11. Environmental Resources & Protection

11.1. The Legal Mandate for the Mitigation Program

The District established its Water Allocation Program in 1981 to manage the limited water supplies available to Monterey Peninsula water users. Under the Water Allocation Program, the District regulates the amount of water that can be produced and delivered by public and private water distribution systems within the District. The District established procedures for annually setting a limit on the total amount of water available to Cal-Am and a limit on how much water each local municipality could release for new construction in subsequent years. Presently, all water delivered within the District is produced from sources within the District. These sources include surface water from the Carmel Valley Alluvial Aquifer and Seaside Groundwater Basin. Collectively, these sources are referred to as the Monterey Peninsula Water Resource System (MPWRS). In 1981, the annual production limit from the MPWRS for Cal-Am's main distribution system was set at 20,000 acre-feet per year (afy) and a formula for distributing water among the jurisdictions within Cal-Am's service area was specified.

Between 1981 and 1983, scientists retained by the District concluded that Cal-Am's diversions along the Carmel River had contributed to a large drop in the number of returning adult steelhead, substantial loss of streamside vegetation, and widespread channel instability during the late 1970s and early 1980s. In October 1984, the District began implementing the Carmel River Management Plan, which focused on restoring streamside vegetation and improving steelhead and wildlife habitat along the main stem of the river.

The District's steelhead rescue and rearing program and irrigation of riparian vegetation to offset impacts from Cal-Am's water extraction efforts were begun as part of the "1988 Interim Relief Plan" (IRP), which was developed cooperatively by representatives from Cal-Am, MPWMD, the California Department of Fish and Game (now "and Wildlife") (CDFW), State Water Resources Control Board (SWRCB), Carmel River Steelhead Association (CRSA), and the Carmel Valley Property Owners Association (CVPOA). It was created to respond to the community's environmental concerns under the authority granted to the District by the State Legislature, prior to the development of a permanent replacement water supply for the existing levels of Carmel River diversions. The IRP was also developed at the request of the SWRCB as part of a settlement for two water rights complaints filed by CRSA in 1987. The IRP initially included three general program elements directly related to steelhead and riparian vegetation as part of its initial Emergency Relief Plan: (1) Fish Rescues and Rearing, (2) Irrigation of Riparian Vegetation, and (3) Flow Releases from San Clemente Dam (SCD). The intent of the flow releases was to provide steelhead habitat that could be sustained throughout the Low Flow Season with existing water supplies. This was to be achieved through two processes: a) the negotiation of an Annual Low Flow MOA between Cal-Am, CDFW, and MPWMD regarding the release of water from SCD; and b) the Quarterly Water Supply Budget process mandated by District Ordinance No. 19. At the time the IRP was adopted, Fish Rearing and Rescues were focused on moving fish upstream into year-round flowing waters with some short-term rearing in off-stream ponds, and capturing and moving smolts downstream to the ocean in drier years,

when they otherwise would not have been able to reach the ocean. The IRP was subsequently replaced by the Mitigation Program resulting from the 1990 EIR, described below.

In 1990, the District revised the Water Allocation Program to reflect dry rainfall year conditions instead of average rainfall year conditions. As required by the California Environmental Quality Act (“CEQA”), the District prepared an Environmental Impact Report (“EIR”) to consider the environmental effects of the Water Allocation Program. This EIR evaluated the environmental effects assuming five different production volumes from the various sources of supply on the Monterey peninsula. Based on the revised analysis that was conducted, the annual production limit from the MPWRS for CAW’s main distribution system was reduced to 16,744 AFY and a moratorium on new or expanded water uses was imposed.

In implementing the Water Allocation Program, the District was required under CEQA to mitigate, to the extent feasible, the significant impacts of the Water Allocation Program. On November 5, 1990, the District Board certified the Final EIR for the Water Allocation Program and adopted findings that included a Five-Year Mitigation Program for the selected production limits.

Five water supply options were analyzed in the EIR, along with associated impacts, and possible mitigations. Impacts to riparian vegetation, riparian wildlife, special-status wildlife, fisheries, and aesthetics without full mitigation measures were projected to be “significant adverse impacts” that could be reduced to “potentially significant” or “less than significant” adverse impacts with mitigation. To accomplish this, several programs enacted by the District in the 1980s to offset the impacts of Cal-Am pumping along the river were combined into a single, comprehensive program. The District’s Board adopted a Mitigation Program and authorized staff to carry out that program for five years, until June 30, 1996, and to report the results of the Mitigation Program to the Board. Following public hearings in May 1996, the District Board authorized continuation of the Five-Year Mitigation Program through 2001. Since 2001, the District Board has voted to continue the Comprehensive Mitigation Program as part of the District’s annual budget approval process.

In Order 95-10, the State Water Resources Control Board found that the Mitigation Program was alleviating the effects of Cal-Am’s diversions on the Carmel River. At the time the SWRCB was considering Order 95-10, the District’s Mitigation Program was initially intended to be reviewed in June 1996. To ensure that those mitigation measures continued to be implemented pending a long-term water supply solution, the SWRCB ordered Cal-Am to implement those mitigation programs if the District ceased those activities after June 30, 1996, making the Mitigation Program a contingent obligation of Cal-Am. However, the District continued to implement the Mitigation Program, which was funded in part by the User Fee until 2009, when the CPUC ordered Cal-Am to cease collecting and remitting the User Fee, which occurred in May 2011. Since 2011, Cal-Am and the District have worked cooperatively to ensure the Mitigation Program has continued uninterrupted. In 2017, the User Fee was restored and the District still pays all of the mitigation program costs.

The CPUC has also concluded that the Mitigation Program is a contingent obligation of Cal-Am. Because the District has been implementing this program, ostensibly to the satisfaction of the

State Water Resources Control Board, and the personnel and processes are in place, continued implementation by the Monterey Peninsula Water Management District is the most efficient and effective manner of meeting this responsibility. Further, most interested outside agencies such as the Sierra Club, the CRSA, and others have expressed a specific interest in the District maintaining responsibility for execution of mitigation activities.

11.2. Mitigation Required by the 2006 EIR for ASR Phase 1 Activities

The 2006 EIR for Aquifer Storage and Recovery (ASR) Phase 1 required two mitigation measures related to Fisheries: AR-1 requires MPWMD to conduct an annual survey of the riffles below River Mile 5.5, and if feasible, modify any deemed impassible, then monitor the worst five during the diversion season to assure they remain passable, or cease diversions for ASR; AR-2 requires MPWMD to cooperate with Cal-Am to develop a program to maintain, recover, or increase storage at LPR, and continue the fish rescue program as needed.

The SWRCB issued Permit 20808A for ASR Phase 1 which added more requirements: Conditions #19 and #20 related to gages and monitoring, Condition #24 to continue the Annual Low Flow MOA process in an attempt to insure 5+ cubic-feet per second (CFS) of flow at the Sleepy Hollow Weir insofar as possible with existing LPR storage, Condition #25 to continue the fish rescues required by the 1990 Water Allocation EIR's Fisheries Mitigation #3, Condition #26 to conduct studies to determine the efficiency of annual fish rescues, Condition #27 to implement all aspects of the Carmel River Lagoon Mitigation Measures specified in the 1990 Water Allocation EIR, and Condition #29 related to riparian requirements of the Mitigation Program. These conditions are also currently included in the SWRCB's Permit 20808C for ASR Phase 2.

11.3. Other Mandates from State or Federal Permits

The CDFW, National Marine Fisheries Service (NMFS), and USFWS require that all programs that affect or handle listed species, such as steelhead and red-legged frog, maintain trained and certified staff qualified for such work. Cal-Am has to contract for field biologists with such scientific qualifications, whereas MPWMD has them on staff at less than one-half the hourly rate of their consultants. All District Fisheries staff are certified in electrofishing by the USFWS, NMFS, and CDFW, and to handle red-legged frogs by the USFWS. In order to conduct our Monitoring Program, which is required by NMFS and CDFW to track and evaluate the effectiveness of the Mitigation Program, Fisheries staff must acquire and submit reporting for bi-annual State Scientific Collecting Permits through CDFW, which are in turn linked to separate annual Federal ESA Section 10 Permits from NMFS. The NMFS requires 5-Year Section 10 Permits to operate the Sleepy Hollow Steelhead Rearing Facility (SHSRF), and CDFW requires a congruent matching MOA. These agreements in turn require the District's Fisheries staff to be formally trained in aquaculture to run the SHSRF. The Section 10 Permit process requires the District to develop and have approved a Rescue and Rearing Management Plan (RRMP). The RRMP currently requires (a) steelhead rescue efficiency studies, (b) adult and juvenile steelhead population surveys, (c) SHSRF operations improvement experiments to attempt to increase survival, and (d) downstream migration survival study of reared versus wild juvenile steelhead with marked and recaptured fish. Sustaining the continuing education, re-certification, and re-permitting of the Fisheries staff and their program consumes a significant amount of time each

year, and must be funded as part of any modern mitigation program conducted by Cal-Am or District.

11.4. Mitigation Program is Related to the Provision of Water

The legal mandates discussed above show a clear nexus between the requirements of the Mitigation Program and the provision of water supply from the Carmel River, as well as the provision of water supply from ASR. Mitigation is a component of the basic operating and maintenance (O&M) expense related to providing water from the Carmel River under existing conditions. Until such time as the need for the mitigation activities can be documented as no longer necessary and a supplemental EIR or other filing modifies or reverses the requirements of the 1990 Allocation EIR and the 2006 ASR EIR, the mitigation activities remain a required cost of operations related to provision of water. Cal-Am has provided very limited funding for these activities, yet until all environmental effects of a new permanent replacement water supply are assessible, the costs of mitigation will remain a District funding priority.

11.5. Description of the Mitigation Program

Key components of the Water Management District's Mitigation Program include general mitigations relating to water supply and demand management and specific measures relating to select environmental resources such as steelhead and riparian vegetation. General mitigation measures include hydrologic monitoring (precipitation, streamflow, groundwater levels, and water quality), water production management (operations agreements, quarterly water supply budgets, and well registration and reporting), water demand management (conservation, permitting, and monitoring), and water supply planning. Specific mitigation measures include steelhead protection (spring smolt rescues, fall/winter juvenile rescues, summer juvenile rescues and rearing, and adult and juvenile population monitoring), riparian habitat protection (vegetation monitoring, plantings and irrigation, erosion control, and channel clearing) and lagoon habitat protection (vegetation surveys, topographic measurements, and wildlife monitoring). Each of the components is described in the Annual Mitigation Program Reports that are required by CEQA. The 2021 Annual Report will be the thirtieth report prepared by the District since the program began.

Fisheries Program

In summary, the Fisheries Program, among other things: (i) records data on the steelhead population in the Carmel River; (ii) rescues young steelhead from drying reaches of the Carmel River; (iii) operates the Sleepy Hollow Steelhead Rearing Facility, including steelhead stocking, physical plant maintenance and capital improvements, and preparation of the facility's Rescue and Rearing Management Plan in consultation with state and federal experts; (iv) conducts a California Stream Bio-assessment Procedure (benthic invertebrate sampling at 6 stations); (v) coordinates with California American Water regarding operations to maximize fish habitat, including monitoring the Carmel River Lagoon water levels and water quality to improve the lagoon as habitat for fish. Also included within this budget are activities to mitigate potentially significant impacts associated with the operation of the Aquifer Storage and Recovery project.

Riparian Program

The Riparian Habitat Program, among other things: (i) irrigates riparian vegetation that is impacted by groundwater extraction; (ii) restores streambanks and floodplains with native vegetation that has been degraded because of water extraction, and engages in other vegetation management activities, including obtaining required State and federal permits for these activities; (iii) manages data collection regarding the channel profile and also cross section data from the Carmel River for use in maintaining a long-term record and comparing to the past and future data; (iv) monitors the physical and biological processes along the river to evaluate the District's river management activities; (v) inspects the Carmel River from the upstream end of the lagoon to Camp Steffani for violations and debris dams; (vi) maintains and updates records regarding erosion damage, conditions that could cause erosion, and the overall condition of the riparian corridor; (vii) enforces the District riparian ordinances; and, (viii) prepares Integrated Regional Water Management Plans.

Lagoon Program

In summary, the Lagoon Habitat Program performs the following activities: (i) vegetation habitat monitoring; surveying and analyzing bathymetric transects; conducting topographic, hydrology and wildlife surveys; and (ii) providing technical expertise regarding management and improvement of the lagoon.

Hydrologic Monitoring Program

The Hydrologic Monitoring Program: (i) regularly tracks precipitation, streamflow, surface and groundwater levels and quality, and lagoon characteristics between Los Padres Dam and the Carmel River Lagoon, using real-time and computer monitoring methods at numerous data collection stations; (ii) maintains an extensive monitoring network, and continuous streamflow recorders along the Carmel River; (iii) implements a multi-agency Memorandum of Agreement and develops quarterly water supply strategies based on hydrologic conditions; (iv) works cooperatively with resource agencies implementing the federal Endangered Species Act; and, (v) implements ordinances that regulate wells and water distribution systems.

11.6. Mitigation Program is Distinct from Cal-Am's Other Mitigation Requirements

The District's Mitigation Program activities are more comprehensive and quite distinct from other mitigation activities undertaken by Cal-Am. The focus of Cal-Am's water withdrawal mitigation activities center on meeting the terms of agreements with the National Oceanic and Atmospheric Administration (NOAA) regarding impacts to the South Central California Coast (SCCC) Steelhead, and with the United States Fish and Wildlife Service (USFWS) regarding impacts to the California Red-Legged Frog.

Regarding the SCCC Steelhead, the funds paid by Cal-Am to the California Department of Fish and Wildlife are funding mitigation projects under the Department's Fisheries Restoration Grant Program. The activities selected by the Department to fund include Carmel River habitat improvements such as the removal of the Sleepy Hollow Ford, the removal of the Old Carmel River Dam, and studying the feasibility of a Carmel River Lagoon Barrier. These activities do not

fall within the scope of activities undertaken by the District under the auspices of the Mitigation Program.

Regarding the California Red-Legged Frog, Cal-Am consultants monitor, rescue, and relocate California Red-Legged Frog tadpoles in the vicinity of large production wells when necessary, as well as part of certain mitigation measures associated with drawdown of San Clemente Dam. The District does not perform any rescue or relocation operations with respect to California Red-Legged Frog and only records incidental sightings when out in the field, but does work in conjunction with Cal-Am's consultants during rescue activities.

Both the District's and Cal-Am's environmental resource protection programs will be maintained under an acquisition and integration of operations.

12. Operations & Maintenance Plan

The water infrastructure and assets in the United States have aged, in many water systems reaching or exceeding the useful service life of a significant portion of facilities, equipment, and assets. Equipment, pipelines, and assets have failed in an increasing rate in many systems. In response the industry has focused on extending the useful life of assets through inspection, condition assessment, program and preventive maintenance, and timely asset renewal and replacement programs.

The Monterey Water System has a significant portion of the facilities, pipelines, equipment, and other assets that have reached or are nearing the end of their useful life. The disruption to service, impact to customers, cost, and rate impact of immediately replacing a large portion of the water system is not practical or efficient. Both the current system owner, Cal-Am, and the acquiror will have to address these issues. To address the issue of the aging water infrastructure the District is adopting the industry approach of implementing aggressive and robust program/preventive maintenance focused on the extension of the asset useful life, especially critical facilities, pipelines, and equipment.

The District intends to adopt and develop its maintenance programs founded on the **AWWA Standards G200 and G410**, with guidance from the **AWWA Maintenance Management for Water Utilities Handbook**. As discussed in Chapter 5, the District has adopted two Strategic Goals, No. 5 and 6, that strive to maintain or improve the existing condition and level of service of the water system while providing rate stabilization that is directly supported by robust maintenance programs.

In preparing a zero-based operating budget, the District has initially developed a number of preventive maintenance programs it plans to implement, in a phased approach, over the initial years of operational responsibility. The following programs were developed using AWWA standards as guidance and a roadmap to maintain or improve the life expectancy of assets and improve water service. A brief description of the maintenance programs is described below.

12.1. Standard Operations Policies and Procedures

AWWA Standards state that to meet the specific standard the utility must demonstrate that it has in place written procedures, policies, and performance standards. As outlined in Section 2.5 earlier, the District will maintain the current Cal-Am policies, procedures, and practices to operate the water system during the first year of the District's operation. During that 12-month period the District will assess the operational procedures, business processes, and performance to readjust the Strategic Goals, Level of Service Standards (LOS), and refine and document the Standard Operating Procedures (SOPs) that include performance metrics.

12.2. Operations Performance Metrics

Section 12.3 below provides a brief description Routine Operations Workplan and Section 12.4 provides a brief description of the initial preventive maintenance programs. The Operational work tasks and maintenance programs will include an initial list of performance metrics.

The performance metrics are based on the **AWWA Utility Benchmarking Survey – Performance Management for Water and Wastewater**, industry data, and operational experience.

Performance metrics shall be specific and clearly defined, measurable, and support a culture of continuous improvement.

12.3. Routine Operational Workplan

The routine operational workplan defines the daily, weekly, monthly, quarterly, and the annual operations staff activities. An Operational Workplan outlining the work tasks, level of effort, frequency, and manpower required will be developed as part of the transition planning. The following is a brief description of the key operations work tasks.

Water Quality Monitoring

The monitoring of water quality from production and treatment facilities and within the distribution system is a key work task and responsibility of the operations staff. Water quality sampling and testing is performed on a daily, weekly, monthly, quarterly, and annual frequency for different water quality parameters and contaminants. The following are the various water quality categories that the District shall monitor:

Water Quality Parameters:

- Water Chemistry
 - pH
 - Alkalinity
 - Nitrogen (Ammonia & Nitrates)
 - Chloride
 - Dissolved Oxygen
 - Phosphorus
- Organics
 - Volatile Organic Compounds (VOCs)
 - Synthetic Organic Chemicals (SOCs)
 - Pesticides
- Inorganic Chemicals
 - Heavy Metals
 - Lead & copper
 - Arsenic
 - Mercury
 - Solenium
- Radionuclides

- Microbials and Turbidity
 - Total Coliform
 - Viruses
 - Pathogens
 - Biofilm Bacteria
 - Chlorine Residual
 - Heteroropichic Plate Counts (HPC)
- Disinfection By-Products
 - Trihalomethanes (THMs)
 - Haloacetic Acids (HAAs)
- Secondary Standards
 - Iron
 - Manganese
 - Total Dissolved Solids (TDS)
 - Taste and Odor
 - Sulfate
 - Aluminum
 - Fluoride

Water Quality Sampling Plan: The location and frequency of collecting water quality samples shall be routinely performed in accordance with the state approved sampling plan estimated at approximately 100 sample sites for the water quality parameters regulated by the SWRCB.

The District will implement a non-regulated sampling plan and testing program to collect and test samples from additional locations and frequency for various water quality parameters including parameters that EPA is considering new regulations or lower MCLs in the future. These water quality results, along with the regulated water quality tests, will be the basis for maintaining or improving water quality beyond the state and federal standards (Section 5.2 – Strategic Goal No. 1). This could include, but not limited to, additional testing of:

- Dead-End Mains
- Distribution System Storage Tanks at multiple sample locations/depths in the tank, tank locations without chlorine residual analyzers, and steel tanks that have coal-tar epoxy interior coatings or interior coatings older than 25 years.
- Increased testing at well locations
- Increased testing at each treatment facility
- Unlined cast-iron, steel, or other metallic pipe locations within the distribution system, especially in areas of periodic taste and odor or color/dirty water detections.
- Galvanized, cast-iron, brass, or other metallic service lines, and service lines older than 40 years.
- Mains and tanks that have an average age of water, especially during low demand periods, of more than 7 days.

- Areas of the distribution system with a potential of nitrification due to the presence of naturally occurring ammonia and similar nitrogen compounds in mains and tanks with longer age of water durations occur especially during hot low demand periods.
- Well pump-to-waste discharge locations, including discharge percolation pits

[Water Quality Testing & Laboratory Operation](#)

The District will own, via the acquisition, and operate a state-certified laboratory for the testing of water quality parameters:

- Organics
- Water Chemistry
- Inorganics
- Microbials and Turbidity
- Disinfection By-Products
- Secondary Standards

The District's lab will be responsible for processing water quality testing and for sending out water quality samples to outside state-certified labs for parameters that the District lab is not certified for. The lab shall be responsible for preparing and submitting monthly water quality reports to the state.

[Field Customer Service](#)

The field customer service activities are routine work tasks that directly interact with customers or with their individual water service/account. Work tasks are identified and scheduled through the issuance of a work order/ticket with the exception of routine monthly meter reading. The following is a brief summary and description of the primary routine work tasks:

Customer Turn-On/Turn-Off: When a new customer account is setup at a location with an existing service/meter, a field customer service representative is assigned to turn-on the water service and take an initial meter reading. Water service is also turned-off under certain circumstances for non-payment of the water bill and turned-on when the bill is paid. Water service is turned off when an account is closed and a final meter reading is taken.

Customer Notices: Field Customer Service Representatives install notices (“Door-Hangers”) at customer properties to inform them of various activities that could affect their water service. This could include notices for:

- Scheduled water service shutdown/interruption;
- Turning-off their service for non-payment;
- Meter Replacement/Testing;
- Construction or maintenance activity that could impact their water service or located near their property;

Billing/Water Usage Customer Complaints: When a customer calls and issues a question or complaint regarding their bill related to the quantity of water used, a field customer service representative/meter reader is assigned to re-read the meter for comparison to the recorded usage. Based on the date of the meter re-read an average daily usage is calculated and compared to the customer's average daily and monthly usage for the past 12 months. If it appears there was an error in the monthly meter usage recorded a billing adjustment will be implemented.

If the meter reading appears to be correct the customer can request an inspection of the customer's service and any outside irrigation system. This is performed by a field customer service representative or outside contractor. The customer can also request that the meter be tested. If the result is a problem with the meter, then a bill adjustment will be made. If the meter is operating properly or if a leak is detected in the customer service line or outside irrigation system, then the customer will be billed for the cost of the inspection and/or meter test.

Monthly Meter Reading: Similar to pre-acquisition, the District will bill customers monthly for water service. Customer water usage is normally collected monthly over a ten-day period by recording meter totalization and then the data is downloaded at the end of each day into the meter reading software program. This data is then uploaded into the billing system.

Meter reading is scheduled by meter route and on average approximately 4,000 meters are read per day over the 10-day period. Each meter route is different based on the location and topography of the route, however approximately an average of 500 meters are recorded per day for each meter reader. Meter usage is recorded utilizing Automated Meter Reading (AMR) meters/transmitters by mobile ("drive-by") receivers installed in the vehicle. As Advanced Metering Infrastructure (smart meters) becomes more prevalent, more meters will be able to be read more quickly, by fewer meter readers.

Meter Testing and Aging/Replacement: The accuracy of meters is essential to billing, water supply planning, and conservation on the Peninsula. To maintain accurate customer usage, meter testing is core function for the field customer service staff. The following is a brief summary and description of meter testing requirements/performance metrics for the District.

- Meter Test Group – the accuracy of water meters over time from different manufacturers varies, sometimes significantly, and the replacement schedule may be different for different manufacturers. To monitor the accuracy of meters, the District will select 50 new meters every year to pull and test annually to measure the accuracy to assess the deterioration rate over time. The scheduled replacement of $5/8 \times 3/4$ and $3/4$ meters is 15 years resulting in testing 750 meters per year over 15 years. The 50-meter test group could be a combination of such small meters and 1" meters.
- Meter Testing – Meters often slow down over time and under-record water usage. This varies by meter size and type. Routine meter testing is performed monthly throughout the year at a frequency specified by meter size (other than the $5/8 \times 3/4$ or $3/4$) below.

Table 12-1: Meter Testing Plan Goal

Meter Size	Number of Meters (est.) ⁴³	Testing Frequency	Estimated Number Tested Annually
1-in	6,182	Every 3 years	2,061
1.5-in	1,064	Every 2 Years	532
2-in	747	Annually	747
3-in	89	Annually	89
4-in	36	Every 6 months	72
6-in	21	Every 6 months	42
8-in	18	Every 6 months	36
12-in	0	Every 6 months	0

- 5/8 x 3/4 inch and 3/4 in meters are not tested with exception to the annual test group meters
- 1-in, 1.5-inch, and 2-inch meters are pulled and bench tested
- 3 to 12-inch meters are tested in place
- This does not include testing of stuck meters or meters requesting testing due to billing questions.
- Meter Aging and Replacement – As water meters age, the accuracy can be reduced, typically by under-recording water usage, and are replaced at normalized annual rate. The following is a representative meter replacement schedule:

Table 12-2: Meter Replacement Plan Goal

Meter Size	Replacement Frequency	Average Number of Meters Replaced Annually
5/8 x 3/4-in	15 Years	2,200
3/4-in	15 Years	15
1-in	10 Years	620
1.5-in	10 Years	100
2-in	10 Years	75
3-in	10 Years	9
4-in	10 Years	4
6-in	10 Years	2
8-in	10 Years	2
12-in	10 Years	0

Note: Does not include stuck or inoperable meters replaced annually

Customer Water Service Complaint Response: Periodically customers call to notify the District of a water service concern, that may include questions about water quality (e.g. dirty water), low or high-water pressures, service line leaks, main leaks/breaks, or some other

⁴³ 2018 Annual Report of District Water System Operations for the Monterey County District, prepared by Cal-Am for the CPUC, p.16

operational/technical issue. Pre-acquisition the call center is nationally (Illinois or Florida), but post-acquisition there will be a locally staffed customer call center.

Field Customer Service representatives are assigned to respond to the customer concern, field inspect the potential issue, and reply to the customer either in person or by phone. If the customer can't be reached a door-hanger is placed at the property. A customer complaint response report is prepared documenting the water service issue, inspection observations/findings, and actions taken to resolve the issue.

Routine Facility Operations

The daily operation of the water system is performed by the Field Services and Operations divisions that includes certified Treatment Plant Operators, Pump Operators, Utility Workers, Foremen, and Field Service Reps. Water Quality Specialists and Lab Techs also have daily duties. The following is a summary and brief description of the daily, weekly, and monthly water operation activities.

Water Facility Operational Monitoring: The water system facilities are remotely monitored by a Supervisory Control and Data Acquisition (SCADA) computerized system. The SCADA system is centrally controlled and monitored, using *Wonderware* SCADA operating system which the District is likely to continue from the District's operations center where certified operators will monitor the water system conditions and can implement changes in control functions, turn-on/turn-off pumps and other equipment, and respond to alarms.

Operators will rotate during the day to ensure the SCADA system is monitored from the control room during the eight-hour working day. After hours and during weekends and holidays, the SCADA system is monitored remotely by senior operators remotely connected through the Remote Access Server (RAS) and use of a dedicated laptop computer. This SCADA system is protected by a firewall and the laptops, with their specific TCIP address, can access the system.

Data collected from the remote distributed facilities is stored in SCADA computer for 24 hours and then downloaded daily into the SCADA Historical Database Server (HDS) to provide historical data and trends for analysis and records. The SCADA system is not connected to the District's internal intranet, to the internet, or other external on-line systems.

A Programmable Logic Controller (PLC), located at each facility collects data from field devices through transmitters connected to the PLC. The data is then communicated back to the central SCADA control system for control and monitoring. Communication between facilities and the District's operations center will be performed through a variety of methods; Digital leased lines, spread-spectrum radios, dedicated 900 MHz fixed frequency (FCC license), and frame relay communication.

The PLC is housed in a cabinet equipped with a power supply, back-up battery, radio or communication equipment, computer access port for local access, and panel access security.

Typical input/outputs include pump status/control, well level tank level, flow, pressure, chlorine residual, generator status/control, chemical feed systems, filter flow-control, turbidity, security, and other treatment controls and monitoring.

Water Operation Facility Inspections: To ensure water service is not interrupted, water quality meets or exceeds regulated MCLs, and equipment is routinely inspected, water treatment and production operators visit each facility at a frequency to properly monitor the water production and delivery to the customer. The table below shows the District's best estimate of current facilities within the system.

Table 12-3: Facility Inspection Goal

Facility	Inspection Frequency	Number of Facilities
Water Treatment Plants	Daily	6
Wells	2 times per week	27
Pump Stations	2 times per week	73
Storage Tanks & Reservoirs	Weekly	97
Pressure Reducing Stations	Every 6 Months	19
Chemical Feed System Inspections	Monthly	94
Generator Inspection & Exercising	Monthly	20
Facility SCADA/PLC & Instrumentation Inspection	Quarterly	265

- Wells include 4 ASR wells, only 2 of which may be used for water production at any one time.
- Daily inspection of the six water treatment plants (WTPs) routinely include observation and assessment of mechanical equipment, chemical feed and monitoring (e.g. chlorine residual analyzers) equipment, water quality sampling, data recording, filter inspection, security, and other treatment processes.
- Wells and pump stations would typically be inspected twice a week, or more frequently based on production criticality and risk. Inspection routinely observe and assess mechanical equipment, chemical feed equipment, SCADA & instrumentation, chlorine residual and well level data recording, security, other equipment including taking water quality samples.
- Distribution storage tanks will likely be inspected weekly to observe and assess the tank condition, any evidence of leakage, SCADA & level transmitters, chlorine residual analyzers (if present), and site security. Water quality samples are routinely taken to check chlorine residual and presence of other microbial contaminants. Critical storage facilities may be inspected more frequently.
- Pressure Reducing Valve (PRV) stations are inspected every six months to assess the condition of the valve, piping, vault, and check/adjust pressure set-points. PRV pressure set-points may require adjustments for seasonal demand and pressure conditions.

- Chemical feed systems are inspected and tested monthly to confirm feed settings, leaks, injectors, and condition of the various components of the feed system equipment. The chemical feed pump will be calibrated using a calibration tube every 6 months.
- Generator sets shall be inspected and exercised monthly for at least 15-20 minutes. Transfer switches, fuel levels, and batteries will be checked as part of the monthly inspection.
- Facility SCADA system, including the PLC, power supply, back-up battery, instrument field devices & transmitters, and radio communication equipment shall be inspected and tested quarterly.

Cross Connection Program

The District will maintain or improve Cal-Am's robust cross connection program in compliance with Title 17 to protect the water system from private/public facility contamination through the implementation of backflow preventers and other approved backflow devices. The District will ensure that it retains or hires certified cross connection staff that manages the program, recordkeeping, and provide annual inspection of backflow devices connected to the water system. Backflow preventer devices are typically required for industrial, commercial, or private/public facilities, connected to the water system, that have the following conditions:

- Auxiliary Water Supplies
- Sewage
- On-site storm water treatment
- Recycled Water Supplies
- Fire Protection Systems
- Hazardous Chemicals and Substance Processes
- Biological Processes
- Private/Public Facilities that have internal cross connection exposure

Operations Staff Training

The District has embraced the AWWA Effective Utility Management (EUM) and Standards as the foundation of the Operations Plan. A Continuous Improvement operation and management culture and Employee Training and Certification Program are key attributes of the District's Strategic Goal #3 summarized in Chapter 5 above. Three key goals are:

- Goal 3B – Continuous Improvement Policy
- Goal 3E – Employee Certification and Training Program
- Goal 3F – Employee Internal Education Program

The AWWA utility operation and management standards, G200 & G400-440, all require written routine training programs that are essential for the various department and management staff including operations personnel.

Training program requirements will be included in the specific job descriptions for all employees and must be achieved before advancement or transfer to a new position. All training programs will be written and integrated with the District's strategic goals, level of service metrics, and performance standards. Each training program shall include initial and refresher training modules along with refresher training schedules. Documentation of all certification and training programs per individual staff personnel shall be maintained and available to the public and other stakeholders for transparency.

Weekly, monthly, quarterly, and annual training shall be conducted for the operations staff and include, but not limited to the following programs:

- Operations Department Training Program & Matrix
- New Hire Orientation and Training Program
- Operation Standard Procedures Training
- Operations Certification Education & Training Program
- Regulatory and Permit Compliance Training
- Water Quality Monitoring, Testing, and Protection Training
- Environmental Impact Prevention Training
- Continuous Improvement Program Training
- Emergency Preparedness and Response Training
- Operations Risk Management and Mitigation Training
- Safety Program Training
- OSHA Regulations Training
- Confined Space Training
- Lock-Out/Tag-Out Training
- Hazardous Material Handling & Spill Containment Training
- Vehicle Driving Training
- Trip and Fall Prevention Training
- Electrical Safety Training
- Security Practices Training
- IT System, Computer Program, and Technology Training
- SCADA System Operations Training
- Cross Connection Program Training
- Asset Management and Condition Assessment Training
- Computerized Maintenance Management System (CMMS) Program and Practices Training
- Construction Inspection Training
- Customer Engagement Training
- Operations Staff Media Interaction Training

The District will adopt an internal educational program for the operations staff, and for other departmental staff, on the water system operation, activities, and the various departmental responsibilities and business processes. The objective is to familiarize all District personnel with

the broad activities and practices of each department to provide an overall understanding the water system operation and how they are integrated with their own departmental and job responsibilities.

12.4. Preventive Maintenance Workplan

The District will adopt a culture to provide preventive maintenance programs to maintain or exceed the level of service standards and to extend the service/useful life of the water system facilities, equipment, and assets. As custodian of the water system, the District's goal is to minimize the premature deterioration and potential failure of equipment/assets that could interrupt water service to the Monterey community. By minimizing the risk of service interruptions and extending the life of assets, the District reduces emergency repairs and lowers capital and O&M costs that will continue to stabilize water rates for customers. The following is a summary and brief description of the preventive maintenance programs to be implemented by the District.

Computerized Maintenance Management System (CMMS)

The District intends to utilize a CMMS (e.g. Maximo, Cityworks, Oracle EAM, Hansen/Infor, SAP) to manage and record both preventive and non-scheduled maintenance activities as well as retain asset data (including condition assessments) for all equipment, by asset class, in the water system. A CMMS system is a combination of a work order system and database that is capable of scheduling routine maintenance activities and recording emergency repair activities.

Field staff will record their time/hours for the various maintenance/repairs activities by asset number to be used with condition assessment data to determine future/on-going maintenance requirements or replacement. The CMMS and recorded cost data are also used to provide input into the annual O&M budget.

The operations staff and the District's Administrative Services Division will jointly manage the CMMS and routinely populate the CMMS database with the addition of new and retired equipment/assets, operational performance data, condition assessment data, and other supporting documents (e.g. inspection report, manufacturer data), uploaded into the system. Routine scheduling of maintenance work orders and the frequency of on-going/future maintenance activities by asset class or individual assets is performed by the Operations and Field Services staff.

Underground Service Alert (USA)

The District will become responsible for locating underground water pipelines when notified by city public works departments, other utilities, and contractors and marking them prior to the start of any construction. District operations staff will follow up with the contractor or public works department to confirm the location of mains, valves, and services. Any location dimensions that deviate from the GIS database, need to be corrected within 30 days of detection.

The District will repair or pay for damage to the mains and other assets that result from the mains/assets not in the location marked in the field. Damage to the water mains and other buried assets by other contractors, utilities, city public works, or private party shall be borne by that entity.

[Pressure Zone Monitoring Program](#)

The SCADA system monitors the water system operating pressures at wells, pump stations, treatment facilities, and tanks (tank level). However, water pressures at the customer meters are not monitored and will be assessed by the use of a hydraulic model simulation as part of the District's routine planning efforts. To monitor locations in the distribution system that may have low or high pressures, the assigned Utility Workers shall measure the water pressures monthly at customer meter locations identified by the engineering/resources division in all pressure zones twice a year. Each identified location shall be measured during peak (summer) and low (winter) demand periods. To facilitate pressure measurements taps for connecting a portable electronic pressure gauge may be installed in the customer's meter box. At a minimum, a hose-bib reading may suffice. Water pressure data will be used to update and refine the hydraulic model. The District recognizes that the current Cal-Am Monterey Water System has both longstanding high- and low- pressure zones that must be addressed.

[General Facility Maintenance Program](#)

This program is focused on above-ground structures, piping, HVAC, other non-mechanical equipment, and facility sites to provide routine maintenance such as painting, repairs to buildings, site improvements (e.g. site drainage/grading, fence repairs, surrey seal pavements, landscaping), and other minor repairs in the facility.

[Right of Way \(ROW\) & Easement Maintenance Program](#)

The District will acquire various facilities, underground mains, service lines, hydrants, air vacuum and release valves, and other equipment that are located within non-roadway ROW and dedicated easements. Routine landscaping, drainage, and other minor maintenance is performed quarterly to maintain these areas located within the cities, other jurisdictions, and private property the District serves.

[Water Treatment Equipment Inspection, Testing, and Maintenance Program](#)

The District will acquire 6 facilities that provide water treatment from groundwater (including surface water flowing in a known and definite channel underground) sources that are distributed around the Monterey Peninsula supplying water to customers. Most of these facilities are using chemical disinfection, granular activated carbon (GAC), greensand, or mixed media pressure filters to remove iron, manganese, hydrogen sulfide, and arsenic contaminants.

Routine inspection of pressure filters includes monitoring the pressure drop across each filter and removal efficiencies to assess the filter media condition; maintenance of filter influent flow control valves; and backwash facilities. Backwash lagoons require periodic cleaning and maintenance as well as backwash storage tanks and sludge tanks need to be taken out of service annually for cleaning and inspection.

Finished water, backwash, and sludge pumps shall be inspected and maintained as part of the Pump Inspection, Testing, Repair, and Replacement program. The chemical feed systems shall be maintained through the Chemical Feed Pump and Equipment, Testing, Calibration, and Maintenance Program. Electrical equipment shall be maintained under the Electrical Equipment Inspection, Testing, and Maintenance Program.

Begonia Iron Removal Plant (BIRP): The BIRP treats groundwater from the Lower Carmel Valley wells for the removal of iron and manganese. Influent well water treated with sodium hypochlorite for disinfection and to oxidize the iron and manganese and potassium permanganate for oxidation and to regenerate the downstream sixteen greensand filters. Stainless steel flow control valves located on the filter influent are used to balance flow through the plant. Post-filtration chemical feeds include caustic soda for pH control and zinc orthophosphate for corrosion control. The filters have surface wash capabilities and are backwashed off the distribution system and the Sequnda storage tank. Effluent backwash water is diverted to two open backwash lagoons. Sludge is trucked off-site. A 150,000 gallon septic tank is located on-site, as there is no sewer service in the area and requires to be pumped out periodically.

Ord Grove Ozone Treatment Facility: The Paralta and Ord Grove wells are treated at the Ord Grove chemical disinfection.

Ryan Ranch Water Treatment Plant: The remaining Ryan Ranch production well is treated at the plant for the removal of iron, manganese, and arsenic. Pretreatment of influent raw water includes dosing of sodium hypochlorite for disinfection and to oxide the iron, manganese, and arsenic and ferric chloride to coagulate the oxidized arsenic. The oxidized contaminants are filtered through two Pureflow catalytic media pressure filters that absorb any remaining unoxidized arsenic. Post filtration treatment includes caustic soda for pH control. The pressure filters are backwashed off of the distribution system with backwash water waste diverted to two sludge/reclaim tanks. Sludge settles in the tanks and supernatant is recycled to the plant influent and limited to ten percent of influent flow. Effluent sludge is trucked to the regional wastewater plant. This well and plant have recently been taken off-line due to the alternative supply line of an interconnection to the Cal-Am Main System.

Bishop Water Treatment Plant: Two Bishop wells are treated at the WTP that includes on-site generation of sodium hypochlorite for disinfection, caustic soda for pH control, zinc orthophosphate for corrosion control and an iron sequestering agent. Two finished water booster pumps are used to pump water to an upper pressure zone within the Bishop system.

Hidden Hills Water Treatment Plant: The Bay Ridge well is treated at its own WTP that is similar to the Bishop WTP. An on-site sodium hypochlorite generator, sequestering agent for iron and manganese control, caustic soda, and zinc orthophosphate chemical feed systems provide finished water to a 16,000-gallon clearwell. Two booster pumps deliver water to the distribution system.

Luzern GAC Filtration Plant: The Luzern Well is treated for the removal of hydrogen sulfide using a GAC pressure filter with sodium hypochlorite for disinfection, caustic soda for pH control, and zinc orthophosphate for corrosion control. A detention tank/sand separator is located upstream of the GAC filter.

Monterey Main Zone Wells: The ten remaining Upper Carmel Valley and Seaside basin wells (including ASR wells) pump directly into the distribution system and are dosed with on-site sodium hypochlorite generators for disinfection with adequate CT time to meet Title 22, requiring a 4-log inactivation of viruses. Most of the Seaside wells have pump-to-waste facilities where discharge water is diverted to in-site percolation pits. Water withdrawn from the ASR wells will have a new chemical disinfection WTP online in late 2020.

Well Inspection, Testing, Maintenance & Rehabilitation Program:

The system has 23 active wells that supply the main zone, and 4 active wells that supply the other satellite service areas. See Tables 9.1 through 9-4 for a list of the active wells.

In general, all of the wells need the well pumps pulled, the casing/screens cleaned, the well inspected by CCTV, and redeveloped as necessary every 5 -10 years, with exception of the Lower Carmel Valley wells (see below), unless dictated by an increased loss of capacity.

The 6 Upper Carmel Valley Wells, located above the Narrows divide in the Carmel River, are relatively shallow (45-88 ft.) mostly in rock formations and of good quality. The Upper Valley wells cannot be operated during drier summer months in order to maintain a 20 cfs river flow.

The 8 Lower Carmel Valley Wells, located downstream of the Narrows along the Carmel River, are of medium depth (100-160 ft.) in alluvial gravels and have the presence of iron and manganese. The lower downstream along the Carmel River wells are located the higher iron and manganese levels. The SWRCB Orders mandate that the lowest wells in the Carmel Valley be pumped first to maintain stream flow as far down the river as possible during normal operations.

The lower CV wells also have iron bacteria growth risk in the well casing and screens that reduce capacity. The lower CV wells must regularly pull the pumps, wire brush the casing and screens, acid wash, CCTV the well, and perform a pump test every 2 to 3 years, even if the well is infrequently operated. If the iron bacteria growth is permitted to continue without regular maintenance, then the well screen will plug and prematurely deteriorate to the point the well will be no longer operational. The District recognizes this regular maintenance requirement.

Seaside “Coastal” sub-basin Wells, located in the Seaside groundwater basin west of the Monterey Airport and north of the Route 68 corridor are medium to deep wells ranging from 225 ft. to 820 ft. in depth, in alluvial gravels with the presence of primarily hydrogen sulfide that creates taste and odor problems. Most of these wells have pumps to waste discharges to a percolation pit upon start-up and shut-down. The majority of the Seaside “Coastal” wells were constructed in the 1960s with the exception of the Ord Grove (1987) and Paralta (1991) wells that are located more to the east and are deeper resulting in higher hydrogen sulfide levels.

Seaside “Laguna Seca” Sub-basin Wells, located along the Route 68 corridor east of the Monterey Airport supply the Bishop, Hidden Hills, and Ryan Ranch satellite service areas are of medium to deep wells and in alluvial gravels with increased over-burden. Bishop wells are estimated to be constructed in the 1960s-1970s and in the estimated range of 400-500 ft in depth. The Ryan Ranch well and its unused potential back-up range in depth of 450-480 ft. The Hidden Hills well, constructed in 1994/1995, is in the 800-850 ft. in depth range.

Pump Inspection, Testing, Repair, & Replacement Program

The District can only estimate the number of pump stations in the Cal-Am system due to the lack of information sharing, however the District believes the system has approximately 114 pumps and motors that supply and deliver water to the customers in the service area. The following is an estimated summary of the pumps and motors:

Table 12-4: Summary of System Pumps and Motors

Facility Type	Pump Type	Number of Pump/Motors
Wells	Vertical Turbine Greater than 100 HP	22
WTPs	Finished Water Centrifugal	9
WTPs	Process & Backwash Pumps - Centrifugal	10
Pump Stations	Booster Pumps Less 50 HP	58
Pump Stations	Booster Pumps Greater than 50 HP - Centrifugal	15

All pumps and motors are expected to be inspected weekly with flow, suction (well water level) and discharge pressure, volts, amps, power factor, and motor temperature (if available) data recorded. Records of weekly performance data shall be maintained for all pumps along with the trend log for analysis of deterioration/curve. Motor oil level shall be checked weekly.

An annual comprehensive pump performance test shall be performed on all pump/motors of 30 HP and greater. Critical Pump/motors or those 100 HP and greater should be performed every 6 months. Pump inspections and tests shall be performed on any pump/motor that has reduced capacity of 10 percent or more, or 5 percent loss of wire-to-water-efficiency within 3 months.

Performance testing shall include verifying capacity at a minimum of 4 points along the pump curve and include a dead-head (zero flow – closed valve) test for comparison to the design curve. Wire to water efficiencies recorded at each test point along with all electrical data. Vibration levels shall be recorded in all three directions at the top or end of the driver (motor), pump head, and discharge pipe.

Vibration measurements shall be taken after 30 minutes of runtime and the pump/motor shutdown, performed by a dead test by striking the motor with a sledge-hammer in both directions – this should be done with all other pumps off and in normal running mode. These vibration readings are to create a baseline to determine if there is any harmonic or resonance frequency of the pump/motor RPM with the building/foundation structure natural frequency with one or more pumps operating.

Using an infrared temperature measuring device to record the temperature of the driver (windings) after a minimum of 30 minutes of operation, an operator will record the temperature readings of the electrical leads connected to the motor. Those shall be confirmed with the manufacturer recommendations for motor temperature ratings at full power. As a rule of thumb, if the temperature reading of the external surface of the motor at the location of the windings is greater than 150 degrees F then further investigation and monitoring is warranted.

[**Pump Control Valve Inspection, Testing, Repair & Replacement Program**](#)

Pump control valves installed on well pumps, booster pumps, and filter flow-control valves regulate the water flow during start-up and shutdown operations. These valves minimize the pressure spikes that can occur creating water transient waves or water hammer pressures that can damage the pump, distribution piping, and even customer service lines and internal plumbing.

Well pumps typically have Cla-Val or similar hydraulic control valves installed on the pump-to-waste discharge line that opens slowly (typically in the range of 30-60 seconds) upon start-up that diverts water that is contained in the pump column to a percolation pit or other discharge location. The pump-to-waste operation routinely runs for 2-3 minutes and then closes slowly diverting flow, opening the swing or silent check valve, into the distribution system. The control valve operation is set to close upon power outages/interruptions that creates the solenoid valve to close the valve as it is de-energized.

The operation is the same for the pump shutdown, but typically only remains open for approximately 60 seconds to allow the check valve to close slowly. The pump-to-waste

operation also benefits water quality as aged water in the pump column can be dirty or have taste, odor, or color issues that are disposed of upon start-up.

Routine maintenance of the control valves is required for proper operation of the valves and shall be done at least once a year. Critical pumps, or older valves should have maintenance performed every six months. The valve components that routinely need to be replaced are the solenoid valve, pilot valves, and diaphragm.

Booster pumps typically also have a Cla-Val pump control valve, followed by a swing or silent check valve, installed on the discharge pipeline. The start-up and shutdown operation is similar to the well pumps, opening and closing in approximately 30-60 seconds to prevent the check valve from slamming open or shut creating a water hammer condition. Smaller booster pumps may only have a check valve on the discharge line due to the low risk of creating damaging surge pressures. The swing or silent check valves shall be inspected annually and typically require maintenance every 3-5 years.

Filter flow control valves are similar to pump control valves as they are hydraulically controlled to maintain a set flow through the filters and can include pressure sustaining capability to protect the filter. The flow control valves have similar components to pump control valves that need to be routinely maintained and close upon power outages.

The District understands the required maintenance for pump control valves.

Distribution Main and Hydrant Flushing

It is the District's understanding that the Monterey Peninsula water system has a significant quantity of unlined cast-iron and other metallic mains that can contribute to the collection of sediment that creates dirty water and an environment for bio-film bacteria to grow, along with the premature loss of chlorine residual that could result in a coliform detection. The presence of iron bacteria growth in the wells and soluble iron and manganese that could precipitate in the piping system can exacerbate the issue.

To prevent distribution system water quality issues, the entire distribution system should be flushed every five years. Pipelines that have a higher frequency of dirty water or loss of chlorine residual are considered "Hot Spots" and are flushed more frequently. Dead-End mains shall be flushed every 2-3 years, preferably more often. Provisions for dechlorination of discharged water shall be maintained to protect the environment. Where possible, hydrant discharges will be collected in a portable tanker truck and disposed of at the regional wastewater plant for recycling.

Although flushing is an essential preventive maintenance provision to maintain water quality, adequate water supplies must remain available and the District will determine if flushing can be deferred due to drought or other supply or regulatory restrictions.

Fire hydrant flow testing shall be conducted during main flushing activities as outlined in the next section.

[**Hydrant & Blow-Off Valve inspection, Maintenance, and Replacement Program**](#)

The safety and fire protection of the Peninsula residents is dependent on functional operation of fire hydrants located throughout the distribution system. Hydrants and blow-off valves will be exercised, inspected and tested as part of the main flushing program. In the event main flushing is deferred due to drought, limited water supplies, or regulatory constraints, exercising and inspection of all hydrants shall be conducted on a five-year rotation. All inoperable hydrants discovered from inspection activities shall be repaired or replaced within 30 days and the local fire department or agency shall be notified within 24 hours.

Critical hydrants, those in close proximity to hospitals, first responder facilities, schools, hotels, multi-family/apartment building, and other higher density public facilities shall be exercised, inspected, and flow tested every two years.

Hydrant flow testing will be an essential activity for the District to provide adequate fire protection for the community. Fire flow requirements vary by city and jurisdiction, and by building capacity and construction. Flow tests are to confirm the hydrant flows at a minimum of 20 psig to ensure compliance with fire flow requirements. Fire flow requirements shall be listed/documentated in the GIS system for every hydrant in the water system.

The District will coordinate with the various fire departments and agencies serving the Peninsula to assess the fire flow requirements throughout the distribution system. Local fire departments or agencies, in coordination with the District may conduct hydrant flow tests with results shared between the agencies. The District's long-term goal will be to meet or exceed the local fire department fire flow requirements and to comply with the California state fire code and Insurance Services Office (ISO) standards.

[**Valve Exercising and Replacement Program**](#)

The District believes that the Monterey water system has approximately 13,000 distribution piping isolation valves. These valves are used to isolate piping segments to minimize the service interruption to the fewest number of customers possible in order to repair, flush, or replace the main. To ensure isolation valves are operable when needed, annual valve exercising work tasks are performed to test the valves.

The District estimates there are approximately 3,500 hydrants in the water system, and typically each hydrant has 3 isolation valves, two on the main and one on the bury. The approximate 10,500 hydrant isolation valves shall be tested as part of the main flushing or hydrant flow testing programs.

The following is the valve exercising schedule:

Table 12-5: Valve Exercising Schedule

Valve Size	Frequency
5" & Less	Every 7 Years
6"-12"	Every 5 Years
14"-18"	Every 3 Years
20"-24"	Every 2 Years
Larger than 24"	Annually
Hydrants	Every 5 Years

Isolation valves on transmission mains, mains that supply more than 1,000 customers, and critical mains that supply essential facilities (hospitals, first responder facilities, schools, etc.) shall be exercised every six months. All inoperable valves or broken valve stems shall be repaired or replaced within 90-days of discovery. All valve cans that are buried or paved over shall be raised within 90-days.

The Valve Crew will confirm the valve location with the GIS data and document the number of turns to open and close the valve including the direction (right or left-hand turning) of operation. That data will be populated in the GIS and CMMS.

Tank Cleaning and Inspection Program

The Monterey system has an estimated 104 distribution water storage, WTP backwash, and process tanks that are located through-out the service area. Most of the tanks are steel ground storage tanks that have interior and exterior painted coatings. Interior coatings have an expected service life of 20-25 years and exterior coatings have an expected service life of 25-30 years.

Sediment that collects in storage tanks can reduce the useful life of the interior coating and lead to the loss of chlorine residual and other water quality issues. Annual or periodic cleaning of storage tanks is essential to maximize the service life of the coatings and the tank itself by protecting it from internal corrosion. In general storage tanks will be inspected and cleaned every five years.

Dry inspections are required to be performed approximately every 5-10 years depending on the age, interior coating age, and capacity/criticality of the tank. Exterior coating inspections/testing shall be performed every 5-10 years, unless due to the age or condition of the coating every 1-3 years.

Table 12-6: Tank Rehab Inspection Schedule

Tank/Coating Age, Condition, Capacity, and Criticality	Wet Inspection and Cleaning	Dry Inspection
New Tank	Every 5 years after first year dry inspection	First year after construction, then every 10 years or at interior recoating
Tank 20-30 Years Old	Every 5 years	Every 10 Years
Tank 30-50 Years Old	Every 3 years	Every 7 Years
Tank 50+ Years Old	Annually	Every 5 Years
Initial Exterior Coating ~30 Year Service Life	N/A	Every 10 Years
Second Exterior Coating, ~25 Year Service Life	N/A	Every 7 Years
Third Plus Exterior Coating, ~20 Year Service Life	N/A	Every 3- 5 Years
Initial Interior Coating ~ 25 Service Life	Every 5 Years	Every 10 Years
Second Interior Coating ~20 Year Service Life	Every 3 Years	Every 7 years
Third Plus Interior Coating ~ 15 Years	Annually	Every 5 Years
250,000 Gallon or Less Capacity	Every 5 Years	Every 10 Years
250,000-500,000 Gallon Capacity	Every 3 Years	Every 7 Years
500,000- 1 Million Gallon Capacity	Every 2 Years	Every 5 Years
1 MG and greater Capacity	Annually	Every 3 Years
Tanks without Redundancy	Annually	Every 5 Years

In the alternative, if staff can demonstrate that current inspection provides sufficient system protection, these standards can be reduced.

Chemical Feed System Testing, Calibration, and Maintenance Program

Chemical feed systems are installed at well and water treatment facilities required for disinfection, pH adjustment, corrosion protection and the removal or sequestering of iron, manganese, hydrogen sulfide, arsenic, and other contaminants. Most treatment chemicals are liquids and are stored in bulk tanks, transferred to day tanks and then injected, using chemical metering pumps (typically LMI pumps) into the process or effluent pipeline.

Potassium Permanganate is fed, using a dry-feeder, in to a mixing tank that the metering pumps take direct suction from and pump to the pipeline injectors. At the majority of the wells not treated at a WTP facility, on-site sodium hypochlorite generators produce the sodium hypochlorite that are stored and fed from a day tank that supplies the metering pumps to the injectors. Salt storage on pallets is provided in the well or chemical buildings.

[Generator Exercising, Inspection, and Maintenance Program](#)

The District estimates 17 facility installed standby diesel generators and 2 trailer mounted diesel generators that provide emergency power to operate treatment plants, wells, and pump stations during a power outage or other emergency that interrupts electrical power to a facility. Two other portable generators were recently reclassified by the local air district and can only be used at specific sites. The generators must be operated for at least 15-20 minutes monthly to maintain the generators in good working condition.

- Monthly Generator Maintenance
 - oil levels are correct
 - radiator core for fouling
 - radiator hose condition
 - block heater working
 - fuel level – gallons used/added
 - fuel solenoid linkage for security
 - governor operation
 - voltage regular adjustment
 - start battery electrolyte level
 - control battery electrolyte level
 - charging voltage
 - housekeeping clean-up
 - record hours run time on start
 - record kwh meter reading
 - check fuel oil water and exhaust for leakage
- Quarterly Generator Maintenance
 - In addition to monthly maintenance work tasks the following items shall be checked:
 - fan belt tension
 - fan belt wear
 - check battery terminals
 - conduct a thorough clean on the battery terminals
- Annual Generator Maintenance
 - change engine sump oil
 - change full flow oil filter
 - empty, flush and refill radiator
 - change bypass oil filter

- flush daily service fuel tank
- change fuel filter
- change air filter
- check and clear crankcase breathers
- check all nuts, bolts and clamps
- check starter motor solenoid
- check all electrical connections
- clean engine
- remove and clean air grilles
- inspect/check all alternator output connections
- clean alternator
- inspect all components and cubicle
- inspect all wiring and terminals
- clean switchboard
- test with load.

[Pressure Reducing Valve/Air Release & Vacuum Valve Inspection, Testing, and Maintenance Program](#)

The Monterey water system has approximately 74 pressure zones with storage facilities and 14 Pressure Reducing Valve (PRV) supplied pressure zones (no storage). PRV stations are located throughout the water system, and pressure settings vary due to seasonal demand conditions in a number of the pressure zones. Inspection and any pressure setting adjustments should be conducted every six months. Annual maintenance of pressure reducing valves to replace diaphragms, gaskets, pilot valves, and pressure control device as necessary. Inspection and maintenance of the vault, isolation valves, air vents, sump pump, and other ancillary equipment is performed annually.

Combination pressure relief and vacuum valves are typically installed on the well, booster, and finished water pump discharge lines to relieve surge pressures that can occur in the system and to allow air, as a vacuum break, to enter and then expel air from well columns during start-up and shut-down.

Air vacuum and relief valves are located through-out the distribution system to provide vacuum breaks due to water column separation in the distribution piping caused by water hammer conditions as well as relieve any entrained air collected in the piping system. Air relief/vacuum valves installed on pump discharge lines are inspected and maintained annually and the combination valves located in the distribution system are inspected and maintained every 3 years.

Table 12-7: Pressure Zone & PRV Summary

Service Area	Pressure Zones	Pressure Zones Supplied by PRV
Monterey Main System	65 Pressure Zones	14 Pressure Zones

Bishop	5 Pressure Zones	None
Hidden Hills	3 Pressure Zones	None
Ryan Ranch	1 Pressure Zone	None

Electrical Equipment Inspection, Testing, and Maintenance Program

The District believes all of the water treatment, well, and pump station facilities have incoming electrical power, 3-phase 480-volt service, (transformer, main disconnect, meter, etc.) that is inspected annually by PG&E. Pumps and other mechanical equipment are powered from the Motor Control Center (MCC) or individual motor starter/switchgear with some that include Variable Frequency Drives (VFDs). Step-down transformers are provided to reduce the voltage to 120-volt service for lighting and other facility power needs.

Incoming power equipment is typically one of the highest critical assets within the facilities, as if any component fails the entire facility is out of service. Each pump/motor is powered by individual switchgear and most facilities have redundant pumps/starters. Long lead times to procure replacement electrical equipment - motor starters, VFDs, generator transfer switches, step-down transformers, and internal electrical repair parts (electrical leads, coils, capacitors, etc.) are routine in the industry. To minimize potential unscheduled failure of electrical equipment, an infrared inspection of all electrical equipment in each facility should be tested every 3 years to detect "hot" or weak internal components that can be replaced before they fail. Annual electrical/motor efficiency performance tests shall be performed to establish a baseline and degradation curve to forecast rehabilitation or replacement.

Instrumentation Equipment Inspection, Calibration and Maintenance Program

The water system is controlled and monitored by a SCADA system that relies on digital field transmitters/devices to send data that is collected by the PLC located in each facility and that data is communicated back to the central operations center. The reliability of the facility is dependent on the accuracy and reliable operation of the individual instrumentation and control (I&C) digital monitoring devices.

Typical I&C transmitters/devices include flow meters, level transmitters (well level, tank, clearwell, chemical tank, etc.), chlorine residual monitoring, pressure transmitters, electrical monitoring (volts, amps, run-time, power factor), security devices, and other instrumentation. These digital devices transmit an analog 4-20 milliamp output signal to the PLC that needs to be calibrated twice a year to accurately measure the attribute it monitors. Critical facilities and I&C devices shall be inspected and calibrated quarterly. The service life expectancy of field I&C devices is approximately 5-7 years.

The PLC, radio/communication equipment, and other components in the PLC cabinets shall be inspected and tested annually. The service life of the PLC, radio, and cabinet equipment is approximately 10 years.

Leak Detection Program

Approximately 44 percent (270 miles) of the 614 miles of distribution mains are metallic including a considerable percentage of unlined cast-iron and steel piping. The water system has approximately 40,000 service lines many of them are galvanized steel, polybutylene, cast-iron, and other non-PVC/copper materials that experience a high rate of leaks/breaks.

The District's long-term goal is to achieve the AWWA recommended water main leak/break rate of 15 per 100 miles of main per year. For the Monterey system that is approximately 92 main leaks/breaks per year. The long-term goal for service line leaks/breaks is 0.5 percent of total services lines or approximately 200 per year. An annual leak detection plan is prepared based on the annual update of the pipeline renewal forecast analysis completed by the engineering department.

To detect and repair main and service line leaks in the system to reduce water loss, the District will implement an aggressive leak detection program to survey approximately 60-65 miles of pipe and 2.5 percent of services annually.

Asset Management Operational Support

The Operations staff will support the District's Asset Management Program that is developed and maintained by the Water Resources Division through the collection of field data and performing condition assessments of facility assets. The long-term objective is to prolong the service life of assets by at least 20 percent beyond the original asset useful life of assets as documented by manufacturer and industry average data and to limit any service interruptions to one per year as a result of a facility asset failure.

Asset Inventory and Facility Data Collection: During the first five years of operation after the 12-month transition operational assessment period, the Operations staff, (Production and Distribution) will collect and document 20 percent of facility asset data requested by the Water Resources Division for each asset class and type each year. Collected data will be populated in the CMMS by asset number and linked to the Asset Registry database that is maintained by the Water Resources Division and the Administrative Services Division.

Asset Condition Assessment Program: Operations and Engineering staff will collaborate in performing asset inspections, testing, and condition assessments as part of the Preventive Maintenance Programs. Upon completion of the annual facility asset inventory data collection effort, the condition assessment inspections will be initiated and performed by asset class for the facilities with completed inventories.

Condition assessment inspection and rating criteria by asset class developed by Engineering shall be used and completed asset condition ratings, by asset number and will be populated in the CMMS and linked to the Asset Registry database. Asset condition inspections are to be performed with the updated rating every five years, or more frequently for critical assets.

12.5. Emergency Repair and Maintenance

Emergency or non-scheduled maintenance activities and work tasks unexpectantly occur in every water system. Prior to acquisition, the District will have prepared documented procedures and guidelines to respond to unscheduled repairs and maintenance work tasks. The goal is to respond and be on-site within one hour for all emergency/non-scheduled events which includes responding to facility alarms requiring action to be taken in the field. Typical procedures include:

- Power outage response procedures
- SCADA system communication failure response procedures
- Employee safety and injury response procedures
- Storage tank failure response procedures by pressure zone
- Chemical spill containment and clean-up procedures
- Main leak/break repair procedures
- Service line leak/break repair procedures
- Repair disinfection requirements and procedures
- Water quality contaminant detection response procedures
 - Coliform detection
 - Loss of chlorine residual
 - Disinfection By-Products (THMs) detection above MCL
 - Lead and Copper detection above MCL440
 - Dirty water detection
 - Iron and manganese filter effluent detection
 - Taste and Odor detection
- Facility equipment failure response and repair procedures
- Water treatment process failure procedures for each WTP

Major Emergency Event Resiliency Response

Major emergency events- earthquake, severe storm, extended power outage, flood in the Carmel River, wild fire, major urban or commercial fire, terrorist act, and other events that significantly impact water service and operations occur and operations staff are prepared and trained to maintain water service.

The District will adopt Cal-Am's Emergency Response Plan (ERP) that address the procedures, assigned responsibilities, and communication protocols for each type of emergency event. The ERP is prepared in compliance with the **AWWA Standard G440 – Emergency Preparedness Practices** that includes the activation of an Incident Command Center to coordinate all water

system response activities with local, regional, and state agencies and first responder departments and agencies.

12.6. Employee Health and Safety Program

The health and safety of the employees is of utmost priority and focus by the District and is included in the organization's Strategic Goal No.3 (see Section 5.2). Safety protocols will be included in all the District's Standard Operations Procedures (SOPs) and comply with Cal OSHA regulations and industry practices. The District will have a comprehensive Safety Manual that covers safety procedures for all employee work tasks and includes injury response protocols and procedures. Employees are required to report all injuries to their supervisor regardless of how minor they may seem.

Weekly safety meetings will be conducted with field crews that cover safety procedures and methods to maintain their health and protection from potential injuries. Formal employee safety training includes 16 hours of training quarterly for each employee by department. Annual one day formal OSHA regulation training will be conducted for all field personnel.

Safety procedure violations are documented for each employee, requiring training refresher activities to be completed for each event and included in their annual performance review. The goal is to have zero injuries, lost time accidents, vehicle accidents, or reportable safety violations each year. Safety awards will be given to employees and field crews that achieve the zero safety incident goals.

12.7. Asset Management Program

One of the key Strategic goals (Strategic Goal No. 6) is to maintain or improve the water service level of service through the implementation of an Asset Management Program. The District will operate the system with standards at least as stringent as Cal-Am's. The objectives of the asset management program are to:

- Prepare an Asset Management Plan, GAP analysis, and Roadmap;
- Extend the service life of assets by at least 20 percent beyond recommended or industry average useful life for each asset class;
- Replace assets in a timely manner prior to failure;
- Limit water service interruptions to customers to one incident per year caused by a facility asset failure;
- Implement an Asset Renewal Forecast Program for each asset class;
- Integrate the asset registry database with the GIS, CMMS, and financial systems;
- Conduct an asset criticality analysis and rating system;
- Establish asset condition assessment inspection and rating criteria by asset class and type;
- Adopt a risk-based project/asset renewal priority analysis.

Asset Management Plan

The development and implementation of a successful asset management plan is founded on a collaborative team with input and consensus from operations, engineering, finance, and IT that is supported by management. An asset management policy and culture will be adopted by the District and will be integrated into the various department workflow processes and decision making going forward. Asset management is a continuous improvement process that is adopted by operations and management staff.

Frequent internal communication with employees regarding the asset management program, implementation process and status, objectives, and explanation of the benefits to customers, staff, and the District are key to implementing the various phases of the program. An implementation roadmap will be prepared to gradually phase in the multiple steps of the program to achieve the successful implementation of each phase before the next step in the process.

Operations and field personnel adopting the new workflow and accurate and timely collection of asset data that includes assigning hours spent for various O&M work tasks to specific asset numbers is an essential step in the process. Accurate time charged and documented on work orders by individual asset are necessary to perform analysis of maintenance requirements, renewal forecasts, and financial analyses and reporting.

The District will implement a central asset database or data warehouse by IT that is integrated with computer systems used by operations, engineering, and finance to maintain a single consistent data record for each utility plant asset.

Facility and Asset Data Collection

As indicated in Section 12.4 above, the collection of facility and asset data by operations staff to compile an asset inventory by asset number will completed within the first five years after the 12-month transitional operation assessment period. To perform the data collection, the District will determine the smallest asset, by class, it will want to make business decisions for. The definition and criteria of “failure” or replacement is determined for each asset type. This “failure” definition establishes the condition when an asset will be replaced, the condition assessment methodology and criteria, and the asset data that is needed to be collected and monitored.

Condition Assessment Methodology and Criteria

Consistent condition assessment inspections and ratings will be achieved through the implementation of standard inspection /testing practices, by asset class, and standardization of inspection findings criteria for assigning a condition rating for each asset.

Asset Criticality Analysis and Ranking

A criticality analysis is a process to assess the consequence of asset failure and likelihood or risk assessment of failure for each facility and the assets within each facility, by asset type.

Criticality criteria will be established for the different facility types, asset classes, and asset types specifying the rating for the various criteria attributes. A criticality ranking by facility type will list the highest to the lowest rated critical pump station, tank, well, or treatment facility in the water system.

A criticality rating of the individual assets within each facility will be assessed and the asset will be ranked by the highest criticality rating. The facility and asset criticality ratings are multiplied together to overall rank each asset. The goal is to multiply the criticality rating with the condition assessment rating to rank all the utility assets, so maintenance, repair, and replacement priorities and funding are focused on the most critical assets in the worst condition.

12.8. Construction Management and Inspection

Construction projects are routinely performed annually for all water systems to maintain the level of service expected by customers. Construction projects and activities can vary depending on the improvement installed and by which entity. Construction projects can include new facilities or pipelines, replacement of assets or facility upgrades, developer projects for expansion of increased capacity for new customers, or repair and rehabilitation of existing assets.

Construction projects or activities can be performed by District field staff, outside contractors, developer contractors, other utilities, or private contractors. The District's construction managers/inspectors will be responsible for managing contractors hired by the District to perform the capital improvement, repair, or maintenance work authorized.

The construction inspectors are also responsible for the inspection and acceptance of work performed by developers and their contractors, other utilities, and private contractors (e.g. new service for a commercial customer). The District has design standards that are required to be followed both by internal crews and outside contractors. Compliance with the design standards, regulatory requirements, and best construction practices is the basis for the inspectors to accept the installation of the new or replacement asset or facility. The District has standard procedures for construction management and inspection practices.

13. Capital Improvement Plan

The reliability of water infrastructure in the United States has declined over the past several decades due to the lack of investment to replace aging facilities, equipment, and assets. To improve the reliability and sustainability of the Monterey water system, the District will maintain, repair, rehabilitate, and replace assets in a timely manner to minimize service interruptions to customers.

The District's approach will be thorough comprehensive planning, as discussed in Chapter 6, prioritized preventive maintenance programs, as discussed in Chapter 12, and with the implementation of an asset management program, asset renewal forecasting, risk-based project prioritization process, and sufficient funding to maintain or improve the level of service of the water system.

13.1. Capital Improvement Budgeting

The District will prepare annual and 5-year capital improvement budgets each year including the annual asset replacement programs and capital improvements using the recommendations summarized in the Water Master Plan and the annual master plan reviews and updates. Input from the water operations personnel as to assets requiring rehabilitation, replacement, or increased preventive maintenance activities shall integrated into the capital budgeting process.

Updates to the asset management program including additional equipment and facility condition assessments including the annual update of the water main renewal forecast providing recommendations for funding levels of the annual replacement programs. Recommendations from the annual update to the Risk Management Plan will be incorporated into the capital budget prioritization process.

Customer service complaints, service interruptions, public relations and stakeholder issues, social economic impacts, and environmental impacts issues will be considered as part of the capital improvement budgeting process. The water system level-of-service metrics are to complete 90 percent of the budgeted capital improvements, reduce main and service line breaks/leaks, reduce customer complaints and service interruptions.

Capital budget funding will be established based on the maintaining or achieving the Strategic Goals and LOS Standards adopted by the District, the assessment and acceptance of risk exposure, and evaluation of customer affordability and rate stabilization. Initially, the District expects it will use the industry average of 1.5 times the annual depreciation value until the completion of the Water Master Plan, Risk Assessment, and Finance Evaluations.

13.2. Annual Asset Replacement Programs

Routine equipment purchases necessary to operate the water system are typical for all water systems within the industry. These purchases are for management, administrative, operations

and maintenance, and other departments that support the water system operations. The capital purchases can include, but not limited to:

- Office Furniture & Equipment
- Tools and Power Equipment Replacements
- New & Replacement Vehicles
- Computer/IT Equipment/GIS/Software Purchases

The annual renewal and replacement of mains, services, hydrants, pumps, and other essential assets is necessary to maintain the LOS and reduce service interruptions. These programs are based on the asset management and condition assessment programs to determine the level of funding and the prioritization of assets to be replaced. The annual replacement programs typically include:

- Annual Small Main (2"- 10") Replacement Program
- Annual Main (12" – 20") Replacement Program
- Mains 22" – 36" shall be individual capital improvement projects
- Annual New Service Installations
- Annual Service Line Replacement Program
- Annual Meter Replacement Program
- Annual Valve, Hydrant, and Blow-Off Replacement Program
- Annual Pump/Motor Replacement Program
- Annual Pump Control Valve Replacement Program
- Annual Pressure Reducing Valve (PRV) Replacement Program
- Annual SCADA/I&C/Security/Communication System Upgrades and Replacement Program
- Electrical Equipment Upgrade and Replacement Program
- Chemical Feed System Replacement Program

The annual capital purchases and replacement programs typically comprise approximately 60% -75% of the annual budget in normal years. However, in the event a major capital improvement project is required this percentage may be reduced.

13.3. Capital Improvement Plan

Annual or multi-year capital improvement plan (CIP) includes projects that are larger and more complex individual facility/main/asset replacement projects requiring advanced engineering, planning, and construction management activities. The CIP projects are identified through the master planning process and specific planning projects to resolve discovered regulatory, reliability, environmental impact, and operational deficiencies.

The CIP projects typically address key operational issues and can include:

- Source of Supply Projects

- Fire Protection Improvement Projects
- Transmission Main or Large Main Capacity Projects
- Well Rehabilitation/Replacement Projects
- Tank Safety/Painting/Seismic/Replacement Improvement Projects
- Pressure Reducing Station Improvement/Replacement Projects
- Water Treatment Plant Process Improvements, Upgrades, and Equipment Replacement Projects
- Emergency Generator Improvements/Replacement Projects

Individual CIP projects are outlined in Capital Project Budget (CPB) Memoranda that summarize the identified deficiency, the alternative solutions evaluated, a description of the recommended project, O&M budget impacts, detailed cost estimate, and project schedule. The CPB memoranda will be presented along with the annual budget to the Board for approval. Engineering and construction contracts to perform the project shall be presented to the Board for approval supported by an update to the CPB memorandum.

13.4. Engineering, Planning, Construction, and Operation Capital Labor Expenditures

Engineering, planning, construction, operations, and other District staff that work on the planning, design, construction, or operational start-up/support to complete the CIP project will charge their labor to the capital work order and separate retirement work order if applicable. Inclusion of the labor costs in the work orders captures the total cost of implementing the improvement project.

No management, administration, or other District department allocations or overheads shall be charged to the capital work orders.

13.5. Asset Management Program

The District will adopt and implement an asset management program after the completion of the 12-month Water System Management and Operational Assessment as described in Chapter 2. The following is a summary of the Asset Management Program.

Asset Management Program Objectives and Strategy

The Asset Management Program (AMP) aligns with the overall goals and objectives of the District's Mission and Vision, which establishes the focus and priorities for operating the Monterey water system to serve and support the communities and its customers. The AMP objectives are intended to aid in the achievement of specific, measurable results and align with organizational priorities.

The District's four AMP objectives and related strategic elements include:

Objective 1 - Holistic Inventory: Create and maintain an inventory of reliable, integrated information on all assets throughout their lifecycle.

- Build and Maintain a Centralized Asset Inventory
- Standardize AM Procedures
- Manage Data as an Asset
- Conduct Regular Condition Assessments and Inspections
- Establish and Implement Condition Assessment and Inspection Guidelines

Objective 2 - Resilient Service: Provide resilient service by preserving safety and value of assets through sustainable, cost-effective maintenance practices.

- Establish LOS for Assets
- Conduct Condition-based Lifecycle Planning for Assets
- Incorporate Planning for Future Assets into the CMMS and Asset Database
- Integrate Facilities and Asset data and maintenance with engineering and financial IT systems

Objective 3 - Transparent + Translatable Prioritization: Prioritize capital investment in a manner that is transparent and translatable across operational, maintenance, environmental, social economics, and financial objectives.

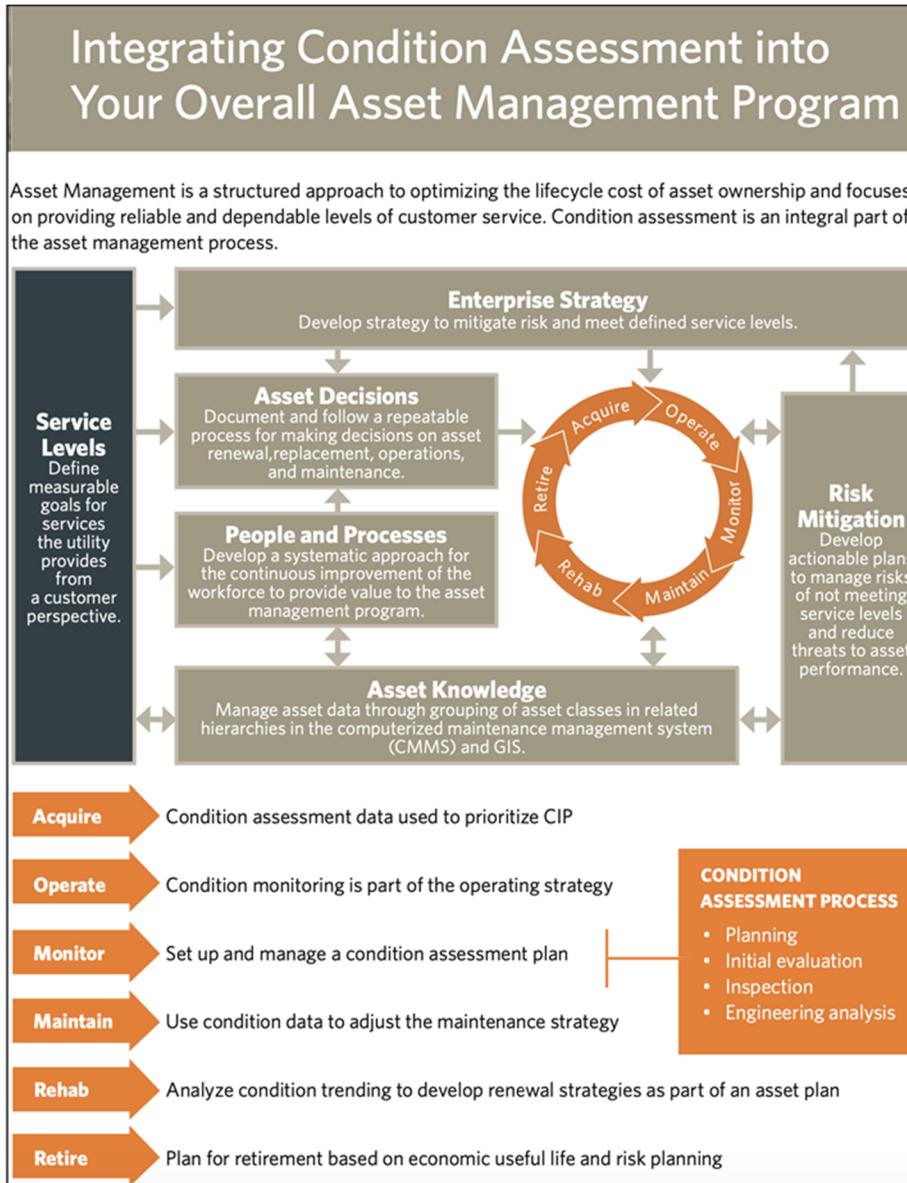
- Implement a Risk-Based Project Prioritization Process
- Use the Asset Rating/Ranking Process in Capital Planning and Prioritization
- Establish Capital Project Guidelines
- Optimize Capital and Operations and Maintenance (O&M) Expenditures
- Confirm O&M Cost Impacts in Capital Plans

Objective 4 - Supported Investment: Enhance and sustain stakeholder support of investment through ongoing communication and education.

- Review Current Funding Structures at Regular Intervals
- Develop a Financing Strategy
- Assess Viability of Implementing a Capital Replacement Fund (CRF)
- Build Support through Public Outreach Initiatives
- Measure Satisfaction of Stakeholders

Framework for AMP Plans

AMP plans form the cornerstone of an effective AM System. *ISO 55000* notes that AMP plans provide the roadmap for achieving value from physical assets by optimizing cost, risk, and performance across the asset lifecycle. AMP plans identify what assets are in operation, their condition, and needed maintenance to keep the asset at a desired, pre-determined LOS as well as repair or replacement schedules and investment strategies. The District will develop the AMP plan based on the framework outlined in AWWA Standards, while supplementing with detail related to specific asset-based considerations.



Policy

With AMP objectives and related strategies identified, a policy is necessary to explicitly define the course of action to be collectively adopted by the District. The two District Policies under future ownership anticipated are:

- Prioritizing Capital Improvement Program (CIP) Projects - the policy is proposed to, (1) enable prioritization across municipalities, customer classes, and customer demographics; and (2) incorporate rankings specifically for capital needs, including how the AMP process can be used to support it.
- Asset Management Guidelines and Plan Steps - A new AMP policy which clearly states the District's vision and principles for Asset Management Program. Integrated with the

AMP objectives and strategy, business processes and AMP systems, the policy emphasize the District's, holistic approach to asset management, level of service, and financial stability.

“Renewing and replacing the nation's public water infrastructure is an ongoing task. Asset management can help a utility maximize the value of its capital as well as its operations and maintenance dollars. Asset management provides utility managers and decision-makers with critical information on capital assets and timing of investments. Some key steps for asset management are making an inventory of critical assets, evaluating their condition and performance, and developing plans to maintain, repair, and replace assets and to fund these activities.”

– EPA

13.6. Risk-Based Project Prioritization Process

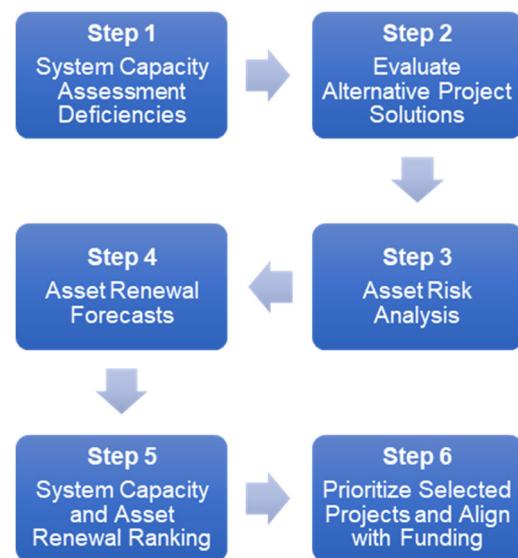
A key attribute of the AWWA *Effective Utility Management Program* is the implementation of a Risk-Based Project Prioritization Process. The District supports a risk-based process to prioritize project and O&M needs that improves water service and minimizes impacts and interruptions to water delivery to customers. A risk-based project prioritization provides a transparent methodology for cities, regulatory agencies, stakeholders, and customers to understand and support projects that the District will undertake annually. An implementation process, that uses the concept of the EPA Integrated Planning Process, has been developed by the District and is summarized as follows:

Risk-Based Project Development and Prioritization

The Monterey Peninsula Water System is experiencing a lack of water supply reliability, system capacity, fire flow deficiencies, and environmental protection that needs to be weighed against the renewal of aging infrastructure.

Traditional CIP plans typically consider growth or regulatory-related system improvements only. Not often are system repair and replacement needs addressed alongside the capacity drivers within a capital improvement plan.

Applying a risk-focused approach for both capacity development and renewal needs, priorities can be better understood and balanced providing a clear



path forward. Capital projects to improve water service and system reliability to support the community and economic growth while maintaining existing water asset dependability and performance can be prioritized to maximize the funding and value.

Information typically collected, but not always put to good use, such as water main or service line breaks, pump efficiencies, and other asset condition scoring combined with risk scoring can be leveraged into the prioritization process. Combining this condition-related data with non-renewal needs such as regulatory, hydraulic capacity, efficiency and quality improvements, a parallel method of fairly evaluating and prioritizing capital improvements and their associated drivers is viable.

Step 1 – System Capacity Assessment Deficiencies: Determine system capacity (non-renewal) deficiencies through demand projections and hydraulic modeling. Consider potential system development drivers include growth, new regulations, service quality, chemical/energy efficiency, climate change, vulnerability, safety/security, and innovation.

Step 2 –Evaluate Alternative Project Solutions: Develop and analyze project alternatives and O&M enhancement initiatives based on resolving capacity deficiencies.

Step 3 – Asset Risk Analysis:

- Develop desktop risk of failure on existing assets using available performance data
- Main Breaks
- Service Line Leaks
- Pump/Motor Runtimes, Efficiencies, Vibration Analyses, Operating Temperatures
- Daily and Seasonal Pressure Variations
- Water Hammer/ Surge Conditions/Events
- Electrical Equipment Operating Temperatures/Overheating
- SCADA Operating Data
- Other Performance Data from Preventive Maintenance Programs
- Perform Facility/Asset Criticality Analysis
- Develop Consequence and Likelihood of Asset Failure
- Determine Interruption of Water Service Likelihood
- Identify Environmental Impacts
- Assess Public Safety Exposure
- Assess Private Property Damage Exposure
- Estimate Economic Impacts
- Calculate risk and rank assets

Step 4 – Asset Renewal Forecasts:

- Identify level of renewal based on assets with unacceptable level of risk over time
- Determine reliability and redundancy goals
- Develop capital renewal forecasts and O&M impact assessments based on level of renewal and risk ranking

Step 5 – System Capacity and Asset Renewal Ranking:

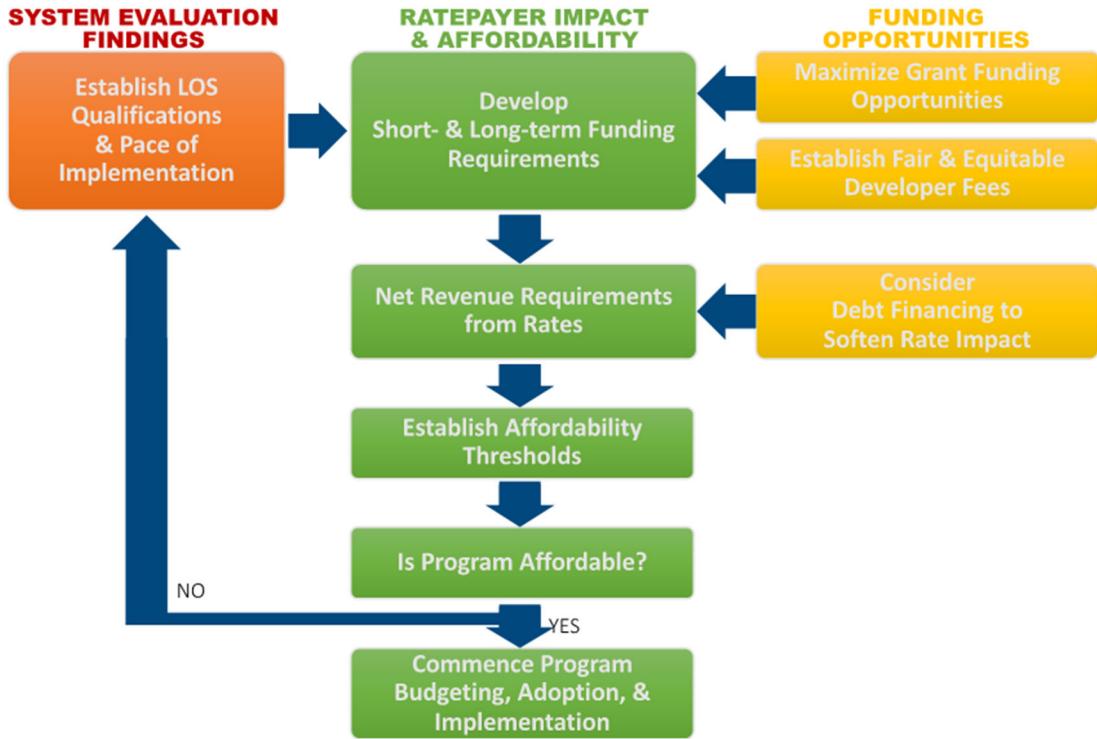
- Rank Capacity Deficiency Projects and Asset Renewal Projections together through simplified Risk-Based Business Case Evaluation to establish project priorities – include coordination with other cities, municipalities, and agencies regarding other utility improvement projects, pavement replacement, construction impacts and fatigue, and other public factors.
- Calculate a Project score by combining the Condition and Risk Assessment (including capacity deficiency risks) rankings to rank and prioritize projects.
- Identify common needs – example, failing infrastructure needs upsizing to meet future hydraulic needs
- Assign life cycle cost to projects
- Align selected system capacity and renewal projects with the District's Strategic Goals, LOS Standards, and Performance Metrics or other industry benchmarks (AWWA Effective Utility Management, AWWA Utility Benchmarking Study, etc.)

Step 6 – Prioritize Selected Projects and Align with Funding:

- Prioritize selected system capacity and renewal projects based on total project score/ranking and efficiency gains (life cycle cost savings)
- Assign primary project triggers (capacity, condition, risk, regulatory, etc.) based on assessment scores and rankings
- Prepare recommended 1-year and 5-year Capital Budget with selected priority CIP projects
- Incorporate condition assessment rating /ranking, risk analyses ranking, costs, non-water system benefits, and implementation considerations in the Capital Project Budget (CPB) Memorandum.
- Align projected system capacity and renewal projects with financial and rate forecasts over the 20-year planning horizon.

Risk-Based Prioritization of Capital and O&M Projects





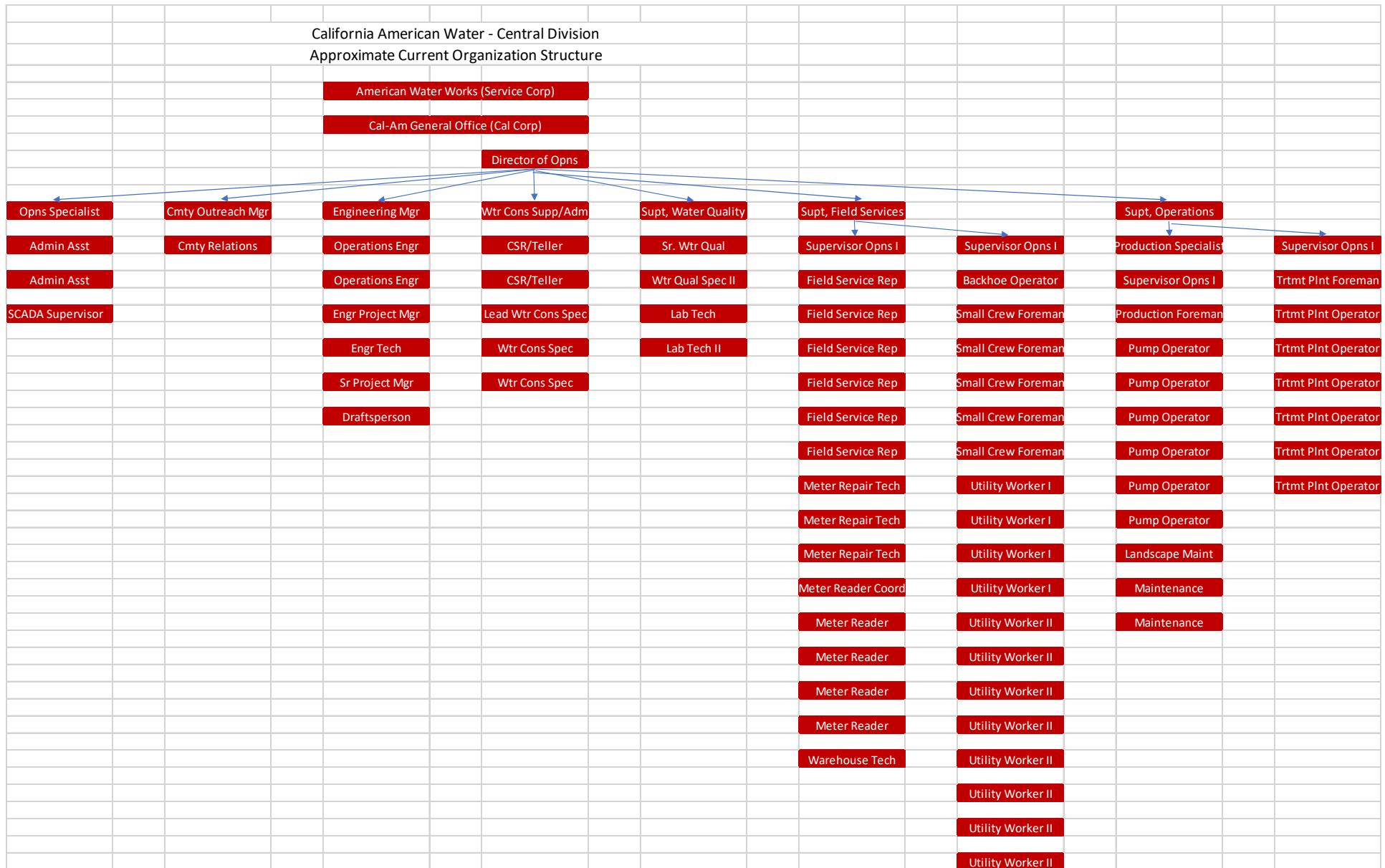
14. Organizational Structure & Staffing

As stated in Chapter 5, The District's Strategic Plan has been developed to initially adopt Cal-Am's current operating and management practices upon assuming ownership and operational responsibility of the Monterey Peninsula water system. As indicated in Section 2 – Transition Plan, the District will conduct a 12-month operational assessment to refine the strategic goals, management policies, operating procedures and practices, performance metrics (LOS), and establish a timeframe to work towards and achieve those goals.

14.1. Existing Cal-Am Operations

Figure 14.1 on the next page provides the District's approximate understanding of the local Cal-Am operations on the Monterey Peninsula. Actual positions are not known with certainty because Cal-Am has not made complete information available. However, the 73 positions shown is close to the 74 positions reported by Cal-Am for 2018 (actual) in the 2019 General Rate Case, MDR II.B.7.

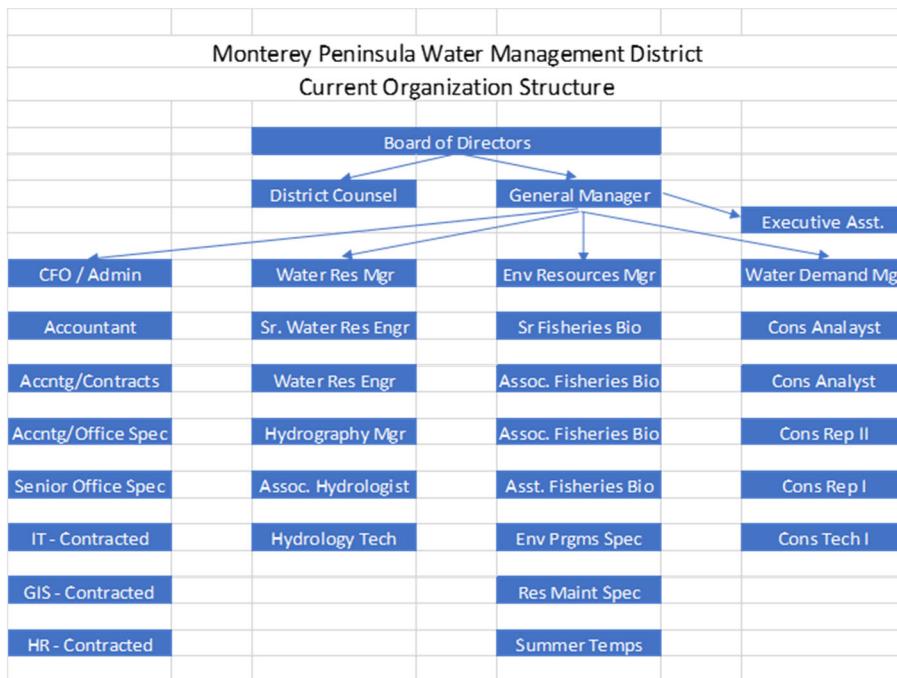
Figure 14.1
Approximate Existing Organization



14.2. Existing District Operations

Figure 14.2 below shows existing authorized District positions.

Figure 14.2
Existing District Organization



The lost support of Cal-Am corporate employees (Service Corp in NJ and California General Office) will be made up by existing District positions and the requisite new hires. The District is already prepared to use its existing software, Tyler Incode 10 for billing. The District currently utilizes it for its customer billing and it will easily support 40,000 customer accounts.

Accordingly, the District proposes to add a Billing Supervisor and three Customer Service Representatives. Bill collection will be through a third-party lock-box firm with remittance directly to District accounts. The District's IT and GIS will be augmented, but it is assumed the existing Cal-Am SCADA supervisor position will remain part of the operations. After-hours emergency service will be routed to employees that are "on call" through a contracted call center, but day-time calls will be received and routed by the Customer Service Representatives.

14.3. Combined Integrated Operations

The combined integrated organization is shown in Figure 14.3 on the next page. The net staffing increase is approximately 6 positions, as color-coded in yellow. The currently outsourced IT, GIS, and HR positions are likely to be brought in-house, yet augmented by the District's third-party consultants, accounting for 2 of the net new positions. Asset management and risk management will be a function of the District's Administrative Services Division. Planning, regulatory compliance, and CEQA will be part of the Water Resources Division.

Fig. 14.3
Combined Integrated Operations



14.4. Bargaining Units & Labor

Cal-Am personnel currently are members of the Utility Workers Union of America (UWUA) Local 511 and others are members of the International Union of Operating Engineers (IUOE) Local 36. District general staff and division managers are represented by United Public Employees of California, Local 792/Laborers International Union of North America. Meeting with the bargaining units will be part of the District's transitional steps to communicate with the existing employees.

The goal will be to develop a framework to hire the Cal-Am staff and to present the approach to ensure employees don't lose any salaries or benefits in transitioning from a private company to a public agency. A key issue will be the valuation of a private company pension and 401k retirement plan to the CalPERS pension system. Attention must also be given to maintaining equity for current District employees. Early and frequent conversation with the bargaining units will be key to successful integration of both organizations.

14.5. Contract Operations

There is the extant possibility that Cal-Am will demonstrate before the Court that all or a majority of its employees will not be made available under an acquisition by the District. Whether or not integration of the Cal-Am employees is possible, the District has chosen to examine acquisition and subsequent operation of the utility by a third-party operator. The proposed operations plan under third-party operations is available as a separate document prepared by Jacobs Engineering Group.

15. Appendices

15.1. Appendix 15-1: Anticipated Policies and Procedures

EUM - AWWA EFFECTIVE UTILITY MANAGEMENT (EUM) 10 GUIDING PRINCIPLES					
	1. Product Quality	2. Customer Satisfaction	3. Employee and Leadership Development	4. Operational Optimization	5. Financial Viability
	A. Comply with regulatory and reliability requirements	A. Minimize customer complaints	A. Recruit appropriate talent	A. Provide for ongoing operational improvements	A. Develop sound financial plan
	B. Address customer needs	B. Achieve target level of customer service delivery	B. Retain existing talent	B. Minimize resource use and losses from day-to-day operations	B. Provide financial integrity
	C. Address public health and ecological needs	C. Receive positive customer perceptions	C. Address succession planning needs		C. Achieve budget management effectiveness
		D. Efficiently deliver customer service	D. Strengthen core competencies		
Utility Goals, Plans, Policies, Procedures, & Practices					
1. Utility Management & Administration	Regulatory Agency Management Plan	Strategic Goals and Plan	Code of Ethics Policy	Operations Performance Goals & Monitoring Plan	Strategic Business Plan
	Regulatory Compliance Policy	Customer Response Plan	Succession Plan	Utility Operations Performance Measurement Plan	Strategic Financial Goals & Policies
	Receiving Water Quality Protection Policy	Management Performance Plan	Seniority Policy		Utility Budget Preparation & Approval Procedure

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	<i>Water Quality Control Program</i>	<i>Customer Education Program</i>	<i>Employee Retention Plan</i>		<i>Developer Contribution Policies</i>
	<i>Customer Education & Involvement Program</i>		<i>Organizational Structure</i>		<i>Budget Overrun Authority & Approval Procedure</i>
			<i>Job Descriptions</i>		<i>Litigation Policy</i>
			<i>On-Call & Overtime Policy</i>		
			<i>Recruitment & New Hire Policy</i>		
			<i>Staffing Plan</i>		
2. Operations	<i>Water Quality Sampling Plan</i>	<i>Water Service Interruption Practices</i>	<i>Training Program</i>	<i>Operational Policies</i>	<i>Deferred Maintenance Budget Procedure</i>
	<i>Water Quality Sampling Procedure</i>	<i>Operational Performance Metrics</i>	<i>Certification Program</i>	<i>Standard Operations Procedures (SOP)</i>	<i>Operations Budget Preparation & Monitoring Practices</i>
	<i>Water Quality Testing Procedure</i>	<i>Customer Interaction Practices & Training</i>	<i>Safety Plan & Training Program</i>	<i>Operational Benchmark Goals</i>	<i>O&M Cost per MG Metric Monitoring Practices</i>
	<i>Production Report Practice</i>	<i>Customer Compliant Resolution Practices</i>	<i>Knowledge Transfer & Retention Program</i>	<i>Pump Inspection, Testing, Repair, & Replacement Program</i>	
	<i>Main & Service Line Repair Disinfection Procedure</i>	<i>Notice Of Violation (NOV) Procedures</i>	<i>New Hire Orientation & Training Procedure</i>	<i>Pump Control Valve Inspection & Maintenance Program</i>	
	<i>Coliform Detection and Notification Procedure</i>		<i>On-Call Procedures</i>	<i>Service Line Replacement Program</i>	
	<i>Well Discharge Permit Compliance & Reporting Procedure</i>		<i>Computer Knowledge Training</i>	<i>Main Replacement Program</i>	
	<i>Hazardous Material & Spill Containment Procedures</i>		<i>Emergency Response Plan</i>	<i>Main & Service Line Repair Procedure</i>	
			<i>Emergency Response Training</i>	<i>Well Inspection, Testing, & Maintenance Program</i>	
			<i>Lock-Out/Tag-Out Procedure & Training</i>	<i>Main & Hydrant Flushing Program</i>	

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			<i>Employee Advancement Guidelines</i>	<i>Hydrant & Blow-Off Valve Inspection, Maintenance & Replacement Program</i>	
			<i>Confined Space Training</i>	<i>Valve Exercise & Replacement Program</i>	
				<i>Tank Cleaning & Inspection Program</i>	
				<i>Meter Testing, Aging, & Replacement Program</i>	
				<i>Instrumentation Equipment Inspection, Testing, Calibration, and Replacement Program</i>	
				<i>Generator Exercising, Inspection, & Maintenance Program</i>	
				<i>Operations Report & Documentation Procedure</i>	
				<i>Construction Inspection Procedures</i>	
				<i>Disaster Recovery Procedures</i>	
				<i>Leak Detection Program</i>	
3. Customer Service	<i>Customer Service Representative Water Quality Education and Training Program</i>	<i>Customer Service Performance Plan</i>	<i>Customer Service Representative Recognition Program</i>	<i>Customer Service O&M Education & Training Program</i>	<i>Customer Service Financial & Rate Basic Training</i>
	<i>Customer Service Environmental Education & Training program</i>	<i>Customer Service Policies</i>	<i>CS Representative Performance Program</i>		<i>CS metrics on cost of water service</i>
	<i>Customer Service Regulatory Compliance Requirement</i>	<i>Customer Billing Complaint Database</i>	<i>Customer Service Benchmark Goals & Metrics</i>		

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	<i>Education & Training program</i>				
	<i>Water utility Strategic Goals, Level of Service, and performance metrics Training Program</i>	<i>Customer water usage verification procedure</i>	<i>CS Emergency Response Training</i>		
		<i>Customer Turn-On/Shut-off Policy and Procedure</i>	<i>CS Employee Advancement Guidelines</i>		
		<i>Customer Survey program</i>	<i>CS New Hire Orientation & Training Procedure</i>		
4. Finance & Accounting	<i>Water Quality Cost Calculation Procedure</i>	<i>Customer Delinquent & Non-payment Policy and Procedure</i>	<i>Knowledge Transfer & Retention Program</i>	<i>Finance O&M Education & Training Program</i>	<i>Utility Valuation Policy & Procedure</i>
	<i>Regulatory compliance Cost Calculation Procedure</i>				<i>Depreciation Procedure</i>
					<i>Invoicing Procedures</i>
					<i>O&M Cost Tracking Procedure</i>
					<i>Project Cost Recovery Plans</i>
					<i>Budget Cost Recovery Guidelines</i>
					<i>Project Capitalization Policy</i>
					<i>Asset Capitalization Procedure</i>
					<i>Reserve Account Policies</i>
					<i>Account Payable/Receivable Procedures</i>

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5. Engineering & Planning	<i>Water Quality Improvement Plan</i>	<i>Capital Project Public Communication Program</i>	<i>Engineering Department Policies</i>	<i>Water Capacity Assurance Program</i>	<i>Capital Improvement Plan</i>
	<i>Future MCL Compliance Plan</i>	<i>Customer Compliant Resolution Capital Program</i>	<i>Cost Estimating Policies & Guidelines</i>	<i>QA-QC Policies & Procedures</i>	<i>O&M Cost Reduction Program</i>
	<i>Environmental Protection Plan</i>	<i>Level of Service Goals/Metrics Program</i>	<i>Construction Inspection Procedures</i>	<i>Fire Protection Policies & Plan</i>	<i>Developer Contributed Projects</i>
			<i>Knowledge Transfer & Retention Program</i>	<i>Emergency Power & Reliability Plan</i>	<i>Capital Project Omissions & Contingencies Reduction Metrics & Procedure</i>
				<i>Electrical Power Optimization Program</i>	<i>Capital Project Approval Procedure</i>
6. Risk Management & Information Technology	<i>IT Water Quality Guidelines</i>	<i>Customer Service IT System Policies</i>	<i>HR Database Procedure</i>	<i>Computerized Maintenance Management System (CMMS) Procedures</i>	<i>Billing System IT Procedures</i>
		<i>Customer Compliant Database Procedure</i>	<i>Internet and Email Policy</i>	<i>O&M Database Procedures</i>	<i>Accounting IT Procedures</i>
		<i>Customer Account Information Database Procedure</i>	<i>Personal Mobile Devices & Texting Policy</i>	<i>O&M Reporting Procedures</i>	<i>Financial IT Database & Reporting Procedures</i>
		<i>Utility Website Development & Maintenance Procedures</i>	<i>Internal Website Development & Maintenance Policy & Procedures</i>		

EUM - AWWA EFFECTIVE UTILITY MANAGEMENT (EUM) 10 GUIDING PRINCIPLES					
	6. Infrastructure Strategy and Performance	7. Enterprise Resiliency	8. Community Sustainability	9. Water Resource Sustainability	10. Stakeholder Understanding and Support
	<i>A. Develop and implement an Asset Management Program</i>	<i>A. Incorporate risk assessments into decision-making</i>	<i>A. Utility Organization</i>	<i>A. Achieve water supply adequacy</i>	<i>A. Stakeholder identification</i>
	<i>B. Maintain knowledge of assets and costs</i>	<i>B. Implement risk mitigation</i>	<i>B. Infrastructure project sustainability</i>	<i>B. Optimize reduction of non-revenue water</i>	<i>B. Stakeholder engagement plan</i>
	<i>C. Incorporate risk-based analysis into decisions</i>	<i>C. Sustain employee resiliency</i>	<i>C. Natural environment</i>	<i>C. Implement water conservation</i>	<i>C. Oversight body engagement strategy</i>
			<i>D. Economic strength</i>	<i>D. Achieve water supply reliability</i>	<i>D. Media interaction program</i>
			<i>E. Social equity</i>		<i>E. Stakeholder support performance measurement system</i>
Utility Goals, Plans, Policies, Procedures, & Practices					
1. Utility Management & Administration	<i>Capital Project Approval Policy</i>	<i>Risk Management Policy</i>	<i>Community Sustainability Involvement Plan</i>	<i>Non-Revenue Water Loss Goals</i>	<i>Stakeholder Management Plan</i>
			<i>Demographic Diversity Policy</i>	<i>Conservation & Demand Management Policies</i>	<i>Public Communications Plan</i>
					<i>Media Relations Policy</i>
					<i>Community Involvement Program</i>
2. Operations	<i>Asset Maintenance Prioritization Practice</i>	<i>Facility Security Procedures</i>	<i>Work in Low Income Areas Prioritization Practices</i>	<i>Leak Notification & Resolution Procedure</i>	<i>Operations Staff Media Interaction Training</i>

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	<i>Facility Criticality Based Maintenance Practice</i>	<i>Operational Risk Matrix & Risk Reduction Procedure</i>	<i>Operations Staff Resiliency Education Program</i>	<i>Water Loss Calculation Procedure</i>	<i>Operations Interaction with Stakeholder Groups Plan</i>
	<i>Asset-Based Maintenance Work Order Procedure</i>	<i>Electronic O&M Practices</i>	<i>Green Infrastructure O&M Procedures</i>		
	<i>Asset Condition Assessment Procedures</i>	<i>SCADA Cyber Security</i>			
	<i>Asset Inventory Maintenance Procedures</i>				
	<i>GIS System Update Procedures</i>				
3. Customer Service	<i>Customer Service on Water System Facilities & System Configuration Training</i>	<i>Customer Service Risk Management Training</i>	<i>Customer Service Resiliency & Sustainability Education Program</i>	<i>Customer Service Water Conservation Education Program</i>	<i>Customer Service Stakeholder Interaction Procedure</i>
	<i>CS Annual Capital Project Communication Plan</i>				<i>Customer Service Media Interaction Procedure</i>
	<i>CS Asset Management Education Program</i>				
4. Finance & Accounting	<i>Asset Registry Integration with Operations Procedures</i>	<i>Financial Risk Mitigation Plan</i>	<i>Financial Stability Policies</i>	<i>Water Conservation Rates Procedure</i>	<i>Financial & Investment Industry Communication Program</i>
	<i>Asset Retirement Procedures</i>	<i>Risk Matrix, Strategies & Reduction Plan</i>	<i>Water Rate Demographic Analysis Procedure</i>	<i>Water Loss Financial Impact Goals</i>	<i>Local Business Community Communication Program</i>
	<i>Asset Renewal Forecast Financial Plan</i>	<i>Financial Resiliency Plan</i>	<i>Low Income Customer Support Program</i>		<i>Developer Communication Program</i>

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5. Engineering & Planning	Asset Management Plan	Risk Management Plan	Sustainability Master Plan	Water Supply Reliability Plan	Stakeholder Capital Project Prioritization Interaction Program
	<i>Water Master Plan</i>	<i>Consultant Performance Requirement Procedure</i>	<i>Green Infrastructure Project Guidelines</i>	<i>Water Conservation & Demand Management Plan</i>	
	<i>Condition Assessment Criteria & Procedures</i>	<i>Quality Assurance Plan</i>		<i>Conservation Best Management Practices</i>	
	<i>Criticality Criteria & Procedures</i>	<i>Quality Assurance Audits</i>		<i>Drought Resiliency Plan</i>	
	<i>Design Guidelines</i>	<i>Remediation Plans</i>		<i>Water Loss Annual Water Audit Program</i>	
	<i>Developer Design Guidelines</i>	<i>Seismic Resiliency Plan</i>		<i>Groundwater Recharge/Stormwater Assessment Program</i>	
	<i>Planning Study Procedure</i>	<i>Earthquake Design Policy</i>		<i>Recycled Water Market Analysis</i>	
	<i>Technical Report Procedure</i>	<i>Tank Seismic Verification & Retrofit Program</i>			
	<i>Tank Inspection & Recoating Program</i>	<i>Risk Based Project Prioritization Procedure</i>			
	<i>Developer Project Technical Review Procedure</i>				
	<i>Water System Planning Criteria Guidelines</i>				
6. Risk Management & Information Technology	Asset Database Policy & Procedures	IT Systems & Document Recovery Plan	Environmental Asset Database Procedure	Water Loss and Leak Detection Database	Public On-Line Communication Policy & Plan
	<i>Asset Purchasing Procedures</i>	<i>Document Control Plan</i>			<i>Website Communication Procedures</i>
	<i>Business Intelligence System Policy & Plan</i>	<i>Document Retention Policy</i>			

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		<i>Records Management Procedures</i>			
		<i>Cyber Security Policy & Procedures</i>			
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		<i>IT Emergency Response Plan</i>			

APPENDIX E

Monterey Water System Contract Management Plan

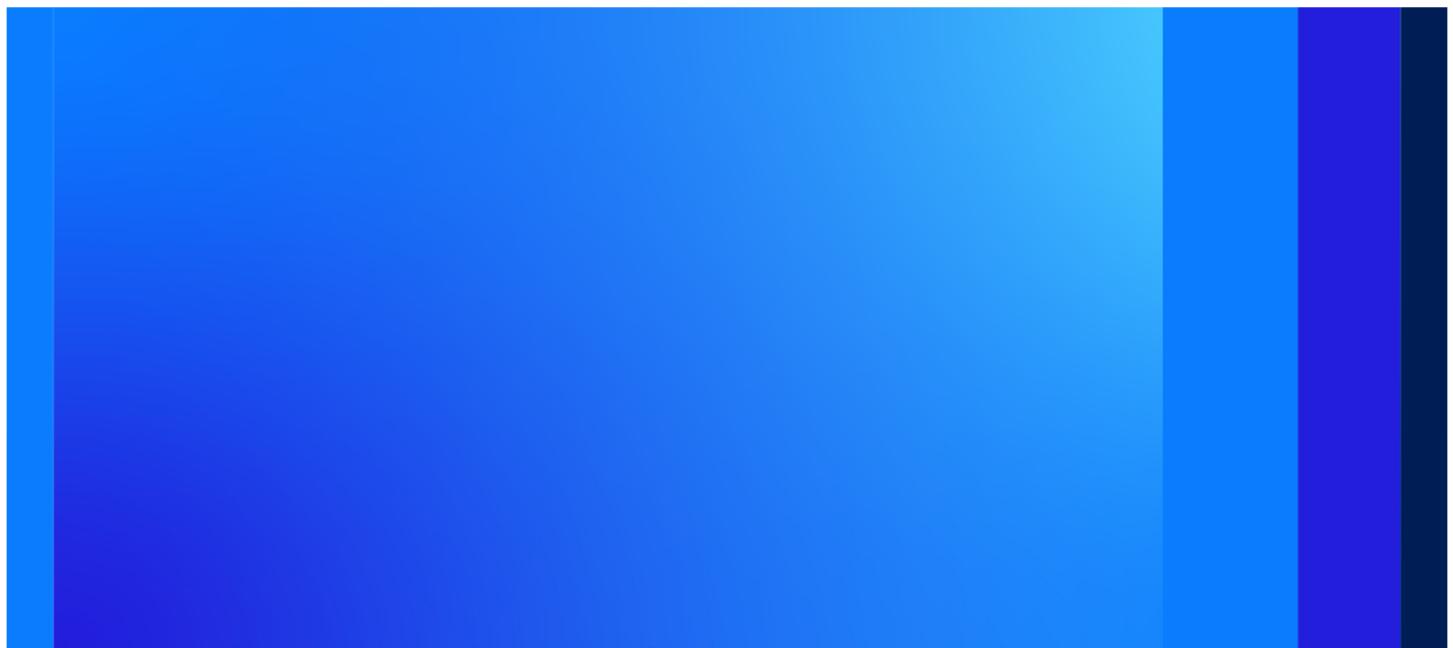


Monterey Water System

Contract Management Plan

Revised November 1, 2020

Monterey Peninsula Water Management District



Monterey Water System

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Document History and Status

Revision	Date	Description	By	Review	Approved
Final V1	14 Sep 2020	Final Version 1	DPorter		
Revision	1 Nov 2020	Added Purpose and Disclaimer	DStoldt		

Purpose and Disclaimer

This Monterey Water System Contract Management Plan is intended to reflect operational requirements of the California American Water (Cal-Am) system serving the Monterey Peninsula Water Management District (District) jurisdictional boundaries, as amended. The purpose of the Contract Management Plan is to demonstrate that the District has sufficient understanding of the Cal-Am system and water utility operations to activate its legislatively-granted latent powers to provide retail water service.

It is desired that the District becomes owner and integrates existing Cal-Am employees and operations into the District. However, there is the extant possibility that some of Cal-Am's employees will not elect to transfer to the District and become District employees. If an insufficient number of Cal-Am employees join the District, the District can either operate with a combination of District and contract employees or contract for operations with a third-party operator, in which latter case the District would transition to in-house District operations after several years. Whether or not integration of the Cal-Am employees is possible, the District has with this document chosen to examine acquisition and subsequent operation of the utility by a third-party operator.

As clearly articulated by the District Board at its October 29, 2020 special meeting, the District will maintain the current policies, procedures, and practices that Cal-Am has implemented to operate the water system, for at least the first year. During the first year of operation the District will assess the operational procedures and business processes comparing the performance to the Strategic Goals and level of service (LOS) metrics initially adopted by the Board.

Because the District has not been provided access to current Cal-Am operations, strategic goals, or LOS standards there may appear to be stated objectives of the Contract Management Plan which may suggest a change in operations will occur. That is not the intent and, where a potential conflict in this Plan and current practice appears, the reader should assume a continuation of CURRENT operations will be maintained for at least the first year under District ownership. After experiencing current operations for a period of time, any changes desired will be subject to future discretion of the District.

The District has no intention, at this time, to make any discretionary operational decisions that have an adverse impact on the environment.

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Executive Summary

The Monterey Peninsula Water Management District (MPWMD) is dedicated to protecting and augmenting water supplies for the benefit of the customers in the Monterey Water System. MPWMD is currently assessing the costs and benefits associated with acquiring ownership of the facilities owned and operated by California American Water in the Monterey region. As part of this effort, MPWMD is developing an Operations Plan and a key related question concerns the feasibility of contracting for future operations of these facilities. Jacobs has conducted an analysis of the contracted operations scenario and is pleased to provide this report to support MPWMD in developing its Operations Plan.

Jacobs has identified the following areas that will be needed to provide the desired services and are described in detail in this report.

1. Level of service
2. Regulatory and compliance
3. Safety
4. Process control
5. Staffing
6. Asset management and maintenance

Each of these areas are essential for the proper delivery of the highest quality of water to the customers of Monterey Peninsula water district and provide both quality services at the most economical life cycle cost.

Defining levels of service (LOS) is a foundational element in building a responsive contract management plan. A cohesive group of LOS measures, set at the appropriate levels with Monterey Peninsula Water Management District (MPWMD), can ensure an integrated approach from the performance vision, down to day-to-day customer response and maintenance management decision making. LOS typically address the overarching goals of the customer's mission. These represent how infrastructure assets and actions will achieve the goals related to customer service, environmental protection and regulatory compliance, economic sustainability, and public and employee health and safety.

Most contract operations providers have expertise in all pertinent areas of environmental regulations including the Clean Water Act, the Clean Air Act, the Emergency Planning and Community Right-to-Know Act, the Resource Conservation and Recovery Act, Biosolids Management, Industrial Pre-treatment, Laboratory Management, and Stormwater Regulations. We actively develop strong working relationships with regulators at the Federal, State, and local levels. We believe in complete transparency in reporting to the regulators and communities should be a must for any contract operator providing serve to the district.

Any Contract operation company should be committed to Health & Safety (H&S) for all their projects and clients. Jacobs aims to strengthen our culture of caring with the goal to consistently deliver an incident and injury free environment for all our people. This should be high in consideration of contract operations.

In addition to classic water system components, the MPWMD system is underway with a project to reuse water from several sources (reclaimed wastewater, stormwater, food processing water, and impaired surface water) for injection into the Seaside Basin. The consideration to select a contract operation company must include the diversity and ability of the company to understand all the aspects of the MPWMD system and have the depth of experience to properly operate and maintain the assets.

Staffing is the key to any properly operated facility. Properly trained and experience staff will allow the system to operate smoothly and ensure that all stakeholders are protected and receive the highest level of service (LOS) possible. The approach to O&M is designed to meet and exceed the scope of work and performance standards for the MPWMD. This approach will not only be cost effective, it will also provide the desired LOS to meet or exceed

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the needs of customers in the MPWMD service area, as well as any contract performance standards, and will have the flexibility to provide additional services when needed, including the support for continuous improvement and capital projects.

Proper maintenance is only one part of a management plant. In order to ensure that all assets are fully optimized, not only for utilization, but for life expectancy an Asset Management Plan (AMP) is required. The main purpose of the AMP is to ensure that there is a working and living document that is used by the contract operator and agreed by its Partner, MPWMD, to effectively manage the approach to AMP and the Mid Life Capital (MLC) investment for their respective water projects.

The main aims from the implementation of the AMP are that the shareholder, MPWMD, and lenders obligations are recognized, managed, and delivered to meet the requirements of the contract. The document content intends to describe the Asset Management Strategy in a way that gives MPWMD and lenders the confidence in the approach to AMP. The document aims to describe the risk-based approach being applied to the capital and maintenance investment to give confidence in the informed decisions being made, enabling the sanction of future MLC expenditure that complies with the client and contractual obligations set by best practices and the respective contracts. To achieve this good communication, transparency and stakeholder liaison throughout the AMP process is essential and will lead to a greater support for capital investment by increasing stakeholder understanding regarding the value of targeted asset investment to improve water utility performance.

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Acronyms and Abbreviations

SYIP	Five-Year Investment Profile
ACES	Asset Condition Evaluation System
AIP	Annual Investment Plan
AMP	Asset Management Plan
ANSI	American National Standards Institute
APP	Accident Prevention Plan
ASR	Aquifer Storage and Recovery
AWWA	American Water Works Association
BOP	Best Operations Practice(s)
C&R	Compliance and Reporting
CFR	<i>Code of Federal Regulations</i>
CG	Condition Grade
CIP	Capital Investment Plan
DMR	daily monitoring report
DCS	Distributed Control System(s)
EOP	emergency operations plan
EPA	U.S. Environmental Protection Agency
EPP	emergency preparedness plan
H&S	Health & Safety
HACH WIMS	Hach Water Information Management Solution
HSE	Health, Safety and Environment
ISO	International Standards Organization
LCHP	Laboratory and Chemical Hygiene Plan
LOS	Level(s) of Service
MC	Maintenance Connection
MLC	Mid Life Capital
MOR	monthly operating report
MPWMD	Monterey Peninsula Water Management District
MSDS	Material Data Safety Sheet(s)
MUR	Method Update Rule
NSF	National Sanitation Foundation
O&M	Operations and Maintenance
QA	Quality Assurance

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QC	Quality Control
OSHA	Occupational Safety and Health Administration
PM	preventive maintenance
PPE	personal protective equipment
psi	pound(s) per square inch
RCM	Reliability Centered Maintenance
SCADA	Supervisory control and data acquisition
SCN	Screen Number
SOP	standard operating procedure(s)
SOR	safe observation report(s)
SPIP	Service Period Investment Profile
STT	Sample Tracking Tool
WSP	water system process
WTP	water treatment plant

1. Level of Service

Defining levels of service (LOS) is a foundational element in building a responsive contract management plan. A cohesive group of LOS measures, set at the appropriate levels with Monterey Peninsula Water Management District (MPWMD), can ensure an integrated approach from the performance vision, down to day-to-day customer response and maintenance management decision making. LOS typically address the overarching goals of the customer's mission. These represent how infrastructure assets and actions will achieve the goals related to customer service, environmental protection and regulatory compliance, economic sustainability, and public and employee health and safety.

The ultimate goal of the MPWMD is to provide specified LOS to its customers. These LOS should be commensurate with the expectations of the customer, but also be realistic and practical within the budgetary, timing, and external constraints within which the contract is constructed and priced. However, care must be taken to ensure that the definition of the LOS is compatible across all levels of the organization and provides staff with a relevant and tangible objective that can be influenced by their working practices. Establishing these LOS measures will ensure that a clear relationship is identified between customer objectives and asset-focused objectives. This will enable the organization to move toward budgets based on achieving a set of LOS and being able to communicate a reduction or improvement in LOS associated with a reduction or increase in available budgets.

It is inappropriate to identify specific LOS that are applicable to every kind of asset or activity, and certainly not something that can be decided for every utility without direct input for specific needs and circumstances. General goals may include public confidence, health and safety of employees, competitive rate structures, and frequency of repairs. However, vertical and linear assets will require different kinds of LOS. Priorities differ based on the system being addressed, and it is necessary to carefully consider the specific needs of the system.

MPWMD and a contract operations company should jointly establish appropriate LOS for each system in a workshop setting and begin to consider what the consequences of failing to meet the levels may mean. For instance, we expect that in accordance with industry best practice, the response time for the Customer Service Requests will be given the highest priority. A contract operations company would develop the LOS with customer guidance for each of the departments to establish what the minimum LOS should be based on the risk of the request. This can be accomplished utilizing a risk matrix that ensures public safety and optimizes MPWMD resources. Table 1-1 identifies the categories that could be used to establish the desired LOS for any area of operations. Weights and Impact values will be established with input from all areas including but not limited to management, engineering, and operations personnel. The established (Weight x Impact) value can then be used to establish priorities for work assignments.

1.1 Level of Service Prioritization

The priority for repairs or work assignments would work as follows: If the health and safety to the public is determined to be negligible (scoring a "1") but the disruption to the community or public image was high (scoring a "7"), it would have a total risk value of (1 impact x 1 weight) + (7 impact x 0.4 weight), which would produce a total risk score of = 3.8. This can then be compared to other repair tasks or assignments to determine the highest priority to address. Scores can then be categorized to determine the response time as well, such as a score of less than 2 would require a response within 5 days, scores of 2 to 5 within 2 days, and scores of 5 or higher within 24 hours.

1.2 Goals for Level of Service

The goal of the LOS is to improve the operations and maintenance (O&M) services and confidence in the water operations for all stakeholders. Improvements in the level of service will facilitate improvements in areas such as:

- Preparing and maintaining a Regulatory Agency Management Plan

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- Conducting regularly scheduled meetings and communications with Regulatory Agencies
- Preparing and maintaining a Water Quality Monitoring and Reporting Plan
- Preparing a Water Quality Improvement Plan
- Establishing key water quality issues that impact the public
- Developing water quality information materials and fact sheets
- Improving public water sources from impacts associated with the water system O&M
- Adopting customer service policies
- Minimizing customer service complaints
- Minimizing technical service complaints
- Implementing a Customer Service Staff Training Program
- Implementing a public outreach program that routinely informs the stakeholders and customers of ongoing issues, construction improvements, planning, finance, regulations, and other core functions that allow for comments and input from the community
- A MPWMD website that provides current information on the water system, usage, construction projects, master plan/planning activities, and O&M programs/activities
- Adopt a Customer Communication Plan

Table 1-1. Criticality Levels by Possible Impact

Impact Category	Weight	Negligible = 1	Low = 4	Moderate = 7	Critical = 10
1 Health & Safety of Employees and Public	1.0	No injuries or adverse health effects.	No lost-time injuries or medical attention necessary.	Lost time injury requires medical attention.	Long-term disability or death.
2 Compliance with Regulations and Permits	0.9	No violations of permits or regulations. No environmental or public health impact.	Technical violation but no enforcement action taken. No environmental or public health impact.	Violation of Permit Condition. Possible short-term environmental impact. Possible public health impact.	Violation of Permit Condition. Enforcement action likely. Long-term environmental impact likely; public health impact likely.
3 Service Reliability	1.0	No service interruption to any clients.	Immediate service interruptions to one or more clients lasting less than 8 hours.	Service interruption to any clients lasting longer than 8 hours and up to 24 hours.	Service interruption to any clients lasting longer than 24 hours.
4 Disruption to the Community/Public Image	0.4	No social or economic impact on the businesses or the community. No disruption to the community. No media coverage.	No social or economic impact on the businesses or the community. Minor disruption to the community (e.g., traffic, dust, noise, spills). No media coverage.	Short-term economic impact on residential customers and/or a few businesses. Minor disruption to the community (e.g., traffic, dust, noise, spills). Local media coverage.	Long-term or area-wide economic impact on numerous businesses or any "high-priority" customer. Major disruption to the community (e.g., traffic, dust, noise, spills). National media coverage.
5 Ability to Return Service	0.8	Less than 8 hours.	Service restored 8 to 16 hours.	Service restored 16 to 24 hours.	Not able to restore service for >24 hours.
6 Financial Impact	0.8	<\$1,000	\$1,000 to \$10,000	\$10,000 to \$50,000	>\$50,000

APPENDIX E

2. Regulatory Review/Laboratory

The Environmental Compliance Program is an organized, systematic approach to maintain compliance with environmental, legal, and business requirements. Using a series of quality assurance (QA)/quality control (QC) procedures, the integrity and accuracy of the compliance and facility-performance data gathered and reported to regulators and MPWMD is an effort made to be transparent to all stakeholders. As a result, the contract operator must form positive and beneficial working relationships with the agencies to which it reports on behalf of its customers.

Most contract operations providers have expertise in all pertinent areas of environmental regulations including the Clean Water Act, the Clean Air Act, the Emergency Planning and Community Right-to-Know Act, the Resource Conservation and Recovery Act, Biosolids Management, Industrial Pre-treatment, Laboratory Management, and Stormwater Regulations. The contract operator will actively develop strong working relationships with regulators at the Federal, State, and local levels and believe in complete transparency in reporting to the regulators and communities that it serves.

Water requirements are based on specific regulations that specify what must be tested and reported based on the origination of the source water (surface water, ground water, or ground water under the influence of surface water), the size of the system, and the population served. Although state requirements are usually very similar to federal requirements, there are instances where states are more stringent or require addition testing. Contract operation companies typically use a comprehensive tool that captures the full requirements of federal code and then adds state-by-state requirements as needed.

Environmental Compliance Programs are designed to generate consistent and predictable compliance with all applicable laws, regulations, and standards. The goal is “Perfect Compliance and Perfect Reporting”. The information developed from typical program will:

- 1) Alert staff to situations that require special attention and possibly require calling on assistance from regional, corporate, or other specialists to support onsite staff.
- 2) Generate legally defensible data and records. Some contract operations companies will implement a suite of Project Compliance Tools for MPWMD including:

A comprehensive training program including project start-up.

Video modules and ongoing training provided via web-based delivery mechanisms and onsite training.

In-depth monthly operating report (MOR) and air permit evaluation tools to ensure that all permit requirements are identified and fully understood.

Sample Tracking Tool (STT) with multiple layers of oversight to ensure that sampling is performed as required.

Utilization of a SharePoint site entitled “Project Compliance Tools”, which should be available to all associates. The tools described above, as well as other tools and compliance-related information, ensure all information is properly communicated to the required associates.

Use of industry standard data management tools, such as Hach Water Information Management Solution (Hach WIMS), to collect and preserve all process control and compliance data in a secure manner and as required.

2.1 Laboratory Management and Compliance Plan

Contract operations companies should perform all sampling, analysis, and reporting as necessary for compliance with all current state and federal regulations and any permitting or other regulatory requirements. They should implement a comprehensive laboratory program at the facility that is compliant with current and anticipated

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regulations, including 40 *Code of Federal Regulations* (CFR) Part 136, the U.S. Environmental Protection Agency (EPA) Method Update Rule (MUR), Standard Methods Online Version, Guidelines Establishing Test Procedures for the Analysis of Pollutants, and other industry-accepted standards. A contract operations company should have established and conduct a laboratory start-up that includes onsite training, installation of laboratory programs and policies, a review of regulatory requirements, and a follow-up laboratory review within 6 to 12 months of commencing the services. All resources should be utilized to make the laboratory compliant, efficient, and successful. The main objective would be to operate a fully functional water process control laboratory that will conduct all required sampling and analysis of samples in compliance with federal and state requirements. Compliant laboratory practices should be implemented and maintained along with an approved laboratory safety program.

Routine analyses and procedures for MOR reporting of field parameters such as pH and total residual chlorine would be performed by the laboratory staff at the treatment facility. Additional permit-required analyses would typically be performed using a combination of both the in-house laboratory and commercial laboratories (such as TestAmerica and ALS Laboratories). Samples would be transported to the contract laboratories via courier service to ensure all samples meet hold time requirements.

All samples should be collected, preserved, and analyzed, and the results reported to meet all EPA and regulatory requirements as specified in all permits.

2.2 Regulatory Compliance Methodology

Operating methodology should incorporate all regulatory requirements, covering all elements of compliance.

2.2.1 Treatment and Process Control

A process control plan should be established that includes at a minimum:

- Weekly jar testing to determine optimum chemical dosing for pH, disinfectants, coagulants, and similar
- Production rate seasonal and daily targets
- Setting process control targets, such as when cleaning cycles should happen (and tracked to indicate when replacement may be approaching)
- Supervisory control and data acquisition (SCADA) data logging and trending of all key parameters

Adherence to established targets is through a proprietary statistical control tool built as an “add-on” feature to Hach WIMS, or other control tools. It should monitor how closely the operations team keeps to these targets, rather than simply looking at historical average data, which has been found to allow for wide swings in performance from reacting to the plant and source water quality, rather than steadier operations and dedicated control of the plant. This invariably results in superior regulatory compliance.

2.2.2 Finished Water Storage

The regulatory plan should extend beyond the treatment plant and into the distribution system, including finished water storage tanks. Monitoring of the distribution system is required to ensure compliance with minimum storage per connection, turnover, residual, and security. As discussed further in Operations, Section 5, the plan should include frequent “boots on the ground” inspections to supplement remote monitoring.

2.2.3 Distribution System

Distribution system minimum pressure (to prevent any contamination by intrusion) and disinfection are the primary regulatory and operating parameters, but several other topics have significant regulatory importance and are built into our operating plans.

2.2.3.1 Bacteriological and Disinfection Residual Sampling

Bacteriological and disinfectant residual sampling is also part of the regulatory plan, and the STT is of particular value when it comes to ensure perfect sampling performance. With thousands of samples to be collected and processed, it can be all too easy for the field sampling team to miss samples and create a regulatory violation. This is a completely preventable violation, and only requires a systematic method to ensure all samples are correctly collected and processed. As noted, a STT can eliminate virtually all missed sample violations.

If not already in place, a contract operations company should further create a standard operating procedure (SOP) to ensure all bacteriological sampling and testing is conducted following any water line repairs in accordance with regulations.

2.2.3.2 Valve Exercising Program

Valve exercising is a procedure that verifies proper location, operation, and material condition of valves, and initiates replacement as necessary. The physical operation of a valve and the documentation of the actions and procedures necessary to do so are equally important. Industry best practice is to follow the recommendations and standards from the American Water Works Association (AWWA), which requires all valves (such as distribution and transmission valves, air valves, and blow-offs) to be inspected and operated on a regular basis.

The main objectives of a comprehensive valve exercise program are to:

- Improve valve reliability
- Reduce water loss
- Identify critical valves on distribution system
- Measure and document valve operation
- Develop trend analysis

According to AWWA, “Each valve must be operated through a full cycle and returned to its normal position on a schedule that is designed to prevent a buildup of tuberculation (rust formation in pipes as a result of corrosion) or other deposits that could render the valve inoperable or prevent a tight shutoff. The interval of time between operations of valves in critical locations or valves subjected to severe operating conditions must be shorter than for other less important installations but can be whatever time period is found to be satisfactory based on local experience. The number of turns required to complete the operation cycle must be recorded and compared with permanent installation records to ensure that full gate travel (i.e., it can be opened and closed) is maintained.”

“A recording system must be adopted that provides a written record of valve location, condition, maintenance, and inspections of the valve,” AWWA standards continue, “Each valve must be operated through one complete operating cycle. If the stem action is tight as a result of buildup on the stem threads, the operation must be repeated until the opening and closing actions are smooth and free.”

A full inspection must be performed, and any problems must be reported immediately to the person responsible for necessary repairs.

“To carry out a meaningful inspection and maintenance program, it is essential that the location, make, type, size, turns, close direction, and installation date of each valve be recorded. Depending on the record-keeping system used, other information may be entered into the permanent record.”

Some valve manufacturers simply recommend exercising their valves at frequency based upon local experience. However, consistent with the *Water Distribution Systems Handbook* (AWWA 2000) and Manual M44 (AWWA 2015), isolation valves should be exercised at least once every one or two years.

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2.2.3.3 Flushing and Hydrant Maintenance

Like any other piece of equipment, if not operated and maintained properly, fire hydrants may not work when needed the most (firefighting, line flushing). As with valve exercising, best practice comes from the recommendations and standards from the AWWA for fire hydrant documentation, operation, and maintenance. The AWWA recommends all hydrants be inspected regularly at least once a year. In freezing weather, dry-barrel hydrants may need to be inspected in spring and fall.

A good hydrant O&M program requires good records. A great source for all sorts of record-keeping forms relating to hydrant O&M is *Fire Hydrants: Field Testing, and Maintenance* (AWWA 2016). This is the source of the record-keeping forms that Jacobs will use for the program we will establish for MPWMD.

It is recommended to create a flushing program (and flushing water loss tracking) that meets all requirements for dead end flushing, including dates/times, accurate locations, loss calculation measurement, and written procedures.

2.2.3.4 Cross-Connection or Backflow Records.

Cross-connection control and backflow prevention require a robust program. A critical element of a successful program includes having a plan in place that provides guidance on hazard identification, inspections, testing, a description of the current program (such as staffing, tracking, surveying, testing, training, and fee requirements) and evaluation of the current program, proposed changes, and implementation plans. The plan should also contain a schedule of when facilities are inspected and surveyed; records of all device locations; correspondence, including notices of violation; and a list of devices, and inspections of approved backflow prevention devices.

2.2.3.5 Use of Lead-Free Components for Distribution System Repair

On January 4, 2014, a national law amended the Safe Drinking Water Act that required all products in contact with drinking water to have a 0.25 percent maximum lead content for all wetted components using a surface-based averaging formula. This new rule impacts virtually every component of a water treatment and distribution system from the treatment plant to plumbing fixtures. The lead-free law applies to a wide variety of products used in water distributions systems, including meters, pumps, valves, pipes, fittings, or fixtures that come into contact with potable water. This includes corporation stops, curb stops, service fittings and couplings, meter valves, meter couplings, check valves, and backflow valves. Fire hydrants are exempt from this regulation. Leaded components already installed in distribution systems by January 4, 2014, are grandfathered in. Utilities can make repairs in place, but once a component is removed from the system for any reason, it has to be replaced with a lead-free component. This important consideration is included in our approach to maintenance to ensure regulatory compliance.

2.2.4 Documents, Records, and Reports

Documentation, records, and reporting is sometimes overlooked but must also all be perfect to stay in regulatory compliance, so this gets substantial attention as well.

2.2.4.1 NSF Certification

All chemicals, additives, and any additional or replacement process media used in treatment of water supplied by public water systems must conform to American National Standards Institute/National Sanitation Foundation (ANSI/NSF) Standard 60 for direct additives and ANSI/NSF Standard 61 for indirect additives. Conformance with these standards must be obtained by certification of the product by an organization accredited by ANSI. Copies of these certifications must be maintained on file with the water system and available for review upon request. At the time of this review, copies of NSF certifications for treatment chemicals were not available.

2.2.4.2 Logbooks

Each water treatment plant (WTP) is required to keep a reliable logbook where operators record events and data for the site, including water quality and quantity, treatment chemicals used, and incidents that have occurred.

When incidents occur, the logbook is required to record the nature of the incident, as well as any corrective and/or preventive action taken. The logbook should be bound preferably with numbered pages to ensure that information is legally defensible, true to the last entry, and provides an accurate accounting of all activities that have occurred during each shift.

Daily logbook requirements include:

- Daily shift recordings of water quality (raw, process, and final)
- Volume of water produced
- Water loss at the works
- Chemical dosing rates, chemical use, and chemical stock levels
- Equipment failures and repairs
- Incidents

When incidents occur, the following information is required to be recorded in the logbook:

- Date and site of incident
- Staff member who identified the incident
- Details of nonconformance
- Corrective and preventive action taken
- Signature by WTP superintendent Close-out signature by drinking water system manager

2.2.4.3 Standard Operating Procedures

The operations Contractor should create consistency and regulatory excellence at all contract-operated sites by setting high standards, and SOPs are a key means of ensuring this level of quality.

2.2.4.4 Monitoring Plan

Every public water system is required to have a monitoring plan, and contract operator should prepare this during the startup period (typically within 90 days of the start of a contract). This requirement was part of the Federal Stage I Disinfectants and Disinfecting Byproducts Rule. Failure to have an administratively complete monitoring plan and failure to maintain an up-to-date monitoring plan constitutes a monitoring violation and may result in reporting violations. The monitoring plan should include the following:

- Information on the location of all required sampling points in the system.
- The location of each sampling site at a treatment plant or pumping station is designated on a plant schematic.
- An identification of each entry point into the distribution system either by a written description of the physical location of each entry point to the distribution system or by indication on a distribution system or treatment plant schematic.
- The address of each sampling site in the distribution system or the location of each distribution system sampling site is designated on a distribution system schematic.
- A distribution system schematic that clearly indicates the following: (1) the location of all pump stations in the system, (2) the location of all ground and elevated storage tanks in the system, and (3) the location of all chemical feed points in the distribution system.

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- A written description of sampling frequency and a schedule with a list of all routine samples required on a daily, weekly, monthly, quarterly, and annual basis and an identification of the location where the samples are located.
- An identification of the analytical procedures that are used to perform the required analyses and identifies all of the laboratory facilities that may be used to analyze samples required by the administrative code and other regulations.
- A written description of the methods used to calculate compliance with all maximum contaminant levels, maximum residual disinfectant levels, and treatment techniques that apply to the system.

2.2.4.5 Emergency Operations Plan / Emergency Preparedness Plan

Every community water system is required to have an emergency operations plan (EOP) that outlines the actions that should be taken during a disruptive event or threatening event that may affect the quantity or quality of water served by a system. This plan must be reviewed and updated every two years or every time there is a change in the system.

A submitted EOP should include one of the following:

- 1) Auxiliary generators equipped with automatic starting generators and switch over equipment. This equipment must have the ability to detect the failure of normal power from the electric grid; automatically start the generator; isolate necessary water equipment from the normal power grid; and switch the running generators power to power the necessary water equipment to maintain the required minimum pressure.
- 2) Two or more affected utilities may propose the sharing of auxiliary generator power. Necessary electrical and/or water connections equipped with automatic switch over and opening valves must be presented in the plan to demonstrate how one or more affected utilities will be able to maintain the required minimum pressure. Describe which equipment will share the auxiliary generator power and which equipment, if any, would receive power from only a single affected utility's auxiliary power equipment.
- 3) Copies of negotiated leasing and contract agreements for emergency power equipment and any necessary fuel. This includes mutual aid agreements with other retail public utilities, exempt utilities, or providers or conveyors of potable or raw water service if the agreements provide for coordination with the division of emergency management in the governor's office. Consideration must be given to the location of where the other water supplier(s) are located as they may also be affected by the same natural disaster. In addition, when entering into a contract for leasing of emergency power equipment and necessary fuel, the contractual commitments of the supplier to other water suppliers and businesses within an area subject to the same natural disaster event must be taken into consideration.
- 4) Use of portable generators capable of serving multiple facilities. The portable generator(s) and the necessary water equipment must be pre-equipped with quick-connect, mating electrical connectors to facilitate the rapid implementation of the emergency preparedness plan. The plan must address whether there is an adequate number of portable generators to operate all the necessary water equipment in order to maintain the required minimum pressure in multiple pressure plans or at multiple systems, if affected by the same natural disaster event.

An emergency preparedness plan (EPP) must provide for any applicable production, treatment, transfer and service pumps at an adequate flow rate and at a minimum pressure of 35 pounds per square inch (psi) in the far reaches of an affected distribution system, including multiple pressure planes. If applicable, the EPP must provide the following:

- Contact information, including names, emergency telephone numbers, and email addresses.
- All ground, surface, and purchased water sources, with locations and individual capacities.
- All interconnections with other water providers; whether normally open or closed; size; whether wholesale, purchase, or both; available capacity; and any other pertinent information. Include the names of each

interconnection and their contact information, including names, titles, telephone and pager numbers, and email addresses.

- The capacity and power requirements of all treatment equipment.
- The type of storage, volume, and volume required per day for each chemical during emergency operations.
- A copy of all water distribution and transmission piping maps.
- The maximum and average daily demands.
- All primary electrical power sources.
- All equipment necessary to provide water to customers at the required minimum pressure and adequate flow rate, and the power requirements for each piece of equipment.
- The size, location, and fuel requirement in gallons per hour at the load necessary to maintain emergency operations for all onsite manual and automatic auxiliary power equipment and provide information as to how the affected utility determined the necessary fuel quantity.
- Documentation as to how the affected utility will ensure that it maintains an adequate supply of fuel during emergency operations.
- The size, location, fuel requirement in gallons per hour at the load necessary to maintain emergency operations, and the name of the system sharing the equipment for all shared auxiliary power equipment. Include the other system's contact persons with their emergency telephone and pager numbers and email addresses.
- A copy of any leasing and contracting agreements, including mutual aid agreements with other retail public utilities, exempt utilities, or providers or conveyors of potable or raw water service, if the agreements provide for coordination with the division of emergency management in the governor's office. If leasing, include the vendor's name, location, and contact information.
- All portable generators' power, phase, type of quick-connect, fuel type, and fuel demand in gallons per hour.
- Specifications, a description, and detailed capacity information for all onsite electrical generation or distributive generation equipment. Include all fuel demands for this equipment.
- All direct or right-angle drive emergency power equipment with the name, type of engine, fuel type, and fuel demand in gallons per hour.
- Details for any other proposed alternative.
- The location and volume for each fuel tank, name of fuel suppliers, contact names, titles, telephone and pager numbers, and email addresses.
- All local and state emergency responders and their emergency contact telephone and pager numbers. Include medical facilities.
- All priority water users, such as hospitals and nursing homes, and their emergency contact names, titles, telephone and pager numbers, and email addresses.
- Any bulk water haulers that could be used, including contact names, telephone and pager numbers, and email addresses.
- The system's designated media spokesperson with a list of local media contact names, titles, type of media, telephone and pager numbers, and email addresses.
- The water restrictions that the system will implement during an emergency response.
- A proposed time frame for full implementation of the EPP.

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2.2.4.6 Sampling Plan

In addition to the STT, a site sampling schedule and plan that specifies the time, place, and method of conducting all permit compliance and process control sampling. Each location is shown in pictures, in tabular form for each day of the week, and in schematic form.

2.2.4.7 Rounds Sheets

Operational rounds sheets should be produced for this site that specify the minimum duties for operators on shift; however, nothing replaces plant staff walking around the project site and first-hand observing operations. Operator rounds sheets may be used to help train new operators, or to organize data recorded from local instrumentation, but these will be highly customized for each facility. Managers are routinely seen making these rounds as well at the best-run plants.

The contract operator should create standard shift rounds sheets to facilitate consistent operations and data collection, as well as providing a standard format for data entry into a plant operational and laboratory data tracking system.

2.2.5 Compliance Training

Regulatory compliance awareness is perhaps taken for granted as just part of the operator's profession, but very few get any formal training in the legal or regulatory complexity of treatment plant permits. Very few operators realize that they are criminally liable for violations of the Safe Drinking Water Act by being negligent in their duties as an operator. And regulators take a very dim view of any permit violations, whether they are for effluent quality or simply reporting errors. Both may be considered equally damaging in terms of violating regulations.

Compliance training is designed to standardize procedures and schedules for regulatory data gathering and reporting, inspection and maintenance of analysis equipment, and staff accountability for compliance-support activities. Course content includes training in proper techniques for data gathering, open and honest communications, and how to avoid common industry practices that are not legal. It also covers report preparation, equipment maintenance and inspection, monitoring regulatory changes, and communication procedures.

2.3 Quality Assurance Protocols

A QA program should be implemented to verify the reliability of the data produced at the in-house laboratory. This will safeguard against errors in data production by implementing the testing system according to industry-approved methods. The objectives of a QA program are as follows:

- Produce reliable and defensible data.
- Documentation that fully complies with state and federal regulations.
- Establish STTs to ensure that all samples are collected to ensure permit compliance.
- Perform daily calibration of all laboratory equipment, 3-point buffer calibrations, weight verification of scales, annual calibrations of certified thermometers, and other actions.
- Provide each laboratory with bound and numbered bench sheets. All bound books are formatted to provide method of analysis, instrument used, dates collected and analyzed, analyst identification, project and location identification, information on the analyses, analytical conditions and results, comments, and an example of calculations (if any). Assure only quantitative and approved methods are used and identify problem areas with analytical methods and results. Correct problems prior to reporting data.
- Perform Performance Evaluations or "Blind Studies" twice per year to include the daily monitoring report (DMR) QA Study if applicable.
- Determine the degree of accuracy and precision of each analytical system by using the QC Stats program.

The QA lab program consists of the following elements:

Methodology – The in-house process laboratory will follow the most current EPA and standard methods of chemical analyses. A Compliance and Reporting (C&R) Team should establish site-specific laboratory procedures and SOPs and train staff on topics including QC, safety, sample protocol, correct testing methods, and the most up-to-date approved test method to meet permit requirements. They should routinely analyze control samples using Method Blanks, Reference Standards, Duplicate Samples, Spiked Samples, and Split Sampling where applicable.

Chain of Custody – Required for all outside and in-house process laboratory analyses, the chain of custody records the sample preservation and handling procedures for detailed tracking of samples. The Operations contract should utilize an in-plant laboratory and operations logbook to further track the laboratory procedure from sampling through final analyses for all process samples. They must comply with all chain of custody, preservation, and transport requirements defined by the MPWMD for all permit required analyses.

Instrumentation – Laboratory equipment and plant meters, including in-line equipment, are calibrated to ensure accurate and precise analysis results and calibrations are recorded in logbooks to meet regulatory requirements. When calibrations prove to be outside of operating specifications, the staff should perform necessary preventive and corrective maintenance. Annual third-party calibrations should be completed to ensure compliance.

This approach will need to be documented in the QA Manual, which should be customized for this project. A dedicated Compliance & Reporting Team should perform regular internal audits of the laboratory procedures and reporting and will require analysis of blind audit samples at least twice per year.

2.3.1 Quality Control Protocols

QC requires technicians to essentially demonstrate that each day's analysis was successful. All essential QC elements are incorporated with each method analyses, including, but not limited to: Method Blanks, Laboratory Control Samples, Duplicate Samples, Matrix Spikes, and Matrix Spike Duplicates. Each essential QC element must meet the minimum USEPA-established acceptable criteria for each analysis performed.

Each laboratory should have defined control limits for precision and accuracy that bracket the variation inherent in the test at that lab on its particular sample matrices. By using precision and accuracy control charts, analysts can track trends and identify the emergence of systemic error. The graphs and charts necessary for these activities at the project site may be prepared using proprietary spreadsheet tools, such as Jacobs' "QC Stats", or other such tools.

2.3.2 Laboratory Information Management System

The laboratory data software programs that recommended by Jacobs are the Hach Water Information Management Solution (HACH WIMS) database and Microsoft Excel and Access. HACH WIMS is the primary database used for compiling permit and process laboratory data. The information is tracked, compared to historical averages and targets, and sent to our process supervisors to make any necessary changes at the facility.

The laboratories should use a Document Control System to retain all original observations, calculations and derived data, and calibration records including:

- Laboratory data logbooks, chain of custody, and bench analysis books.
- Identity of personnel involved in sampling, sample receipt, preparation, or testing.
- Information related to equipment, test methods, sample receipt, sample preparation, and data verification.
- Record-keeping system that facilitates retrieval of information for verification or inspection.
- Sample preservation, including appropriateness of sample container and compliance with holding time requirement.

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- Sample identification, receipt, acceptance or rejection, and log-in.
- Sample storage and tracking including shipping receipts and sample transmittal forms (chain of custody form).
- Documented procedures for the receipt and retention of samples, including all provisions necessary to protect the integrity of samples.
- All original raw data, whether hardcopy or electronic, for calibrations, samples, and QC measures including analysts' worksheets and data output records.
- Copies of final reports.
- Archived SOPs.
- All corrective action reports, audits, and audit responses.
- Blind sample proficiency test results and raw data.
- Results of data review, verification, and cross-checking procedures.
- Analytical records, (such as strip charts, tabular printouts, computer data files, analytical notebooks, and run logs) including data and statistical calculations, review, confirmation, interpretation, assessment, and reporting conventions.
- QC protocols and assessment.
- Electronic data security, software documentation and verification, software and hardware audits, backups, and records of any changes to automated data entries.
- Method performance criteria, including expected QC requirements.
- Personnel qualifications, experience, and training records.
- Records of demonstration of capability for each analyst.
- A log of names, initials, and signatures for all individuals who are responsible for signing or initialing any laboratory record.
- Internal audit reports.
- Management review.
- Corrective and preventive actions.
- Laboratory Chemical Hygiene and Safety.

A detailed approach to managing laboratory chemical hygiene and safety includes:

- Developing a site-specific Laboratory and Chemical Hygiene Plan (LCHP), to include a consistent procedure for daily, weekly, and monthly hygiene requirements for the laboratory.
- Maintaining an inventory of the laboratory chemicals; label, store, or dispose of according to the LCHP.
- Installing all safety equipment as required by regulation.
- Installing and/or updating required signage for all laboratory entrances.
- Installing a fire blanket, smoke detector, broken glass disposal box, and other required safety equipment.
- Setting up safety preventive maintenance (PM) for all laboratory equipment.
- Performing Occupational Safety and Health Administration (OSHA)-required fume hood ventilation calibration, if applicable.
- Installing ground-fault circuit interrupter receptacles in laboratory, if and where necessary.

- Providing laboratory safety training.
- Review, train, and document Material Safety Data Sheets (MSDS) and laboratory chemical hazards with staff.
- Maintenance.

The approach to maintaining the laboratory, equipment, and ancillary equipment should include:

- Developing PM procedures for laboratory equipment according to manufacturer's recommendations and input practices into the Maintenance Computer Tracking system.
- Developing PM and inspection frequencies for Laboratory Safety Equipment as required by the CFR, Standard Methods Online Version, MUR, and manufacturer's recommendations.
- Implementing Laboratory Maintenance Log for Probes and Laboratory Equipment.

2.3.3 Laboratory Resources

Resources available to all personnel include:

- Regional Laboratory Coordinator for guidance.
- Compliance Laboratory Director for guidance.
- Corporate C&R Team for guidance.
- Initial laboratory start-up/training and follow-up training.
- Blind Study/DMR QA assistance for testing and reporting.
- Ongoing updates of methods and regulation revisions and adaptations.
- Continuing laboratory training onsite and via webinar.
- Regular laboratory reviews as required by state and federal regulations.

2.3.4 Source Materials

Materials that should be provided by a Contract Operator include:

- Hach WIMS or similar computerized data management program
- QC Stats Program
- Laboratory QC Manual
- Bound Bench-book templates for lab parameters, maintenance, and calibration
- Laboratory Review Checklist
- Contract Laboratory Review Checklist
- LCHP
- Laboratory training modules
- SOP Library
- Standard Methods, Online Version
- Access to Laboratory Quality and Safety programs and templates;
- Laboratory SharePoint site access (houses laboratory tools and resources)
- STT
- Laboratory Techniques videos
- Laboratory video shorts
- Preliminary Excursion Guide

APPENDIX E

3. Safety

The health and safety of all staff should be the heart of culture and approach. The contract operator should have a comprehensive safety programs and excellent track records. The program established by Jacobs is already in extensive use in California.

Any Contract operation company should be committed to Health & Safety (H&S) for all their projects and clients. Jacobs aims to strengthen our culture of caring with the goal to consistently deliver an incident and injury free environment for all our people. Jacobs has a long history of keeping employees safe and consistently outperforming the industry average in safety, as seen on Figure 3-1. This should be high in consideration of contraction operations. The examples below are from Jacobs contract operations and are provided for consideration for review of any contract operating company.

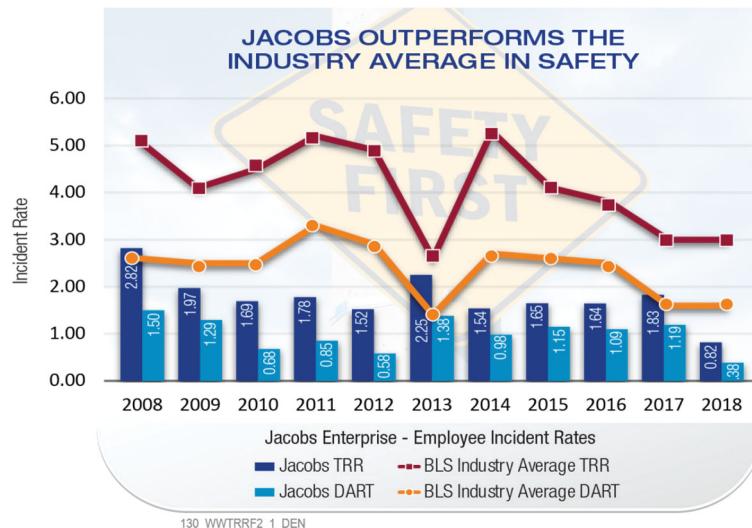


Figure 3-1. Jacobs Outperforms Industry Averages in Safety Year After Year

One of our first priorities for the operations of MPWMD will be to identify any and all safety concerns at each facility and service area. These safety issues will then be corrected with the appropriate remedies to ensure all staff and stakeholders can work in a safe environment.

Supervisors, team leaders, managers, and staff have a special obligation through their own actions to create a safety culture and climate where those around us share concern for their personal safety and the safety of their co-workers. Safety leadership starts at the top of each company and flows down. With the total commitment to safety at the corporate level, this commitment then flows to the Program Director and Project Manager, function leaders such as Operations Manager and the Maintenance Manager, and on to other leaders and all workers.

MPWMD's contract operator's commitment and culture are key to always achieving excellence in all areas of H&S performance. All of MPWMD's contract operator's employees should be empowered and required to make H&S and zero injuries a reality at each job task.

3.1 Positive Mental Health

Your contract operator's employees are its most important assets. We believe that each employee's mental health has a direct impact on safety, morale, and productivity.

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Mental Health program that allows employees to receive support for mental disorders, financial challenges, legal questions, and other well-being issues. Jacobs initially launched mental health training in November 2016 as part of its global “Mental Health Matters” strategy and now has over 1,200 positive mental health champions across the globe. These individuals are trained in how to guide staff who have mental health concerns or crises to the appropriate level of help. The goal of this network of champions is to raise awareness of the risks of mental health and encourage open dialogue about mental illness. MPWMD should seek a similar commitment from its contract operator.

3.2 Physical Security

Physical Security policies should be implemented to provide a secure work environment for employees and guests and to proactively protect information and property by requiring compliance with the established industry standards and best security management practices. A security plan should address crisis management, business continuity, relocation and evacuations, and general security at the project. In addition to following, standard security and asset protection procedures, a contract operations company should focus on improving physical security for the MPWMD managed assets. In addition to these measures, they should bring a “Culture of Safety and Security” to this project. Written policies and procedures can be a very effective way to increase the safety and security posture. When all staff members take personal responsibility for safety and are encouraged to speak up when something is not being done correctly, it empowers staff to take pride in their facility.

3.3 Cyber Security

Jacobs is implementing some of the best cyber security systems in the industry, with a focus on water treatment and distribution systems as our highest priority. In partnership with the leading vendor in this space, the system we utilize can be added to any existing industrial control network, which then maps the components, identifies gaps and risks, makes recommendations for improvements, and then monitors the system in real time for potential threats. Just this year, an attempt to hack the sophisticated Twin Oaks Water Membrane Treatment Plant in San Diego was thwarted—an attack that appears to have originated in Russia. We recognize this is a real risk, and getting more common every day, so the contract operator should plan to take aggressive action to protect MPWMD assets and customers within 90 days of contract execution.

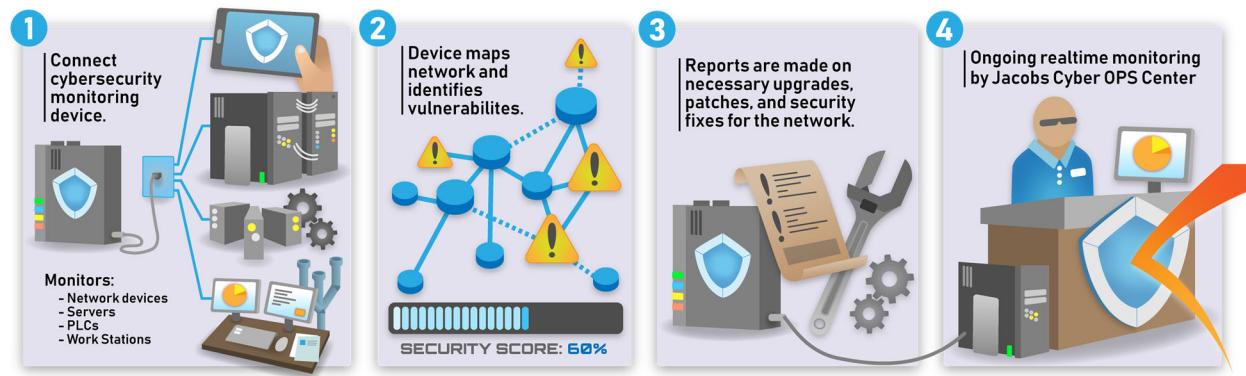


Figure 3-2. Security evaluation

3.4 Material Safety Data Sheets

MSDS information is required for onsite [hazardous](#) materials and used for training annually. An MSDS is a document that contains information on the potential hazards (health, fire, reactivity, and environmental) and how to work safely with the chemical product. It is an essential starting point for the development of a complete H&S program. It also contains information on the use, storage, handling, and emergency procedures all related to the hazards of the material. The MSDS contains much more information about the material than the label. MSDS are

prepared by the supplier or manufacturer of the material. It is intended to tell what the hazards of the product are, how to use the product safely, what to expect if the recommendations are not followed, what to do if accidents occur, how to recognize symptoms of overexposure, and what to do if such incidents occur.

Public water systems are required to maintain MSDS for every chemical stored and used. Typically, all MSDS should be stored in a labeled loose-leaf binder in a central location. Employers may computerize the MSDS information as long as all employees have access to and are trained on how to use the computer, the computers are kept in working order, and that the employer makes a hard copy of the MSDS available to the employee or safety and health committee/representative upon request.

There are nine categories of information that should be present on an MSDS. These categories are specified in the Controlled Products Regulations and include the following:

- Product information: product identifier (name), manufacturer and suppliers' names, addresses, and emergency phone numbers
- Hazardous ingredients
- Physical data
- Fire or explosion-hazard data
- Reactivity data: information on the chemical instability of a product and the substances it may react with
- Toxicological properties: health effects
- Preventive measures
- First aid measures
- Preparation information: who is responsible for preparation and date of preparation of MSDS

Many companies automatically send the MSDS with the purchased chemical; however, the best way to make the most current MSDS available is to request a copy of the MSDS when the chemical is ordered. If you already have the product but need an MSDS for it, contact the manufacturer (either look on the product packaging or ask purchasing to find a manufacturer contact for you). Most manufacturers will e-mail you an MSDS right away, and many large manufacturers of chemical products have MSDS websites for their products. If you have any trouble getting the manufacturer to send you an MSDS, you may need to write a letter requesting the MSDS so that you have documentation of your request in case OSHA ever inspects us. If it is considered a nonhazardous product for which no MSDS is required (such as a product with no hazardous ingredients or that is packaged and intended for general household or office use), the manufacturer must be willing to tell you that in writing.

A good MSDS approach is to ensure that all controlled products have a current (less than three-years-old) MSDS when it enters the workplace. The MSDS must be readily available to the workers who are exposed to the controlled product and to the H&S committee or representative. If a controlled product is made in the workplace, the employer has a duty to prepare an MSDS for any of these products. If new, significant information becomes available before the three years has elapsed, the supplier is required to update the product label and MSDS. If there is no new information on the ingredients by the end of the three-year period, the supplier must review the MSDS and the label for accuracy, revise it where necessary, and revise the preparation date on the MSDS.

Most states require that public water systems provide training on the use of all chemicals used in the WTP to their system operators. Training programs must meet applicable standards established by OSHA and state requirements.

3.5 Safety Training

Employee training is a critical element of any safety program. Prior to starting up a project, the H&S manager should review each task and determines the required training for each employee and enters this information into

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our training tracking system. This process starts during the transition period as further discussed in Section 4 of this proposal.

Immediately upon joining the company, employees should be required to participate in an orientation to the safety program, during which they learn about the policies and procedures outlined in an Accident Prevention Plan (APP). The contract operator should have access to online safety courses which allows employees to receive required training without disrupting operations. Training should also include classroom and practical based safety training programs, which are designed to meet specific OSHA regulations. Examples of courses designed to comply with OSHA regulations are:

- Hazard communication
- Hazardous waste operations
- Confined space entry
- Bloodborne pathogens
- Lead
- Benzene
- Lockout/tagout
- Working from heights
- Personal protective equipment (PPE)
- Electrical safety

Prior to performing high-risk tasks, a safety team should conduct classroom/practical training (NFPA 70E, CSE, Fall Protection, and similar). In addition, training programs such as OSHA 30-hour construction, general industry, and construction and industrial safety awareness training that exceed the regulatory requirements should be available to the employees.

A contract operator should have a number of medical surveillance programs that meet OSHA requirements, including hazardous waste operations, benzene, lead, and respiratory protection. A database that tracks employees who have received medical monitoring and who require additional examinations should be maintained.

A H&S training database should be used to assess the training needs for each worker. The system should provide real-time data used to track and ensure that each employee has received the required training. Employees and supervisors can receive notices in advance of training expiration dates. In addition to tracking training requirements the system should also be used to track medical surveillance where required, audiometric testing, and respirator fit testing.

3.6 Safety Scorecard

We can only improve on what is measured. Therefore, Safety Scorecard that holds all levels of management accountable for the project safety should be developed for the facilities. The Scorecard should be comprised of two lagging indicators and eight leading indicators (listed below). By developing this type of Scorecard the project can focus on each of the leading indicators and will ultimately reduce the recordables and motor vehicle accidents. The Scorecard leading indicators should be as follows:

- Required training completion performance
- Completion of safe observation reports (SOR)
- Performance on scored Health, Safety and Environment (HSE) audits
- Weekly H&S inspections of the site
- Timely completion of corrective actions identified in HSE audits and weekly inspections
- H&S prequalification of subcontractors
- Timely submittal of incident investigation documentation
- Timely reporting of injury incidents to the Occupational Health Case Management nurse

3.7 Annual Audits

The project site should be audited at least annually by a professional H&S manager. The audited components recommended are as follows:

- Management engagement
- Planning of work
- Record keeping and maintenance of written programs and plans
- APP
- Work control plans
- Activity hazard analyses
- Hazard communication program
- Confined space entry program
- Lockout/tagout program
- PPE hazard assessments
- Training assessments
- Site physical conditions such as electrical safety, machine guarding, life safety, and housekeeping
- Site work practices such as confined space entry, fall protection, NFPA 70E compliance and work practices, equipment operation, chemical handling, and PPE usage

3.8 Weekly Inspections

The project team should conduct weekly job site safety inspections. These are a management responsibility. Each department is required to inspect work areas and identify unsafe conditions or regulatory noncompliance.

3.9 Safe Observation Reports (SOR)

An SOR system should be established that requires managers and supervisors to regularly observe work as it is being conducted at the project. This provides the opportunity for positive reinforcement of good work practices as well as coaching opportunities where improvements may be made. The observation also requires an evaluation of the pre-task plan/hazard analysis to determine whether it was adequate and is being implemented. Besides addressing behavior, SORs provide an opportunity to identify and correct site physical and health hazards. The results can be tracked in a computer-based system, which generates trending reports. The trending reports allow the team to identify areas for focused improvement.

3.10 Equipment Inspections (Maintenance Connection and Other Tools)

The project will generate work orders for the inspection of H&S equipment such as eye wash stations, fire extinguishers, confined space monitoring meters, emergency lighting, and exit signs. These items are incorporated into maintenance connection and other PM software to ensure that the inspections are scheduled and completed in a timely manner.

3.11 Safety Plans and Documents

A H&S program should incorporate several different plans:

Safety Management Standards/Standards of Practice: Safety management standards/standards of practice that outline the comprehensive H&S requirements, including procedures for hazardous waste operations, written hazard communication program, and similar.

Office Safety Programs: Establish an office safety programs to prompt safety and health in the office environment and to address employees' safety concerns for all business operations. Central to the office safety programs would

Contract Management Plan

include an office safety committee that would be responsible for developing and implementing emergency planning and response procedures, identifying office safety hazards, and increasing safety awareness

APP: A site-specific APP should be created to ensure the safety of employees and to protect the MPWMD equipment and environment. The APP and procedures complement our corporate policies. A H&S team should evaluate and tailor the APP and procedures to align with best practices, changes in laws and regulations, and established H&S work procedures. The project manager or director should be responsible for the implementation of the safety program and should be closely supported by a H&S team. A full-time onsite safety manager is recommended for this size of facility.

Competent Persons: A contract operator should have a program in place for providing competent persons, either through their own or subcontractor personnel, as required by OSHA.

Inspections: A program for providing job site inspections. This program consists of both self-assessments and third-party audits.

PPE: A program that provides employees with PPE as required by the activities they are conducting.

Subcontractor Management: A contract operator should have or develop the following systematic methods for managing risks associated with subcontractors' health and safety:

- Contract language that assigns the responsibility for safety to the appropriate party and outlines expectations associated with safety.
- Prequalification of subcontractors based on their safety performance. The criteria used include EMR, OSHA statistics (such as incident rate, lost workday case rate), training, and written safety program.
- Based on the relationship with Jacobs, subcontractors may be required to submit safety documents to demonstrate they are in compliance with appropriate regulations and are capable of managing their safety risks.

4. Process Control Plan

4.1 Operation Overview

The Monterey water system has multiple sources of water, multiple types of treatment, and a very large variation in elevation served. Water sources include the following:

- Saline water from wells influenced by ocean water
- Wells requiring little treatment (basically, chlorination)
- Wells requiring iron and manganese filtration
- Wells requiring activated carbon adsorption
- Aquifer storage and recovery (ASR) wells

The wells are widely scattered geographically through the region and are also at significantly varying elevations. Treatment includes the following:

- Chlorination only
- Iron and manganese removal
- Brackish water desalination
- Activated carbon adsorption
- Arsenic removal
- Sulfide removal

The treatment plants are also widely scattered geographically. Water quality from the plants varies and must be managed properly to maintain stable quality—neither scaling nor corrosive.

The Monterey water distribution system consists of over 600 miles of pipe. Much of this pipe is unlined steel, unlined cast iron or asbestos cement. These materials typically raise concerns over internal and external corrosion, “beam” or “ring” breaks (cast iron and asbestos cement), water quality issues (red water) and porosity (asbestos cement). These materials can also present repair problems—a repaired pipe can lead to further breaks due to disturbing the soil in the area of the break.

Numerous water storage tanks are spread across the system, again, widely scattered geographically and at various elevations. These tanks are critical to providing consistent water service (including fire protection, in some cases). The large number and volume of the tanks also creates potential issues with water age. These must be carefully managed to achieve all water storage goals.

Service to the wide variation in elevation of the service area is achieved with over 70 pump stations and numerous pressure reducing valves. In addition, check valves and pressure relief valves control flows within the distribution system. Failure in these valves can cause damage due to excessive pressure or reduced pressure.

In addition to classic water system components, the Monterey system is underway with a project to reuse water from several sources (reclaimed wastewater, stormwater, food processing water, and impaired surface water) for injection into the Seaside Basin. The capacity of this facility is expected to be 3,500 acre-feet per year.

Construction of a desalination plant at 6.4 millions gallons per day is underway to further expand and diversify the system’s production capacity.

The operations plan serves as a framework to efficiently and reliably complete the O&M activities required to provide adequate quantities of water at required pressure and quality—in compliance with regulations.

This plan is presented by areas (source water, treatment and pumping, water quality, distribution, special areas). The plan is purposely high level due to the lack of specific information about the Monterey system. Where

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appropriate, details have been provided on methods that will be used as a part of the transition from existing operations to contracted O&M.

4.1.1 Source Water

Source water operations will be the responsibility of the water production manager. Responsibilities include the following:

- Operating and maintaining wells
- Operating and maintaining ASR wells
- Tracking and reporting water withdrawal
- Maintaining adequate water supply
- Continuous improvement of water supply, energy efficiency
- Coordinating with technical groups on future water supply issues, water rights, environmental issues
- Inspections, preventive, predictive and corrective maintenance including planning of activities to maintain continuous service
- Tracking, analyzing, and reporting raw water quality
- Coordinating raw water quality with treatment
- Cross-training staff to provide service to multiple areas (wells, pumping, treatment, and similar)
- Maintenance of appropriate levels of training and certification of staff

A crew of highly trained and cross-trained staff of field operators will complete field operations and light maintenance across the areas of wells, remote chemical feeds, remote pump stations, hydropneumatics tanks, and related appurtenances. Field operators will be encouraged to obtain both treatment and distribution operator certification.

Crews will be equipped to address basic water quality issues, routine operations, inspections, PM, and light corrective maintenance activities. The field operations crew will be led by a field operations chief operator who reports to the water production manager.

Typical field operator duties in the area of source water include the following:

- Well inspections
- Well water sampling and testing
- Well flow tests
- Well water level testing – static and pumping
- Data input
- Assisting with corrective actions – redevelopment, pump replacement, well disinfection and testing, start-up and commissioning after repairs/replacements
- Monitoring SCADA/Distributed Control System (DCS) screens
- PM such as lubrication, air filter replacement, valve inspection, and exercising

Note that field operators will have additional duties in other areas listed below. All field operations work will be completed by or under direct supervision of a certified operator, at the required certification level.

Wells will be inspected, and PM completed using a computerized maintenance management/work order software package. "As found" and "As left" conditions will be recorded along with materials used, description of work completed, and suggestions for improvements for future activities.

4.1.2 Treatment

Treatment plant O&M will also be the responsibility of the water production manager. A chief water treatment operator will assist with leadership within this group.

Within the treatment area, the water production manager's responsibilities include the following:

- Oversight of treatment facilities, including filter plants, desalination, reverse osmosis, iron removal, carbon adsorption, remote disinfection
- Oversight and planning of preventive and corrective maintenance including coordination of major repairs and capital improvements
- Monthly operating reports
- Chemical specifications, maintaining proper inventory and safe storage of production chemicals
- Oversight of pumping and storage systems
- Oversight of pressure reducing valve stations
- Coordinate with engineering groups on treatment-related capital improvements
- Coordinate with asset management staff on treatment-related equipment and facilities
- Manage continual improvement and sustainability initiatives
- Prepare annual treatment budget
- Support pilot plant activities (as needed) and support research activities
- Lead the training and cross-training program for operations staff
- Confer with regulatory personnel, as guided by the MPWMD
- Respond to emergencies (water quality, water treatment, pumping) and support water distribution staff on technical matters
- Inspections, preventive, predictive, and corrective maintenance including planning of activities to maintain continuous service
- Tracking, analyzing, and reporting raw water quality
- Coordinating raw water quality with treatment
- Cross-training staff to provide service to multiple areas (wells, pumping, treatment, and similar)
- Maintenance of appropriate levels of training and certification of staff

A crew of highly trained and cross-trained staff of treatment plant operators will complete operations and light maintenance at the treatment plants. The treatment crew will operate and provide light maintenance on the iron removal plants, reverse osmosis/desalination plant and GAC plants. Crew members will also be cross-trained to provide backup for operation and light maintenance of remote pumping / chlorination facilities. Operators will have required certification for treatment plant operations and be encouraged to attain higher levels of certification than that required for shift operators.

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There will be a core group of operators (Water production operators on the proposed organization chart) with more advanced training who will monitor the SCADA/DCS system—managing overall system flows, tank levels and monitoring alarms. Water production operators will also be fully trained on the hands-on operations of each plant.

Operators will complete light maintenance activities, including predictive and PM on the treatment facilities.

Typical treatment plant shift and production operator duties include the following:

- Equipment inspections
- Water sampling and testing
- Oversee chemical deliveries
- Adjusting chemical feeds
- Collecting and recording regulatory-required data
- Collecting and recording operating data – tank levels, flows, equipment run times
- Monitoring SCADA/DCS screens and alarms
- PM such as lubrication, air filter replacement, valve inspection & exercising
- Operate equipment including filters, membrane treatment, chemical feeders, pumps, valves
- Clean and lubricate equipment
- Maintain records of activities performed at the plants
- Calibrate online instruments to ensure accuracy
- Exercise equipment to ensure reliability
- Complete regulatory-required sampling and testing for field parameters such as pH, chlorine residual, alkalinity

4.1.3 Production Maintenance

The water production manager will oversee a production maintenance manager and group. Production maintenance staff will have primary responsibility for maintaining all production-related equipment including pumps, filters, membrane units, chemical storage and feed, distribution system specialty valves (pressure reducing and pressure relief) and related equipment. Production maintenance staff will be cross-trained to provide support for distribution system repairs and maintenance.

Production maintenance staff will be encouraged to attain certification as maintenance technician in California. Within the group, technicians with specialized training and certification will be responsible for completing work on online instruments, radio/fiber optic communications systems, and electrical systems.

The production maintenance manager's responsibilities include the following:

- Oversight and management of the maintenance management information system
- Overseeing and leading maintenance of all production related equipment including specialty valves in the distribution system
- Tracking and reporting maintenance activities, life cycle costs
- Coordinating with asset management staff
- Continuous improvement of water production reliability, sustainability
- Coordinating with technical groups on equipment replacement, equipment specifications
- Inspections, preventive, predictive, and corrective maintenance including planning of activities to maintain continuous service
- Overseeing training and safety of maintenance staff
- Develop maintenance schedules including preventive and predictive maintenance

- Cross-training staff to provide service to multiple areas (wells, pumping, treatment, and similar)
- Coordinate with contractors to provide supplemental or specialized maintenance activities as required
- Provide backup for distribution system manager and production manager
- Develop maintenance budget
- Oversight of the SCADA/DCS system including radio/fiber optic telemetry
- Oversee the production maintenance planner/scheduler

Typical maintenance technician duties include the following:

- Specialized equipment inspections
- Advanced preventive and predictive maintenance
- Recording “as found”, “as left”, “work completed” for work completed
- Corrective maintenance on most equipment and coordinate with specialty repair contractors
- Maintain building envelopes—windows, doors, roofs
- Oversee management of specialty building systems such as fire protection, computer communication, phones
- Repair/replacement of damaged equipment including chemical feeds, valves, valve actuators, pumps, instruments, and related equipment
- PM on distribution system specialty valves including pressure reducing valves, pressure relief valves
- Maintain hydropneumatics tanks and related appurtenances
- Provide support for distribution system technicians

A production maintenance planner/scheduler will ensure that all maintenance work is prioritized properly and completed efficiently.

4.1.4 Water Quality

The water quality group will be under the direction of the water production manager and will be responsible for all water sampling and testing, whether completed in-house or by contracted services. The water quality group will have a significant role in regulatory compliance—supporting the water production manager who will have the overall responsibility for compliance.

The water quality group will be led by a laboratory supervisor. Lab technicians will collect samples and complete most tests in-house, including Coliform bacterial testing. The lab supervisor will be responsible for attaining/maintaining state certification for Coliform testing.

Distribution system water quality will be an important part of the water quality group’s work—ensuring that all water in the distribution system, including the numerous “dead ends” and low use areas meet regulations and is aesthetically pleasing. This work will require coordination with treatment plant operators and distribution crews along with extensive knowledge of water chemistry.

The water quality group will be supported by corporate resources for compliance, specialized data analysis, modeling, and training.

4.1.5 Process Engineering

Due to the complex nature of the water utility, two process engineers will provide technical support for the water production manager. Activities will include process optimization, specialized process monitoring, water resource

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tracking and permitting, distribution system analysis and modeling, hydraulic analysis, specialized water quality analysis, and interpretation. The process engineers will primarily provide support for the water production group and will also provide support for the engineering group.

4.1.6 Water Distribution

The water distribution group, led by the water distribution manager, will have responsibility for the underground piping system. Crews will be led by a crew leader who can also serve as an equipment operator in case of personnel shortage. Each crew will include an equipment operator and distribution technicians. A planner/scheduler will ensure that work is prioritized and completed efficiently.

The areas of responsibility for the water distribution manager include the following:

- Leadership and oversight of the underground piping system including valves and hydrants
- Coordination with the production maintenance group on maintenance of specialty distribution appurtenances such as hydropneumatic tanks, pressure reducing valves, booster pumps, and related equipment
- Management of rolling and nonfixed assets such as trucks, backhoes, portable pumps, and related equipment
- Coordination with engineering resources for computer modeling, system improvements, capital improvements, and major repair and replacement projects
- Lead PM activities including hydrant flushing, flow testing, valve exercising
- Maintaining distribution system maintenance management system
- Lead emergency repair efforts to assure minimum outages
- Administer contracts for larger maintenance and capital projects
- Oversee distribution system planner/scheduler
- Continually improve system reliability and sustainability

Distribution crews will be cross-trained to provide support and assistance to the production maintenance group. Typical duties of the distribution system crew include the following:

- Perform emergency repairs of main breaks
- Perform PM such as hydrant flushing, valve exercising
- Perform preventive repairs such as valve and hydrant replacement
- Assist meter staff on an as-needed basis
- Record data on work completed, flow tests, and related activities
- Disinfect water mains and appurtenances after repairs and new installations
- May complete taps and service installations
- Operate small equipment such as power saws and portable pumps
- Assist production maintenance staff as needed

Distribution operators will work under direct supervision of crew leaders or managers having required certification as required by California regulations. All members of the distribution crew will be encouraged to achieve distribution system operator certification.

4.1.7 Water Engineering

The water engineering group will provide local engineering and technical support. Duties of the chief water engineer's include the following:

- Manage the Geographic Information System and mapping

- Coordinate with consultants for specialty services and design
- Assist with reporting required for environmental permitting including water rights, withdrawal permits, air permits, and traffic control
- Coordinate with developers, city engineering/planning departments on development/redevelopment activities and reviews
- Provide capital improvements planning and manage capital improvements projects
- Manage asset manager and asset management plan (AMP)
- Support other groups within the utility for technical services

4.2 Process Control

Process Control is the active changing of the process based on the results of process monitoring. Process control will be an essential part of the operation and maintenance of the MPWMD facilities. The following sections illustrate how the contract operator will apply process control to optimize the quality of water, minimize O&M costs and provide long-term value to the MPWMD.

As examples, two areas, water source and water pressure, are profiled here.

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4.2.1 Multiple Water Sources

If the acquisition proceeds, the MPWMD would own and operate several sources of water with several distinct types of treatment—from simple chlorination to advanced membrane processes. Integration of these multiple sources into a quality water supply to consumers is critical.

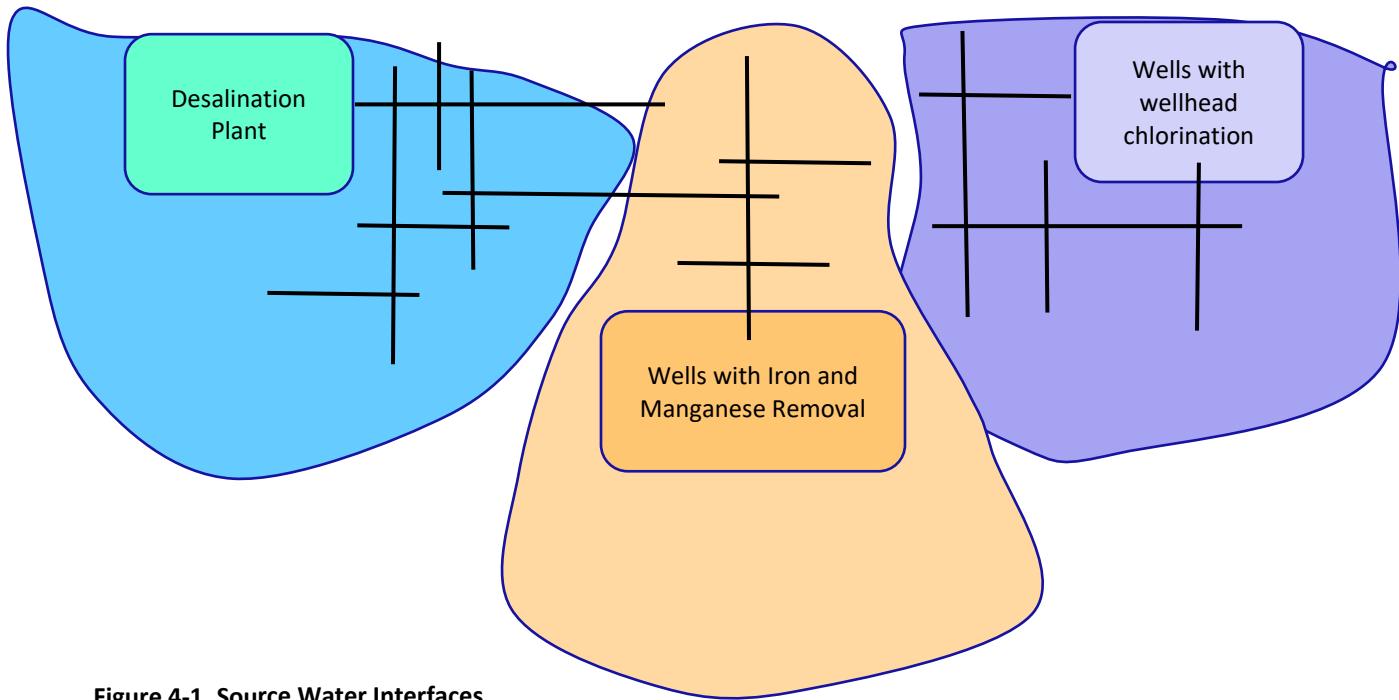


Figure 4-1. Source Water Interfaces

Some customers will get all or most of their water from one source, some customers will get all or most of their water from another source, and some customers will routinely get a blend of water. Some customers will have their water alternate between sources periodically. All of these customers must receive water that is safe, aesthetically pleasing, and in adequate quantity and pressure. Distribution system water quality testing and monitoring will provide the data required for this goal, and process control will provide the tools for operators to use to attain this goal.

The distribution system water quality is critical to maintaining compliance with the lead and copper rule as well as other water regulations. Carefully planned sampling and data analysis and interpretation, coupled with process control, will provide assurance that lead and copper compliance will be well within regulated values.

The same process will also ensure that water age is kept to a minimum and that water is aesthetically pleasing for all customers.

4.2.2 Water Pressure

The MPWMD system has over 1,000 feet of elevation variation between customers near the beach to those in the neighboring mountains, translating to over 430 psi. More than 70 pump stations, 80 tanks, and 14 pressure reducing valves are used to provide reasonable pressure to all customers. Accurately monitoring the pressure and water use in each zone is critical to achieving service goals. The monitoring must be in the form of both online instruments and manual readings by field personnel. Maintenance, including predictive maintenance, is needed to assure all links in the chain—pumps, tanks, valves—are fully functional at the highest level.

A contract operator should provide the trained technicians to monitor the pressure and flow and take corrective actions before a failure occurs.

4.2.3 Other Applications of Process Control

These same principles will be applied to all controllable aspects of the water system: plant operation, disinfection, remote pumping, ASR, water age, and pressure reducing valves are a few examples.

4.2.4 Process Control Tools

Unit Process Control Plans—roadmaps for operators—will establish the key parameters, drive process adjustments, establish communication protocols, and provide a level of detail for operators and maintenance personnel to make informed decisions.

Having documented procedures and process targets shared with all stakeholders ensures a common purpose and goal and maximizes efficiency and minimizes potential for errors and downtime.

SOPs will be developed for all typical work activities and will support the Unit Process Control plans.

As mentioned in Section 2, the tools and procedures established through the Compliance & Reporting Team, such as Hach WIMS and STT, will be utilized daily.

APPENDIX E

5. Staffing

The following approach to O&M is designed to meet or exceed the scope of work and performance standards for the MPWMD. This approach will not only be cost effective, it will also provide the desired LOS to meet or exceed the needs of customers in the MPWMD service area, as well as any contract performance standards, and will have the flexibility to provide additional services when needed, including the support for continuous improvement and capital projects.

5.1 Personnel

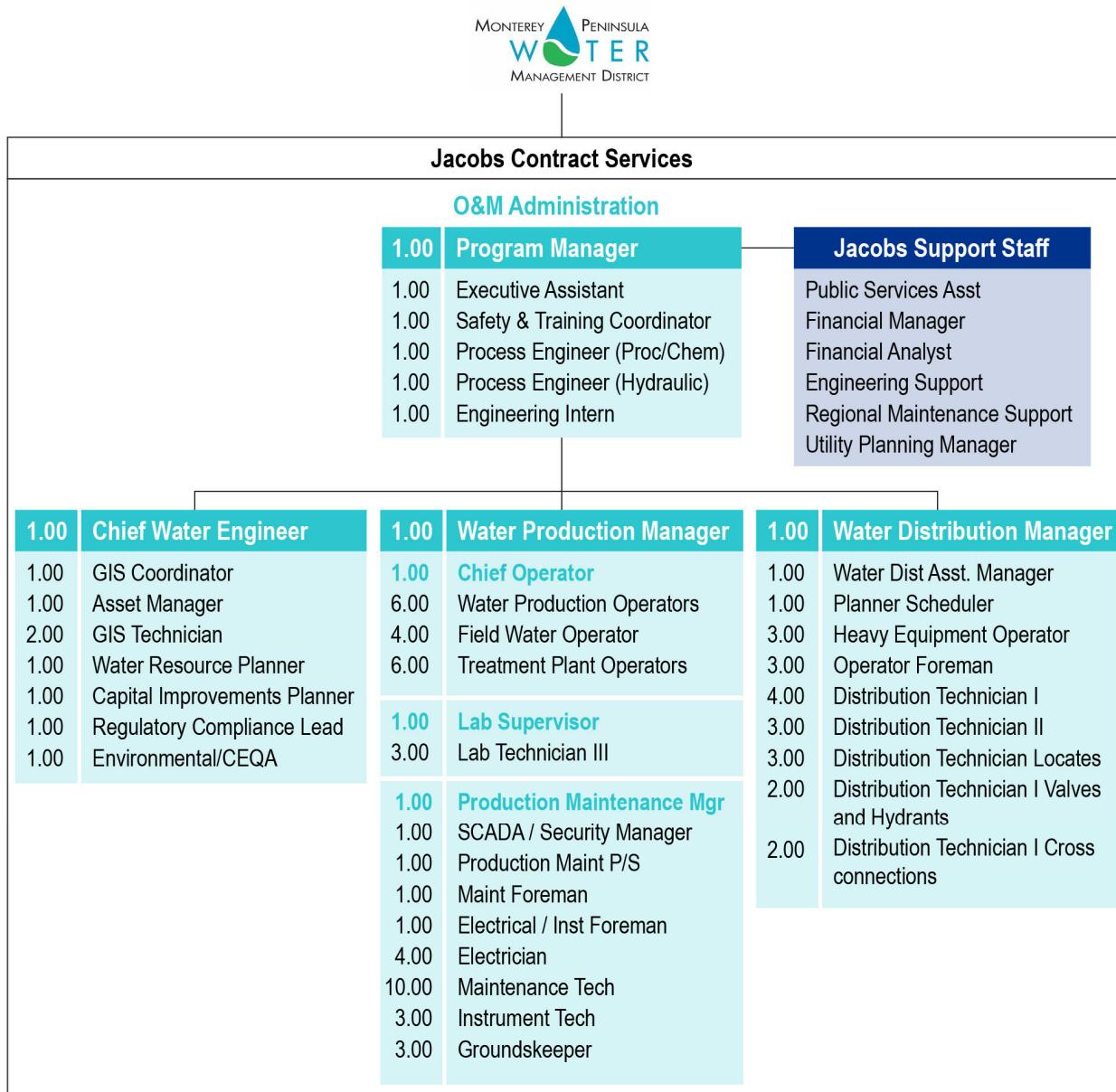
The following provides the proposed organizational structure for the O&M team. The structure has been designed to provide O&M teams that will be responsible for the operations and assets within the service system. This structure will maximize efficiencies in the field through:

- Optimization of asset knowledge retention
- Ownership and accountability of asset performance
- Minimization of travel times

The management team personnel will also form part of the transition team. This will enhance the mobilization and provide for a seamless transfer to the operational team on commencement of service.

Our proposed Service Delivery Team Organization Structure is depicted on Figure 5-2. The approximately 85 positions shown in Figure 5-2, plus the support staff, is consistent with the 87 cited under contract operations in the Environmental Impact Report. It is recognized that Cal-Am acknowledges 74 existing employees in their current General Rate Case and MPWMD has cited the need for a net increase of 6 additional positions. Due to a lack of specific information under current operations, it is believed that the structure depicted in Figure 5-2 is consistent with maintaining operations at current standards and sets the stage for improvements in LOS after review following an initial operating period.

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**Figure 5-2. Contract Service Organization Structure****5.2 Operation and Maintenance Staffing Delivery Approach**

The staffing delivery approach has been developed to provide MPWMD with an optimized and efficient delivery team and O&M services that will:

- Ensure compliance with water quality, public health and environmental regulations, laws and standards.
- Provide continuous safe and compliant O&M, including the ability to adequately manage standby and after-hours monitoring and reporting requirements.
- Optimize operations and provide efficiencies in the areas of energy consumption, chemical usage, and labor resources.
- Protect and optimize the life of MPWMD's assets.

- Comply with regulatory and MPWMD requirements for communication, data collection, reporting, and procurement.
- Provide strong and in-depth technical expertise, engineering, construction, and consulting support through our in-house resources when needed in all areas of water and distribution services including regulatory compliance, safety, maintenance, asset and risk management, and resource optimization.

5.3 Transition Management

During the transition period, and for as long as required to incorporate the elements of the transition into the contract operations, the management team will also include a dedicated transition manager who will lead the transition to ensure a seamless integration from the transition phase into service delivery and for the completion of the necessary aspects of our transition, not just those required to achieve a minimum acceptance level of performance.

5.4 Operations and Maintenance Management

The O&M management team will have the required experience and corporate support to ensure this is a successful evolution for MPWMD operations and creates an environment where job satisfaction and opportunity is enhanced.

5.5 Water Treatment

A dedicated water treatment team will be maintained in line with existing training and practices of the Monterey water system. This team will consist of 16 O&M staff, including a chief operator with a California Class 5 certification. It is anticipated that 12 operations staff, including the chief operator will be based at the water production facility with the remaining 4 operations staff will be in the field for checks of the remote facilities and wells. If necessary, cross-train all staff to allow for the ability of staff to cover all areas of water treatment and productions to assist during times when greater numbers or relief staff are required.

Due to the criticality of water treatment operations, rosters will be structured to allow for daytime coverage on weekends in the field areas by one operator and with two operators rostered to cover the needs of the WTPs. We have considered a team structure combining water and distribution system operations but have concluded the benefits of specialist water operations outweighs the flexibility and travel cost savings provided by combining these operations duties. We are also mindful of the perception for the possibility of contamination of treated water by staff moving from distribution to water sites.

The initial focus for water treatment should concentrate on creating highly empowered teams supported by proven systems applied in a uniform manner across sites and by highly experienced and knowledgeable management and technical staff. An optimization phase would need to be planned in the first year of service and a dedicated O&M teams should be heavily involved in this process.

5.6 Team Leaders

The approach to the team leader roles is that they will be incorporated into the O&M teams. While fulfilling a leadership role, leaders will also be required to undertake hands-on plant O&M. They will be focused on removing any barriers to the joint performance of O&M activities and will be responsible for fostering teamwork within and between teams.

Applications for team leader positions will be considered from a wide variety of backgrounds including mechanical or electrical trades, as well as experienced process/operations staff or persons with tertiary qualifications and suitable experience. Ideally, applicants with a combination of skills will be available, but in any case, aptitude, experience, and intelligence will be viewed alongside qualifications to create teams with all the necessary skills.

5.7 Qualified Maintenance Resources

It is recognized that it will take time to establish a fully integrated team with minimal distinction between O&M activities. As such, it is important to be clear that all areas of the MPWMD will be equipped with suitable numbers of qualified tradespersons to bring the majority of routine mechanical maintenance work and first response troubleshooting in-house. They will also offer in-house instrumentation and electrical knowledge sufficient to perform a base level of routine maintenance coupled with the ability to quickly respond to and address urgent repairs or asset performance issues.

There will still be a requirement for support from external instrumentation and electrical contractors, however these will now also have a direct O&M provider contact to minimize these costs and response times and maximize the retention of knowledge within the O&M teams. For example, our trade staff will work alongside specialist contractors to resolve a problem which they could not initially solve themselves and will benefit from this experience. This will enable the prevention of future incidents and more rapid response to similar incidents at other sites.

The intent for any operations contractor should be to provide all qualified staff currently operating the system with the opportunity to join their team. Former operations staff will still be required to perform a range of maintenance tasks in accordance with their training and position description. This work will be planned by the O&M coordinator in conjunction with team leaders and with the guidance of more experienced or senior trades staff. This will be the first step in the establishment of truly homogeneous O&M teams. From the outset of the contract, these new employees from a maintenance background will also be trained and rostered into operations duties. This process should be facilitated by access to a wide range of established operator training modules within the organization.

5.8 Recruitment

In the recruitment of new operations staff, preference would be given to applicants with trade qualifications and experience. Similarly, in the recruitment of maintenance staff, preference will be given to applicants with treatment plant O&M experience. This will serve to further facilitate our move to a uniform, multi-skilled O&M team.

The contract operator should respect the experience of all existing staff and consult with them widely during transition and initial operations to maximize knowledge retention and transfer ensuring all the positive facets of the operations history can be transferred to our organization and add value to our existing systems and practices. Existing staff should be encouraged to apply for positions throughout the new structure and in time will be in line to benefit from being directly linked to two large organizations with numerous opportunities in the water and wastewater industry, not just from training but also from mentoring and knowledge transfer from highly skilled and experienced operations, maintenance, process, engineering, and construction professionals.

6. Asset Management Plan

6.1 Introduction

This section describes the AMP for the MPWMD facilities and has been prepared by Jacobs in the role as the Operating Consultant. The Operator is responsible for liaison with its client, MPWMD, regarding the document content, maintenance, and version control.

The main purpose of the AMP is to ensure that there is a working and living document that is used by the contract operator and agreed by its Partner, MPWMD, to effectively manage the approach to AMP and the Mid Life Capital (MLC) investment for their respective water projects. To ensure the document is recent and is a true reflection of the Asset Management Approach, the content will be reviewed annually to reflect continuous improvements as the approach to AMP matures.

The main aims from the implementation of the AMP are that the shareholder, MPWMD, and lenders obligations are recognized, managed, and delivered to meet the requirements of the contract. The document content intends to describe the Asset Management Strategy in a way that gives MPWMD and lenders the confidence in the approach to AMP. The document aims to describe the risk-based approach being applied to the capital and maintenance investment to give confidence in the informed decisions being made, enabling the sanction of future MLC expenditure that complies with the client and contractual obligations set by best practices and the respective contracts. To achieve this good communication, transparency and stakeholder liaison throughout the AMP process is essential and will lead to a greater support for capital investment by increasing stakeholder understanding regarding the value of targeted asset investment to improve water utility performance.

6.1.1 Project Background

Sustainable water infrastructure is critical to providing the domestic and commercial customers of the MPWMD WTP and facilities with a quality environmental service that ensures social, environmental, and economic sustainability. This partnership is a public-private partnership contract to upgrade, operate, and maintain existing water treatment, water pumping stations, and the water distribution system at the following locations across the MPWMD.

6.1.2 Purpose of the Asset Management Plan

The purpose of the document is to clearly describe and demonstrate the approach to the AMP for MPWMD, keeping key stakeholders informed on how a contract operator and MPWMD would be managing the capital investment, operation, and maintenance of the asset base on their behalf.

The document aim is to clearly describe and demonstrate an approach to strategic AMP and the framework in place detailing the policy, processes, and procedures implemented to ensure that the assets are managed, operated, renewed, and fit for purpose to deliver the required asset performance over the life of the assets. The AMP will provide an ongoing program that includes detailed information on the current asset base, their condition, criticality, refurbishment, and replacement. This detailed information will be included in the preparation of an Annual Capital Investment Plan (CIP), Five-Year Investment Profile (5YIP), and a Service Period Investment Profile (SPIP) and is fundamental to the AMP.

The scope of the AMP will include the following elements and describe how they fit into the overarching Asset Management Strategy.

- 1) The Asset Management Strategy and maintenance philosophy applied
- 2) The approach to AMP—methodologies, processes, and procedures
- 3) The forecasting and modeling techniques applied to determine the level of investment
- 4) The outcomes from the implementation of the AMP

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The future developments and business improvements to AMP approach.

This is illustrated on Figure 6-1.

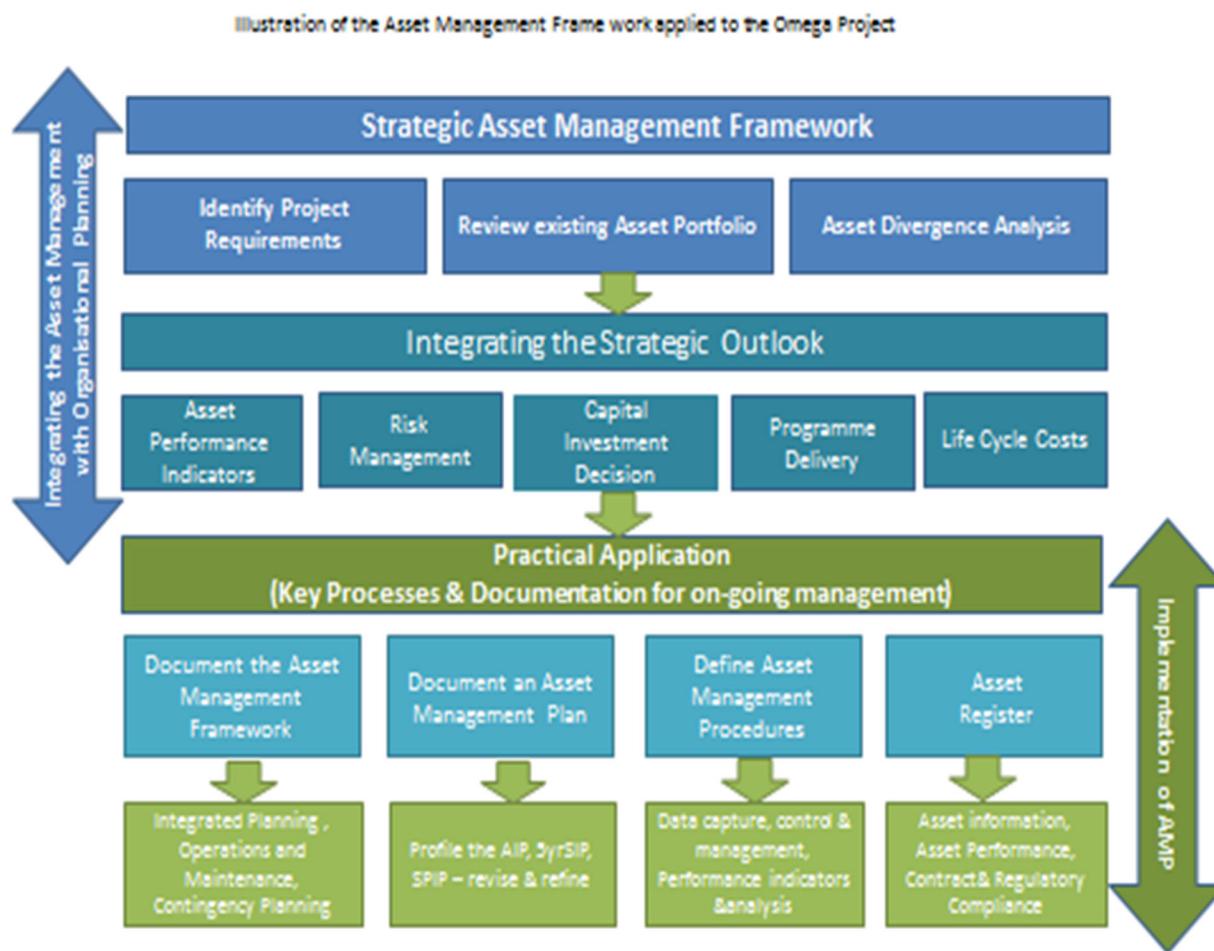


Figure 6-1. Asset Management Framework

6.2 Context of the Asset Management Plan

This AMP defines the objectives, principal drivers, and key indicators and methodologies applied to the MPWMD projects that support the decision-making process for asset management and investment over the service period to provide a continuous and sustainable service to MPWMD. The AMP details the asset lifecycle approach to investment and maintenance to ensure the asset base is maintained at the lowest whole life costs while managing operational risk and meeting contractual and performance obligations throughout the service period.

Through the implementation of a coordinated AMP, the project operator can comply with the obligations of the required service ensuring asset availability, reliability and capacity, forecast operational resource requirements, improved resilience, management of asset performance risk, and realize capital and operational cost savings. It is important to recognize the explicit requirements for information stewardship as there must be one validated version of the asset data and information, “one version of the truth”, available to all stakeholders. To achieve this position, integrated business systems and processes are crucial for accurate and reliable asset data whose analysis will enable informed investment decisions that are transparent and accessible to all key stakeholders.

The main objectives and outcomes of the AMP process will be to:

- 1) Comply with the obligations in the contract, balancing cost, performance, and risk.
- 2) Define the CIP over the service period of the project concession ensuring that each element of the facilities achieve their maximum working life consistent with economical and reliable operation.
- 3) Improve water asset performance and environmental compliance.
- 4) Reduce the long-term system operating and investment costs, reducing refurbishment, renewals, power, and chemical costs and minimizing resources through best operational/maintenance practice and engineering innovation.

6.3 Structure and Governance Arrangements

6.3.1 Organizational Structure

To successfully develop and deliver the AMP, the appropriate resources will be evaluated in detail and a governance structure will be implemented across the project. As is shown in figure 5-2 the proposed team and the wider business unit structure. The team comprises of a number of operational, maintenance, performance business analysts, project engineers, and program managers to maximize asset and contractual performance. A critical role is the asset manager who is responsible for the development and management of the MLC program, the business case development of the project portfolio and criticality, and serviceability assessments.

In addition, further expertise is provided in the form of federated asset management and maintenance roles within the wider Jacobs business. The maintenance manager plays a pivotal role in the implementation of the AMP. The maintenance manager is responsible for the development of a work scheduling system, system management development for asset data collection, O&M resource planning, and the alignment of the AMP to the Maintenance Strategy.

6.3.2 Governance

The project structure is supported by a governance framework that details the arrangements on how to engage and liaise with the client regarding the operator's management of the AMP process, approval and management of MLC expenditure, and oversight of the approach to lifecycle works.

This may include challenging the project proposals identified and agreeing upon alternative O&M interventions in preference to sanctioning capital investment. Through this process, any early stage issues will be identified and resolved that may otherwise lead to dispute, which aims to continuously improve the process and benefit of all parties.

6.4 Asset Management Approach and Methodologies

6.4.1 Strategic Asset Management Framework

The Asset Management Framework describes the strategic approach and methodologies applied to the contract operator managed MPWMD water treatment facilities and distribution system and how they are used to effectively manage the facilities, target and prioritize capital investment to manage the business risks, and meet the contract requirements. This document describes the strategic Asset Management Framework being applied to the contract and details the policies and procedures that have been implemented and those that are in development to ensure that the AMP:

- Explains the Asset Management Strategy, clearly documenting the strategic intent and how the AMP will be implemented to meet the service delivery needs to comply with the contractual obligations and maintain the well-being of the asset portfolio
- Details how the capital investment profile over the service period will be delivered

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- Describes the Asset Management policies and procedures that provide a basis for the internal control environment and good management practice
- Explains how the Asset Register is used as the basis for both the financial and nonfinancial information to improve service performance and apply the relevant accountability measures

6.5 The Asset Management Plan

The Asset Management Framework adopted for the MPWMD facilities defines and integrates the strategic asset management goals relevant to the contract and correlates the asset management decisions with program delivery requirements that will benefit the asset portfolio. This will be achieved by the development and delivery of the AMP that integrates with the operating contractor's obligations under the project documents and includes:

- Implementing a maintenance strategy that promotes best practices of known maintenance techniques across the business providing increased maintenance effectiveness, improved assembly reliability, culture change from reactive to condition-based approach, and improved resource management.
- Develops and maintains a comprehensive Asset Register with criticality, age, and asset condition data. This detailed information is included in the preparation of the 5YIP alongside the SPIP and is fundamental to AMP.
- Ascertains the program delivery options (this may include non-asset solutions in the form of Operator interventions).
- Utilizes asset performance indicators to identify, review, and manage the asset portfolio.
- Undertakes capital investment analysis when refurbishing, renewing, and acquiring new assets.
- Integrates risk management into all asset management decisions.
- Ensures that the full lifecycle costs are understood and recorded so the whole life cost of owning and maintaining the asset base is known.

In developing the AMP, steps have been taken to ensure that industry best practice is applied and that the document content and practices comply with the Jacobs Quality Management System and are supported by detailed O&M procedures for all treatment facilities. Together these documents form part of the QA system based on the requirements of International Standards Organization (ISO) 9001.

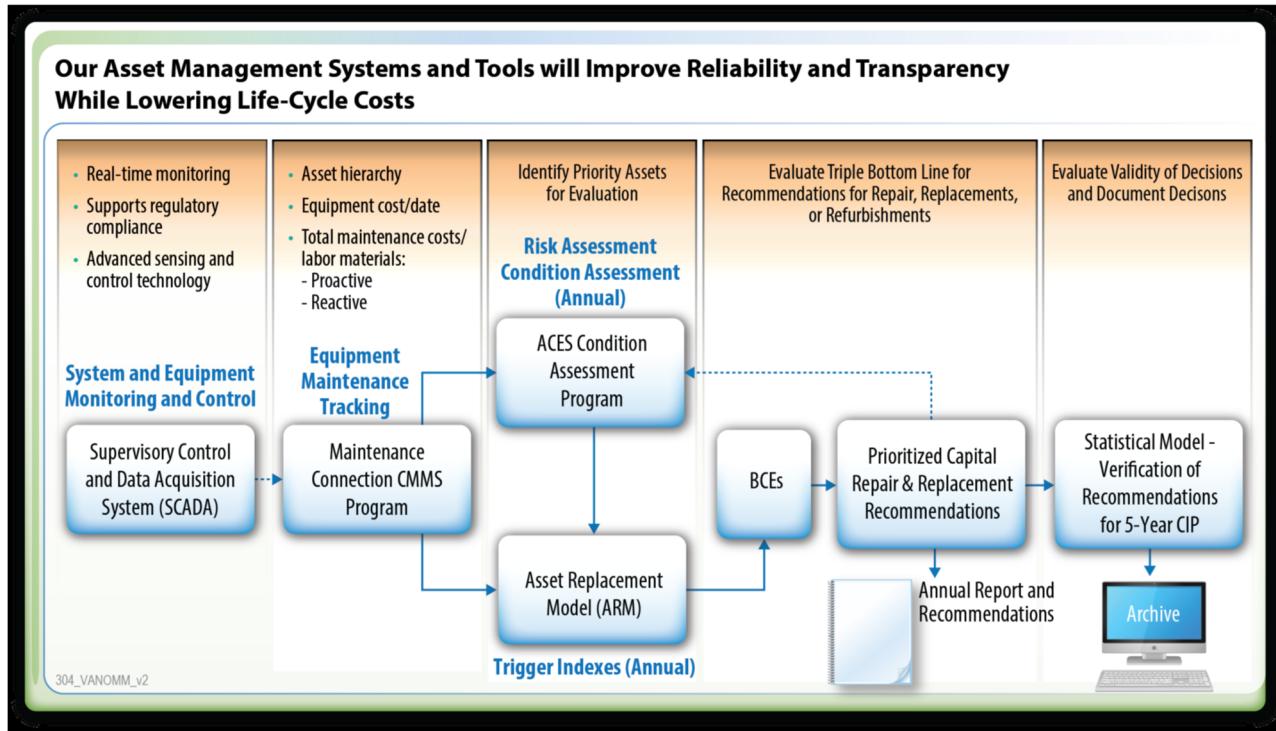


Figure 6-2. Asset Management Systems and Tools

It is recognized that using this framework for asset management best practices and governance will help to demonstrate competency, ability to establish improvement priorities, alignment of the whole life strategic planning approach with facility contingency plans, and the “day-to-day” O&M activities.

To achieve this aim, the AMP will be a working document that is fully integrated with the O&M Service Delivery Plans for all facilities included in the MPWMD WTP. When preparing the plan, steps will be taken to ensure that the content is aligned with the site operational procedures and contingency plans. The plan identifies for each treatment facility the critical assets, detailed procedures, resource allocation, and experienced personnel to manage a major event or incident. To ensure the document is “live” and remains recent, it will consider all aspects of operational and contingency plans and will be formally reviewed and updated on an annual basis.

When fully implemented, the AMP will determine the CIP and SPIP that will deliver the following benefits over the contractual period:

- Compliance with contractual obligations and requirements of the project documents
- Extend the asset life of the facilities
- Provide additional asset capacity, availability, and reliability
- Give a greater understanding of the total asset life costs
- Deliver a tailored capital expenditure program matching the asset needs and meeting contractual obligations
- Minimize the O&M costs associated with reactive work by matching resources to workloads and improving productivity

Implementation of the AMP will result in the delivery of good management practices, providing a framework for making informed investment decisions and improved execution of short- and medium-term operational practices and optimal asset management. By continuing to develop a coordinated approach to AMP and through the delivery of the AMP, contractual obligations of the contract can be met, deliver the required serviceability

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performance, and meet the hand back requirements at the end of the concession period. In addition, applying the AMP and driving out continuous improvements will also begin to improve and guarantee asset availability, forecast production volumes, determine resources planning requirements, manage asset performance risk, and realize operational savings.

6.6 Production of the Capital Improvement/Investment Plan

The CIP is the capital investment profile for the physical assets in the contract and is the primary output of the AMP. The MLC plan has three distinct service period components of capital investment:

- 1) The SPIP- the whole capital investment over a 10 to 20-year period
- 2) The 5YIP- medium-term investment plan
- 3) The Annual Investment Plan (AIP) - the short-term investment plan

The development of the CIP is determined through implementation of the key asset management methodologies making up the Asset Management Framework in conjunction with the application of a comprehensive maintenance strategy that is integrated into the day-to-day operation of the water facilities. The details of the asset investment profiles and their development are discussed in more detail in Section 3 of this document.

6.7 Maintenance Philosophy

Underpinning the implementation of the AMP is the delivery of the maintenance regime for the assets within the scope of the MPWMD and contract operator partnership. The maintenance philosophy adopted by Jacobs is to produce a strategy that promotes the implementation of best practices of known maintenance techniques across the business in a consistent, controlled, and focused way. One of the main principles of the strategy is that all parties who carry out maintenance within. The contract operator should always do so with safety in the forefront of their minds and rationalize the way in which maintenance is carried out and, in doing so, provides several benefits.

These benefits include:

- Increased maintenance effectiveness
- Improved asset reliability
- Culture change from reactive to condition-based approach
- Improved resource management and a strategy and policies that people can relate to, understand, and contribute to

6.7.1 Maintenance Strategy Approach

The maintenance department's main responsibilities and obligations are to ensure that all assets are maintained to meet operational requirements at best whole life cost. A major contribution toward achieving this is a maintenance strategy that enables the key components to be put in place to facilitate best practices and continuous improvement. It is essential that all parts of the strategy can be linked and developed to enable analysis and performance improvement of people, assemblies, and assets. For example, the Asset Register must be able to facilitate data analysis, the generation of relevant performance reports, and support the criticality model to enable informed investment decisions. The strategy will enable the organization to develop and evolve, adopting the required technology, tools, and more advanced methodologies of maintenance through continuous improvement.

Figure 6-3 demonstrates the evolution and the linkage of the various components of the maintenance strategy.

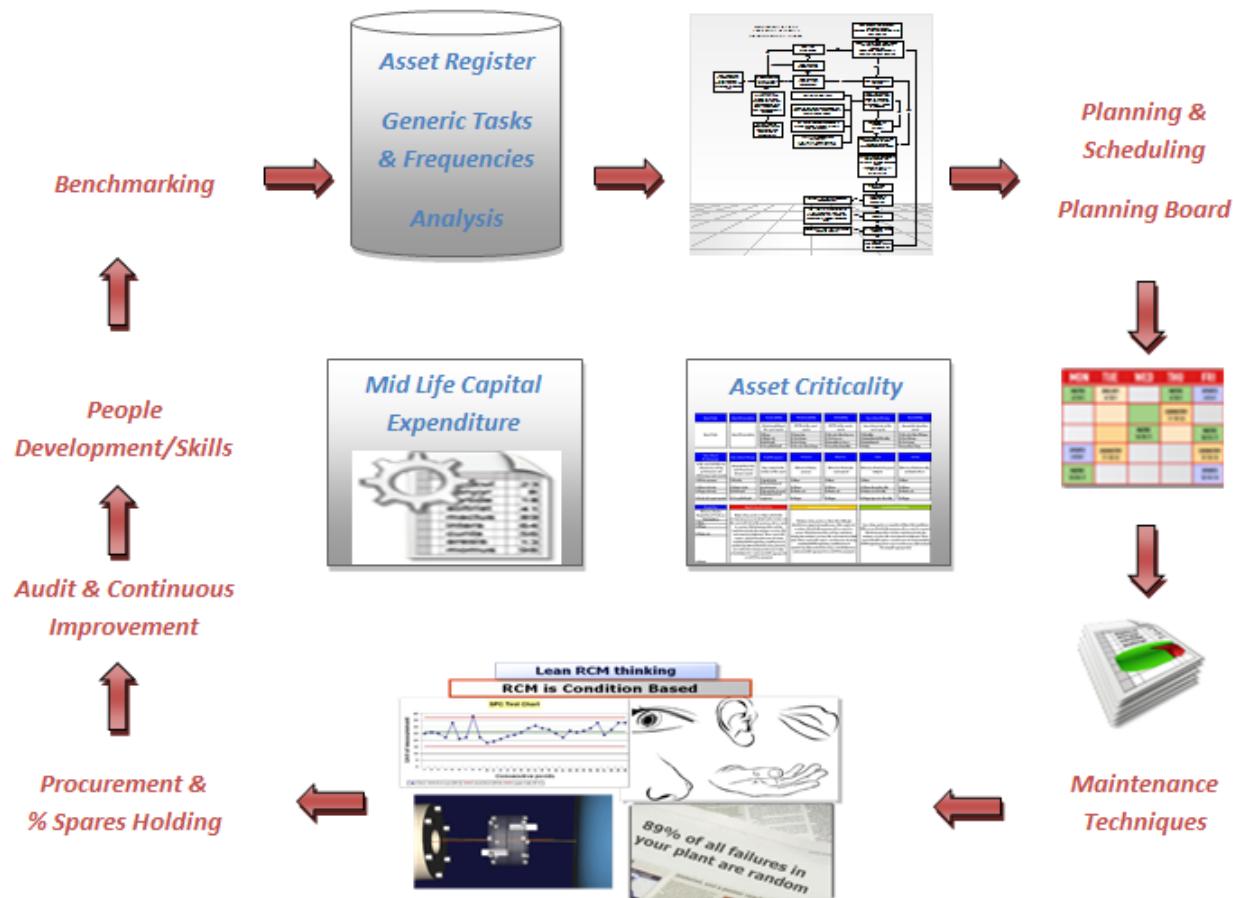


Figure 6-3. Evolution and Linkage Within the Maintenance Strategy

The maintenance strategy applied aims to give guidance in developing a coordinated asset management approach that utilizes best in industry practice involving an audit program, a benchmarking exercise against industry best practice, and delivery of continual performance and process improvement.

From a service delivery perspective, the availability and operability of all facilities and equipment has a major impact on maintaining compliance from a regulatory and environmental perspective as well as a contractual one. Therefore, the strategy and implemented maintenance plan will ensure that the assets with the most immediate impact on compliance and contractual obligations are identified to enable capital investment to be targeted and the correct maintenance technique applied to prevent failure and assess condition. The most important aspect of any strategy development is the actual plan where the necessary tools and techniques can be determined. As with any other maintenance concept, fundamental questions must be posed to ensure a structural, logical, and more importantly an effective approach is being taken. To support this process, a maintenance determination model will be developed for application across the MPWMD Water facilities and this is detailed in the flow diagram on Figure 6-4.

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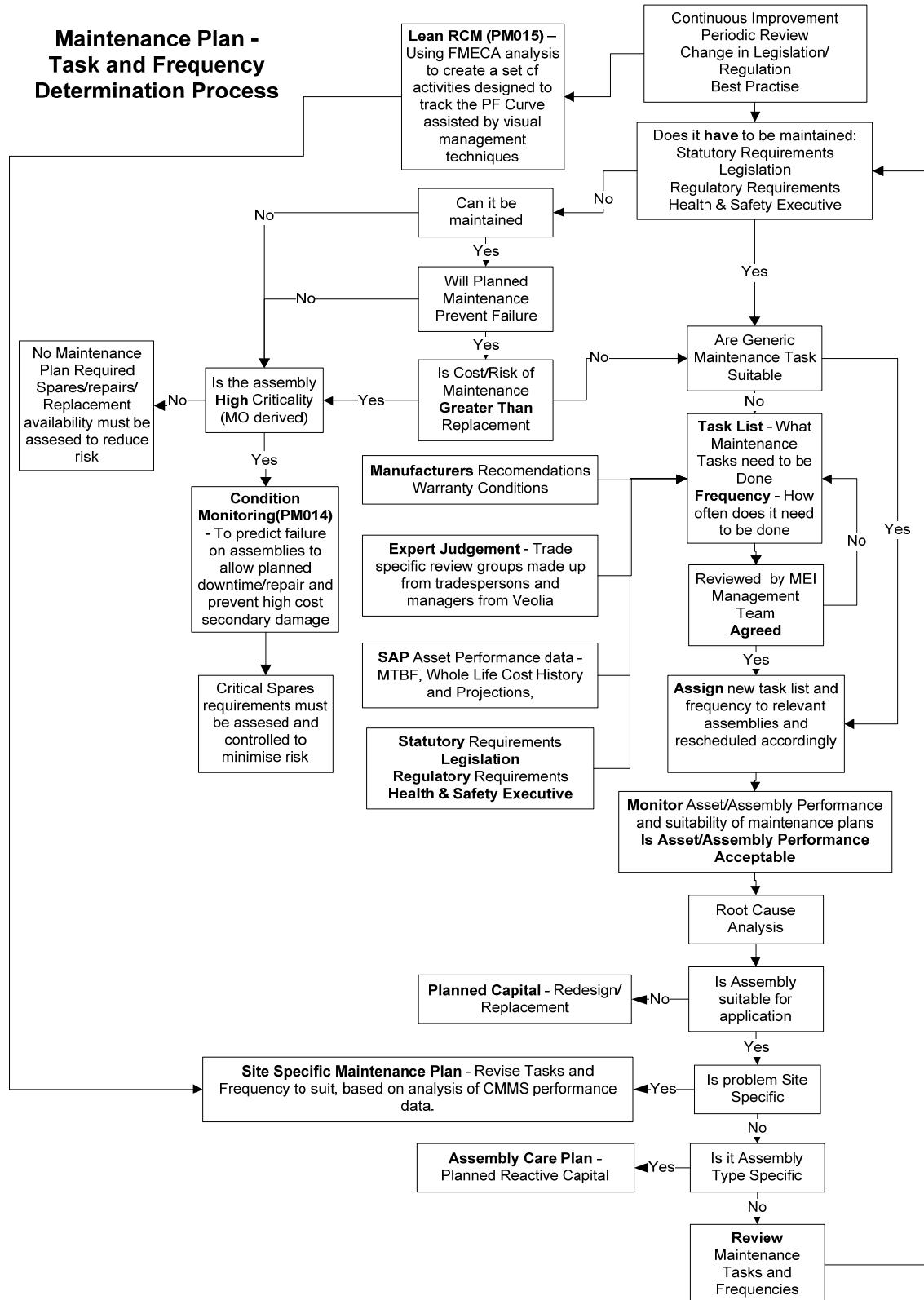


Figure 6-4. Detailing the Maintenance Determination Process

6.8 Asset Data, Information, and System Management

The basis for all AMP and planned maintenance regime starts with the development and maintenance of the Asset Register for the facilities included in the scope of the project. For the MPWMD water assets, the Asset Register will be held within a computerized maintenance management system (CMMS), this should be a web-based maintenance management software system. Jacobs recommends Maintenance Connect (MC) for the software, however other software is available. The system is used to manage maintainable items needing asset care and gives access to asset and maintenance management information.

The management system will be deployed across all facilities and systems to provide the following functionality:

- Asset registration/de-registration, including type, location, and hierarchy.
- Deployment of works scheduling for PM and operational activities.
- Schedule of maintenance activities, tasks, and frequencies.
- Status of work orders and scheduled tasks.
- O&M resource planning.
- Asset fault types, modes, and causes (as applicable).
- Total lifecycle management information – repair, refurbish, or replace costs.
- Performance Management reporting and key performance indicator dashboard availability.

6.8.1 The Asset Register

The Asset Register is the primary source of data and information regarding asset management and O&M planning. It is the central hub of all asset management processes upon which investment needs are identified and from which all asset-related reports on condition and performance are generated.

Throughout the service period the operating contractor will maintain the Asset Register to provide accurate and up-to-date information on the asset base giving details of:

- Fixed assets
- Moveable plant, equipment, and component parts
- Consumables.
- Spares (flush out)

The information contained within CMMS is fundamental to developing the CIP requirements via a “bottom up” approach through the identification, collation, and aggregation of asset information into a comprehensive Asset Register. A major task to improve this position has been through the creation and population of the Asset Register within CMMS. This is an ongoing process as it is recognized that the Asset Register is a live database with static data attributes such as type, location, rating, sizing, etc., and with dynamic information such as criticality, age, and condition that will be continually reviewed and updated to keep the information recent, accurate, and complete the asset data gaps.

A full review of the asset inventory will be held within CMMS and will be jointly reviewed by the contract operator for completeness, data quality, and accuracy.

It has been recognized that in the compilation of the Asset Register there will be several omissions and gaps in the dataset and these will be filled overtime through data input from the operational work schedules and annual inventory reviews. In addition, over the service life of the contract, the renewable and decommissioned items will be added to the schedule through the asset registration and de-registration process. The assets will be registered under a “parent to child” hierarchy with the following subdivisions and assigned assembly codes as illustrated on Figure 6-5.

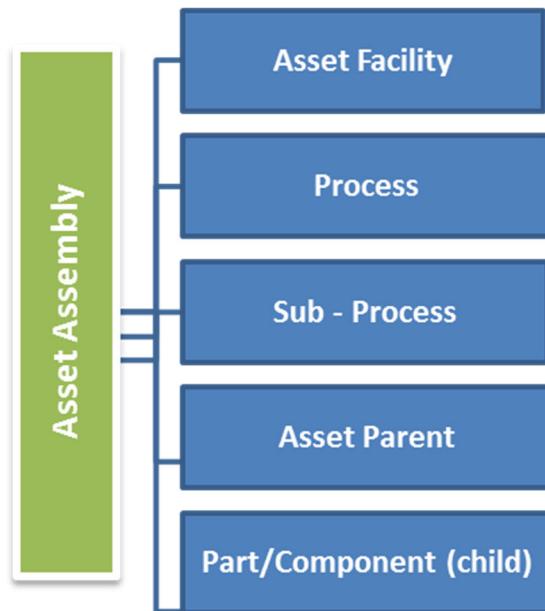


Figure 6-5. Asset Hierarchy Structure Applied to Data Captured on the Asset Register

6.8.2 Asset Coding Guide

Each asset assembly is given a unique code known as the equipment reference that identifies the site it is located on, the process the assembly is connected to, and the form the assembly takes. A sequential number is then added to identify the order of the assembly and its component parts. This type of information is needed to identify who has the responsibility for the assembly, to narrow down the type of assembly it is, and what work is necessary to ensure sound operation and enable effective reporting.

6.8.3 Equipment Reference

The equipment reference code, also called the technical identification, is designed to identify each item of plant using four types of identification indices.

1) Location

This takes the form of numbering or letters and is utilized to identify the site and/or the cost center associated with the assembly.

2) Process Code

This is a three-letter code preceded by a hyphen. It identifies the process in which the assembly/component is contained within and the type of unit process it forms a part of.

3) Assembly Code

This can be a three-letter code again preceded by a hyphen. It identifies a generic group or type of equipment. This allows equipment to be grouped for reporting purposes.

4) Sequential Number

This is a two-digit number and is followed by the assembly code without separation, indicating the instance of an item of equipment within a process area. A sequential number of '1' would be shown as '01'. If a process area had two pumps, the assembly code and sequential number would be PMP01 and PMP02.

An assembly can be identified at a process, at a site. Consider the example of the screens at a sample water treatment facility. The assembly code would take the form of Screen Number (SCN) 01, whereby SCN represents the functional type of equipment and 01 indicates that it is SCN 1.

To enable better performance reporting from the database, the equipment is given a group code that better explains its function. The group code allows the “type” of assembly to be described. For example, PU is the identifier for a pump, but it is also necessary to explain what type of pump it is. This allows for the separation of submersible pumps from screw pumps, ram pumps, etc. This also allows the varying maintenance requirements to be identified and targeted, as a screw pump requirement may be different from a centrifugal pump. It also allows for comparison of all centrifugal pumps across the entire equipment register. This functionality allows the identification of poor asset performance, condition, and reliability.

Group Description	Group Code	Type Code	Type Description
Pump	PMP	CEN	Centrifugal

6.8.4 Instrumentation

All electrical and mechanical equipment is allocated as a functional piece of equipment. Instrumentation and control assemblies within the control of the water process control are coded separately because of their importance to the control of the process and require strict maintenance controls. The philosophy of the coding structure is similar to those previously described but separates out from the instrument at facility level.

6.8.5 Data Collection and Asset Information

It is important to recognize that the assembly coding is not just a way of allocating an individual assembly a unique number as part of an asset inventory ledger, it is also an essential tool in the report writing and performance reporting of any maintenance system or data provider.

The asset assembly coding guide can be utilized to collect data in a structured way, strongly supporting data analysis, capital investment, and performance data of both the asset assemblies and people resources.

An example of how the data and information is utilized is shown in Table 6-1.

Table 6-1. Data Utilization

Problem Type	Pipework	Pump	Quality System	Screen	Grand Total
Failed	462	3,214	347	127	4,150
Incorrect Out/Input	383	938	1,624	43	2,988
Alarm	104	697	298	10	1,109
Damaged	330	279	50	27	686
Signal	13	57	181	4	255
Insecure	112	92	18	7	229
Stopped	34	151	27	11	223
Noise	13	129	1	3	146
Temperature	8	41	6	1	56

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Table 6-1. Data Utilization

Problem Type	Pipework	Pump	Quality System	Screen	Grand Total
Odor	17	18	1	3	39
Grand Total	1,537	5,828	2,594	247	10,206

The data chart above gives the example of how failure modes on the assemblies are associated with the most frequent work activities across the contract. The highest incidence of work orders are associated with the pipe work. Pump, quality system, and screen are all assembly code types with the problem types being taken from the work request. This data information is used to target specific maintenance regimes, operator interventions, and to help make informed decisions regarding replace and refurbishment cycles.

6.9 Best Operating Practice

Reference must be made regarding Jacobs' approach to implementing operational best practice in this area. The basis of our philosophy for asset ownership is the understanding and implementation of tried and tested processes and the maintenance and monitoring routines of the plant within those processes to maintain performance. Standardization of equipment, together with appropriate selection, based on engineering best practice is key to asset ownership. This approach ensures that the correct plant is selected and with the appropriate level of maintenance will deliver the required level of availability for the various assets within each facility.

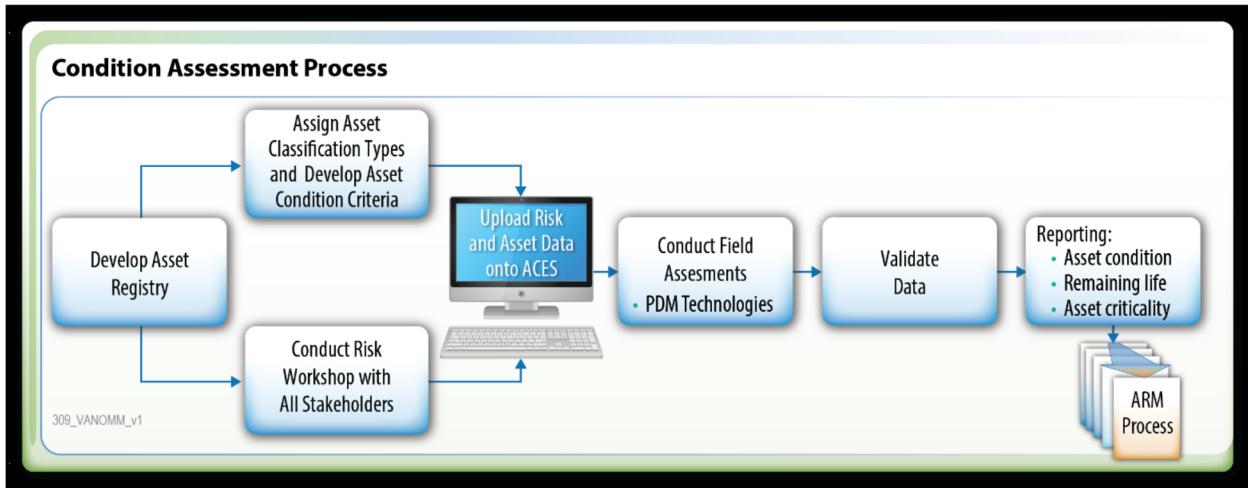
6.10 Asset Condition and Performance

This section covers the principles and methodology used to monitor and evaluate the condition and performance of the assets. Current condition, together with an assessment of the characteristics of deterioration and an understanding of the criticality of individual assets, provides the necessary information to determine serviceable life using a risk-based approach. The evaluation of asset condition is critical to the development of the optimum CIP that will allow compliance with the performance requirements of the Contract.

The AMP allows prioritization of asset investments through a regime of assessment, maintenance, and renewal of assets based on the condition and performance of individual assets and their criticality to the delivery of the service.

6.10.1 Condition Grading

The contract operator will assess the condition of all assets as a planned maintenance activity, using the scoring system described in Table 6-2. The condition grading for each asset from the planned maintenance activity is captured in the CMMS. Throughout their lifecycle each of the assets will move through a series of changes to the asset condition. This detailed information is included in the preparation of the AIP, 5YIP alongside the SPIP and is fundamental to AMP.

**Figure 6-6. Condition Assessment Process****Table 6-2. Asset Condition Grade Assessment and Criteria**

CG	Criterion
1	Sound construction of component, well maintained and operable under all relevant conditions.
2	Sound construction of component but showing some signs of normal wear and tear. Well maintained and operable under all relevant conditions.
3	Functionally sound components but with appearance significantly affected by deterioration. Structures marginally preventing leakage. Plant exhibiting reduced efficiency and minor failures.
4	Deterioration has a significant effect on performance. Structural problems or slight leakage evident. Plant functions but requires significant maintenance.
5	Functionally unsound components. Structural problems having a detrimental effect on the performance of the asset. Plant requiring excessive maintenance and having reliability problems affecting asset performance.

Note:

CG = condition grade

New assets will initially be graded **CG1**. After a period, each asset will move naturally to **CG2** with the normal ownership conditions and maintenance provided. The time it remains in the relevant condition grading group will depend on the asset type, maintenance regime, and general operation.

Continued operation and maintenance of these assets will at some point bring the asset to **CG3**. The assets in this CG category will still provide adequate service and performance. However, the asset condition will require monitoring and provision for replacement should be planned and scheduled within an appropriate timescale.

In the unforeseen event that the asset suffers premature wear and tear due to elevated working hours or increased demands over and above the design capability, then it will be expected to move through the CGs at a faster rate.

Redundant assets on facilities will be expected to be at, and remain at, **CG5** for the period of the contract. As a minimum requirement these assets will be maintained and decommissioned in a safe state to ensure that there is no adverse impact on the environment or a health and safety risk to staff and site visitors.

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An example asset conditions summary is provided on Figure 6-7.

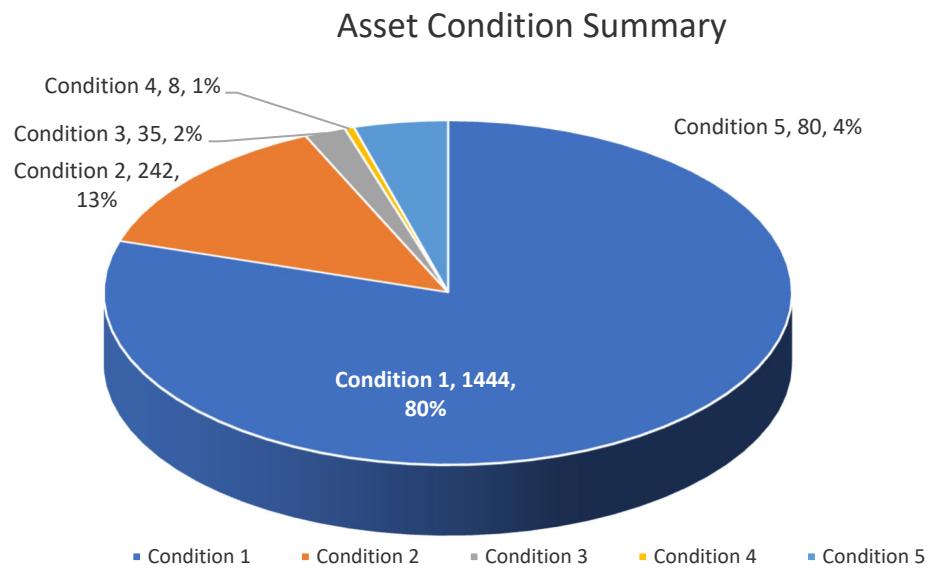


Figure 6-7. Example of Asset Condition Summary

6.10.2 Data Confidence

The CGs for each asset within this project are captured and recorded in the CMMS at asset level. The process for carrying out the assessment is through the scheduling of a planned PM task in MC that instructs operational and maintenance staff to assess and record the CG of each item on the Asset Register. An improvement to the assessment process going forward will be the inclusion of the confidence grade for the condition data captured. Where the asset is visible and can be assessed it is likely to be assigned a high confidence grade (level A or B). Where the asset is buried, submerged, or otherwise cannot be visibly assessed, the confidence grade will be low (level C or D).

Table 6-3. Confidence Grades

CG	Description
A	Sound textual records, procedures, investigations, or analysis properly documented and recognized as the best method of assessment.
B	As A, but with minor shortcomings. Examples include old assessment, some missing documentation, some reliance on unconfirmed reports, and some use of extrapolation.
C	Extrapolation from limited sample for which Grade A or B data is available.
D	Unconfirmed verbal reports, cursory inspections, or analysis.

Assignment of confidence grades will determine the level of reliability and accuracy of the asset data and this improvement has been implemented by adding additional fields to MC. To drive out continuous improvement and where feasible, Jacobs aims to lift data assessed as category C or D into the A or B category over the next financial year, particularly for those assets that have been identified for early inclusion into the AIP and 5YIP. This exercise is currently ongoing with the data confidence to be improved as part of Jacobs' continuous improvement process.

6.10.3 Condition Monitoring

There are a series of asset condition indicators that show the asset's state of health and effective performance. These fall into these categories:

- Increase in consumables usage (such as energy consumption)
- Vibration and temperature increases

Any change in these parameters noticed by O&M staff will, as a routine, be raised through the generation of a corrective work order.

In the contract, several assets have been assessed and considered as critical to serviceability performance based on criticality and risk. These assets have been identified and prioritized for condition monitoring assessments

6.10.4 Performance Monitoring

Overall performance of the operational assets is measured and reported in the monthly balanced scorecard. Measures reported at this level include compliance with wastewater regulations, serviceability performance, and contractual compliance.

While the principal asset-related performance measure is reliability, the monthly management reports record several different maintenance performance measures including:

- Monthly work orders – Closed (completed)
- Planned by work type – PM/CM/H&S/Statutory & Regulatory/Training
- Work planned against work completed
- Work order history by priority
- Planned vs. reactive ratios by age and priority

6.10.5 Preventive Maintenance and Operational Tours (Inspections, Rounds)

It is extremely important that the plant and equipment operate within design parameters. Failure to do so will have a negative effect on the asset assembly and could result in increased costs and increased failures no matter what the maintenance plan. The importance of an effective planned maintenance regime is critical to the effective and efficient operation of a treatment facility and related assets. Planned PM approach is time based or condition-based, depending on the asset age and condition and consists of a set of assembly-specific tasks that the maintenance personnel carry out. The tasks are aimed at checking the general condition, functionality, performance, and calibration of the assembly.

This approach aims to give O&M common goals to ensure asset performance and process stability is supported by good asset ownership. This type of work is carried out by operational staff and takes the total productive maintenance approach. It consists of operational tours, cleaning, visual inspection, adjustments, and calibration and complies with supporting site procedures and ISO standards. The operations technicians carry out their routine tasks on the plant determined by the work scheduling system, ensuring that all operational tasks are linked with maintenance activities. As a result, the true maintenance tasks are reserved for the skilled maintenance technicians. The Lean Reliability Centered Maintenance (RCM) approach will support this approach by simplifying checks and controls and freeing up time for staff to spend on more value-adding activities.

6.10.6 Operations and Maintenance Deployment -Works Scheduling

To effectively maintain the asset base, the CMMS will be utilized to carry out all reactive and planned work at the request of operations. The system will be used to ensure that the “right people” are deployed to do the “right work” at the “right time” and required frequencies in place to effectively manage and prioritize planned and reactive work against the process needs. Each site has a site-specific Best Operations Practice (BOP) and

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Maintenance program tailored to the site requirements to ensure the appropriate tasks and frequencies are applied to the assets to keep them in service and deliver the required asset performance. The work priority for any activity on a site may be changed at the request of operations to reflect operational circumstances and maintain service levels. Attached to each priority is a descriptor dictating the requirement that is based on condition-based reasoning.

A summary of the priorities with response times applied are detailed on Figure 7-8:

Priority 1	Immediate	Out of Hours Response
Priority 2	24 hrs	Same Day Response
Priority 3	72 hrs	Next Working Day
Priority 4	168 hrs	5 Working Days
Priority 5	720 hrs	30 Days

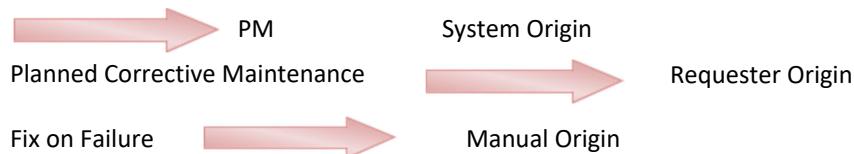


Figure 7-8. Priority Response Time

6.10.7 Reactive Maintenance - Repairs on Failure

This is unplanned work to repair faults or failures of equipment that are raised by a work request. The prioritization of the work is based on the operational requirements at the time of the request and will be subject to classification and the associated response time. A proportion of random failures are inevitable due to the nature of the operational environment, the age of the plant, and unexpected events that take place (random failures will occur). An event is determined as an unforeseen event, usually weather related, however the robustness of the maintenance plan and strategy will keep this type of reactive work to a minimum.

6.10.8 Works Scheduling and Resource Management

All O&M tasks will be reviewed for the assets, considering the asset risk, criticality, condition, and asset performance. The system will be developed to ensure that all maintenance staff are strategically deployed considering reporting centers, workload, skill requirements, availability, and the installation of new plant and equipment. The system will look to actively improve work processes, monitor the effectiveness of the O&M staff taking into consideration the asset type, work and frequencies required, job type, and hours. This approach will enable the contract operator to take advantage of any operational improvements and commercial activities within the project and locally.

6.10.9 Maintenance Performance Reporting

To drive operational improvements and meet service requirements, performance scorecards and reporting systems will be introduced across the MPWMD water assets. The reporting framework also ensures that an audit trail is present, demonstrable, and satisfies ISO standards. The performance information is used to understand the effectiveness of the strategy and to gain an understanding of how resources are best deployed across the asset base to meet operational requirements and serviceability levels. To effectively manage performance in these areas the monthly performance data is distributed to the maintenance teams containing the following information:

- PM completed over the last 6 months
- Critical PM backlog over the last three months
- Work request work completed and backlog in the last six months (opex and capex)

- Priority backlog by priority
- Assets revisited reactively after a PM

An example of the detailed performance monitoring dashboard used is shown on Figure 6-9:

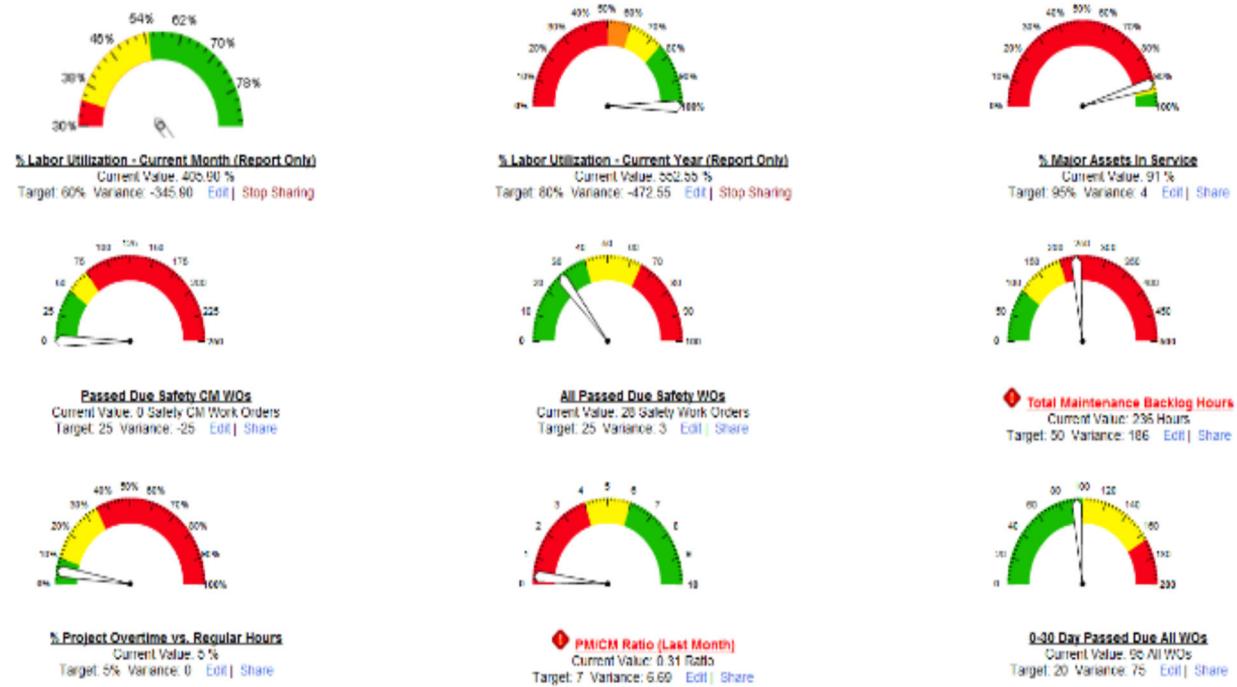


Figure 6-9. Detailed Performance Monitoring

The maintenance system support function is responsible for ensuring that there is a suitable audit trail, demonstrating that due diligence is being applied to all maintenance activities to ensure compliance with the contract obligations and regulatory requirements.

6.11 Capital Investment Planning

Application of the Asset Management Framework and refinement of the asset data and cost information will allow the MCCS to be used to collect costs at asset level. The process will be fully implemented within the 12 months of commencement of services. It will then be possible to start accurately building up whole life costs of the assets. By capturing data and costs in a consistent way, it will be possible to continuously validate and benchmark asset lives and costs with other similar assemblies. It will also be possible to implement Lean RCM and develop a profile of each asset assembly to determine the frequency of breakdowns, mean time to failure, and investment periods based on historic evidence collected within the database. These will take the form of short-term (Annual), mid-term (5 years), and full-term profiles (complete contract length).

6.11.1 Asset Replacement Planning Process

Assets will be replaced when they reach the end of their serviceable life, the work being funded as CIP. This will be either when the maintenance needed to achieve the performance required becomes either impossible or unreasonably expensive, the frequency of repair or refurbishment becomes excessive, or when spares or consumables are no longer available.

Asset deterioration characteristics are reasonably well understood for specific asset classes (such as pumps) but the attributes for individual assets are unique and therefore the prediction of asset failure is not an exact science.

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In the absence of mature asset condition data, this fact influences the mid- to long-term approach to replacement of assets needs.

Initially this requires the asset replacement life to be statistically based, generally on a predicted ‘asset life’, but the reality is that other interventions will be made when the asset condition and potential failure modes are better understood. Applying the theoretical statistical approach may be reliable for large groups or cohorts of assets but cannot be relied upon for small cohorts or in the very short-term. Consequently, there are different approaches for the short- and long-term asset replacement plans that take into consideration asset life expectancy, refurbishment cycles, asset condition, whole life costs, and meeting the requirements of the contract.

6.11.2 Long-Term Asset Plans

The purpose of holding asset information at this level of granularity is to enable operational work tasks to be allocated at the detail level (such as, inspection, testing, calibration). For CIP planning, the renewable item needs to be identified and determined as “the unit that would be replaced should it or its components fail.”

An example of this would be to consider a package plant such as a polymer dosing system. These systems are generally supplied as single units but throughout the course of their lifecycle there will be components with the package plant that will fail (such as the dosing pumps) which will be replaced as discrete plant items. However, if the entire “package” (multiprocess or system) requires replacement, then the replacement will include all subcomponents.

It is recognized that the Asset Register is a live document with static data (asset attributes such as size, rating, and similar) updated and added as information becomes available and asset gaps filled as they are identified.

As part of the approach to driving and delivering continuous improvements, both the renewable items and gaps in the Asset Register will be captured over the course of the contract to improve the confidence in the asset data used to make operational, maintenance, and capital interventions.

It is a recognized fact that when compiling the Asset Register for an asset-intensive contract it is inevitable that some assets will be missed and that over the early stages of the contract period these will be progressively identified and added to the Asset Register. To help with this objective, the renewable items in the asset schedule will be classified to distinguish between those that are known and understood and those that are known to exist but have little or no available asset information.

On an ongoing basis the asset inventory will be reviewed within the CMMS for completeness (appropriate level of granularity) and adding assets that were previously omitted. Greater emphasis will be placed on the accurate recording of data within the CMMS which plays an important part in the continual refinement and development of the CIP. The asset data and performance information derived from the MCCS, the from the Asset Condition Evaluation regarding asset performance information, CG, risk and consequence, together with testing against the compliance requirements of the contract will determine eligibility for funding and deliver a robust CIP for the year and over the remainder of the contract term.

6.11.3 Replacement and Refurbishment Frequencies

In many cases, the asset life is not predicated by run time or age-related deterioration. This is the reason why the Lean RCM approach is being adopted across the asset base.

The majority of the assets in use in the water industry are mechanical, electrical, instrumentation, control, or of civil construction. While some of these have predictable asset lives, many factors influence the life of an asset. These will include suitability to operating duty, duty/standby arrangements, environment, performance of upstream equipment, quality of manufacture, care of initial installation, quality of maintenance, and age.

Each renewable item fits within a sub-category which in turn fits within an Asset Category. Each asset category fits within an asset assembly system.

A given example of this would be a polymer mixer within a coagulation basin and this would be categorized as follows:

- Renewable item – Water System Process (WSP) polymer mixer No. 1
 - Asset system – WSP system
 - Asset Category – mixer
 - Asset sub-category – mixer-submersible

For the purposes of modeling the SPIP, asset lives have been applied at the asset sub-category level. While simplistic this experiential-based forward projection works for large cohorts of assets and it is expected to be reliable for the size of the asset base under the project.

It is recognized that for many assets there will be one or several asset refurbishments prior to the asset requiring replacement. This has been recognized in the asset planning process and consequently for many assets there will be a proposed frequency for refurbishment and a different frequency for replacement. This is driven from experience coupled with analysis of the available asset data. Due to the varied nature of the wear characteristics and consequent refurbishment activity it is neither practical nor possible with any accuracy to break down the activity into further levels of detail.

6.11.4 Identifying the Initial Intervention – The Asset Risk Register

While modelled asset lives will derive the expected time period between interventions, they are not sufficiently accurate to determine the initial replacement or refurbishment interventions. As a result of this uncertainty early in the contract concession, the initial activity will be based on the risk and consequence posed by the asset failing. The asset risk is assessed against certain criteria and derived from the likelihood and consequence of asset failure. Where risk is low then the asset condition will be used to determine the intervention. Where risk is low and condition is good then replacement will be based on asset age and submitted to a technical challenge review to assess eligibility for CIP funding. The methodology followed for the assessment of the likelihood and consequence of failure is illustrated on Figure 6-10.

Likelihood Category	Wt.	Negligible = 1	Unlikely = 3	Possible = 5	Likely = 7	Very Likely = 10
Physical Condition	75	Condition Grade 1 Very Good. Only Normal Maintenance Required.	Condition Grade 2. Good. Minor wear. Normal and minor corrective maintenance required	Condition Grade 3. Fair. Major wear impacting level of service. Significant corrective maintenance required	Condition Grade 4. Poor. Unable to meet level of service. Major corrective maintenance required. Failure Imminent.	Very Poor. Grade 5. Requires Complete Rehabilitation Or Replacement. Failed.
O and M Protocols	25	Complete, up-to-date, written, performed and reviewed at least 3 cycles	Complete, written, up-to-date, performed and reviewed at least one time	Developed but not fully vetted	Written, but out-dated	No written procedures or not being used
						100

Figure 6-10. Modelling Risk - Likelihood Assessment

The combination of the likelihood and impact scores gives an assessment of risk associated with each asset and is illustrated on Figure 6-10. When making an asset assessment, not all impact categories or likelihood measures should be considered equal and consequently, a weighting factor is applied. For each asset assessed both likelihood and impact scores are converted into percentages and these are multiplied to derive a combined risk score which is expressed as a percentage figure. Scores greater than a determined threshold are high risk and scores lower than a lower threshold are considered low. Those assets that are considered high risk are submitted for replacement in the AIP.

Assets that are a medium risk have their first intervention based on their asset condition. Medium risk assets with a CG of 1 or 2 are planned for replacement based on their residual life; those with a CG of 3 are planned for replacement at a time period as a proportion of their total asset life; those with a CG of 4 or 5 are planned for replacement in the AIP.

Contract Management Plan

Subsequent replacements are planned at a time period equivalent to the theoretical asset life but will be challenged through the Asset Investment Planning process (refer to the process flow diagram in Figure 6-12) to determine if the asset life can be extended, the risk managed, and/or if the asset performance can be maintained through applying alternative maintenance and operational interventions.

In all cases, planned for replacement means that there will be a further review of the condition and performance of the asset to determine what, if any, intervention is warranted. There is then further review to determine whether the cost of the intervention is eligible for funding as CIP in accordance with the O&M contract.

LOS Category	Wt.	Negligible = 1	Low = 4	Moderate = 7	Severe = 10
Safety of Public and Employees	30%	No Injuries Or Adverse Health Effects	No Lost-Time Injuries Or Medical Attention Required	Lost-Time Injury Or Medical Attention Required	Loss Of Life Or Widespread Outbreak Of Illness
Regulatory Compliance	25%	No state local codes or Federal permit violations . No SSO's	Possible technical violation (Inspection finding)	Probable enforcement action, but fines unlikely (Admin Order)	Enforcement action with fines or surcharge. Legal action, Consent decree
Financial Impact	20%	Can be repaired within Utility budget (<\$5,000)	>\$5,000 > = \$100,000	>\$100,000 <\$200,000	Greater than \$200,000
System Restoration	15%	No impact	Minor impact to process or out of service less than 4 hours. No loss of service	Potential impact to process, out of service >4 <8 hours. Loss of service	Major impact to process, out of service >8 hours, outside services required, Loss of service
Public Confidence and Perception	10%	No social or economic impact on the community. No reactive media coverage. Any media coverage is a result of proactive announcements by Utility. No complaints.	Minimal disruption (e.g., traffic, dust, noise, odor). No adverse media coverage. Some complaints.	Substantial but short-term disruption. Adverse media coverage due to public impact. Localized media coverage.	Potential long-term impact. Area-wide disruption. Regional media coverage.
100%					

Figure 6-11. Combining Likelihood and Impact Assessment to Drive Risk Scores

6.12 Asset Management Plan Outcomes

This section summarizes the capital investment outcomes from applying the asset management methodologies and utilizing the asset data from MC and the intelligent modelling outputs from ACES. Figures 6-12, 6-13, and 6-14 detail these outcomes.

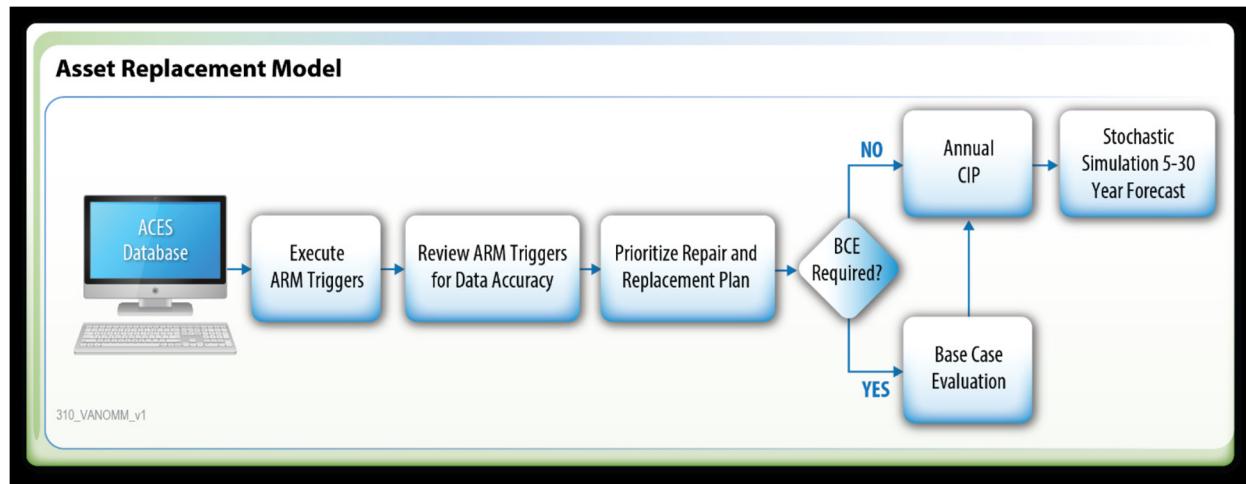
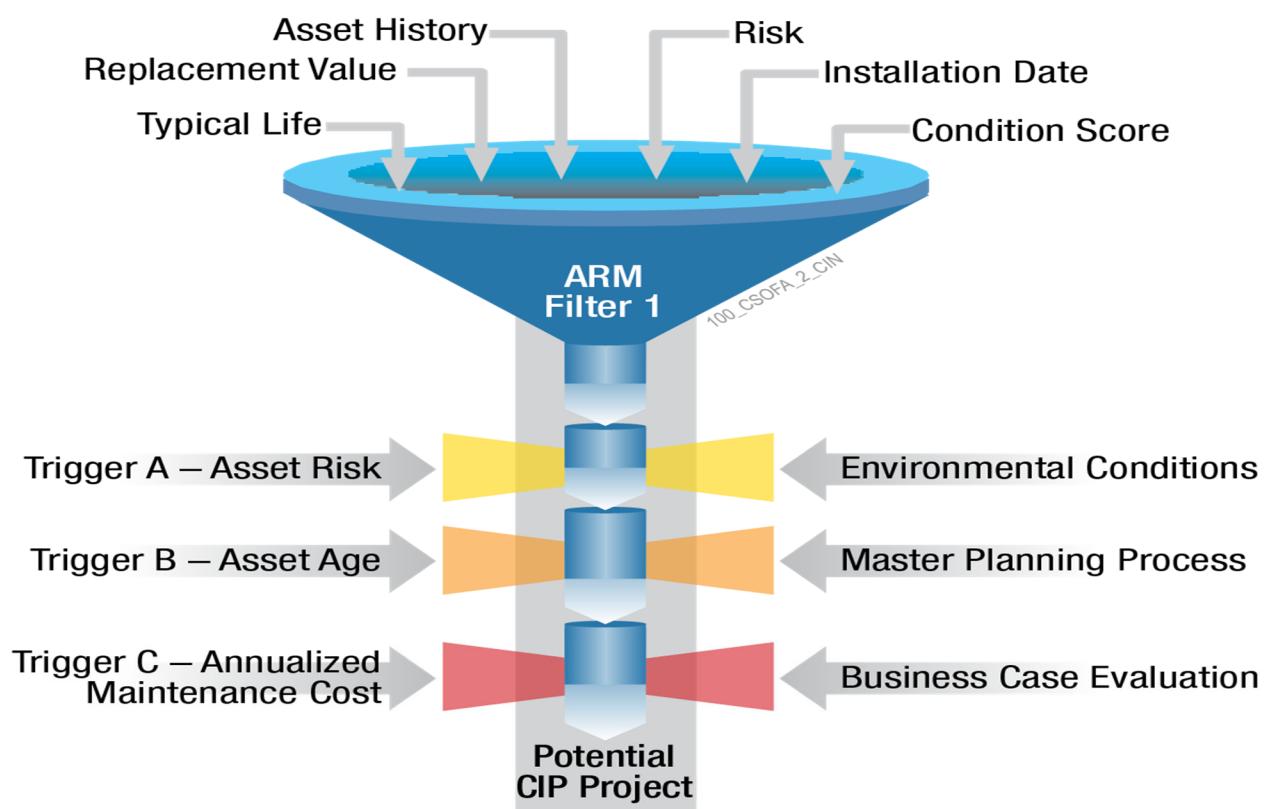


Figure 6-12. Asset Replacement Decision Flow



Figure 6-13. ARM Triggers and Decision Funnel



- Multi Year Asset Replacement Schedule and Costs
- Safety Deficiencies
- Preventive Maintenance Optimization Opportunities
- Standard Operating Procedure Deficiencies

Figure 6-14. Asset Management Funnel

6.13 Service Period Investment Profile and Expenditure Envelope

The asset base will be modelled from a “bottom up” approach taking each asset in the Asset Register, assessing its age, risk profile, and condition and assigning that information to the asset in a model. That then enabled judgments to be made on risk, condition, and age as a priority order across the entire asset base to establish an estimate of the first intervention for each asset. The Reference Profile was then derived from the forecast refurbish/renews frequency based upon the operator’s experience and industry data. The SPIP has been derived from the Reference Profile following a top down review of the validity of the asset cost and expected life predictions together with sense checks of high cost asset interventions.

6.14 Five-Year Investment Profile

The 5YIP is derived from the service period plan in accordance with the process set out on Figure 6-12. It represents the transition from the service period envelope to the AIP. It drives the operator to review the performance of those assets in further detail to determine the likelihood of the need for intervention and if so, to what extent that might be necessary. It provides a look ahead to work that might be required and underpins resource planning.

6.15 Annual Investment Plan

The AIP is the set of planned asset interventions required to maintain the services as required under a typical O&M contract. For the initial AIP it is proposed that a phased approach will be taken to deliver the AIP consisting of program Phases 1, 2, and 3.

- Phase 1 consists of a project scheme of immediate concern and includes fully developed project definitions.
- Phase 2 project definitions are under development and approval will be sought in defined years to progress with those MLC Works.
- Those projects identified in Phase 3 are currently in the conceptual phase of project definition and it is anticipated that approval will be sought in future years as determined by the contract operator and MPWMD to progress those MLC Works.

7. Future Developments and Continuous Improvement

7.1 Updating Asset Management Plans

The Jacobs team have identified four focus areas that drive continuous improvement to further develop the MPWMD Project Asset Management Framework, improve the effectiveness of the AMP, and enhance asset and operational performance.



Figure 7-1. APM Focus Areas

These areas are:

- 1) Further integration and alignment of asset procedures with operational procedures and contingency (Asset Care Plans)
- 2) Asset Data – Asset Register
- 3) Lean RCM
- 4) Procurement and supply chain

7.1.1 Integration and Alignment of Asset and Operational Policy and Procedures

The asset care plan describes the asset and the O&M regime with a projection of capital investment over the life of the asset to maintain service standards. Future assessment of asset criticality and condition over time will enable O&M philosophies to be changed to reduce whole life costs, extend asset lives, and improve asset performance.

7.1.2 Asset Data

Assignment of the confidence grades will determine the reliability and accuracy of the asset data and this improvement will be implemented on a phased approach to the AMP during the initial financial year, aiming to improve the data confidence rating to A or B across the highest priority assets. To support these process changes the operator will carry out an annual review on a sample set of the recorded asset base to calibrate the confidence levels in the data.

Contract Management Plan

7.1.3 Work Planning and Scheduling

With the intention of further improving workforce management, the resource management capability will be improved. This will be completed through increasing the functionality of the work scheduling element in the CMMS to ensure that all maintenance staff are logically deployed considering reporting centers, work load and type, skill requirements, and availability of plant and new equipment. The associated work processes and performance reporting for all assemblies have been reviewed and the functionality of the work scheduling system adjusted accordingly to drive out continuous improvement regarding getting the “right work” done at the “right time” to the “right quality” standard.

7.1.4 Lean Reliability Centered Maintenance

The contract operator should implement Lean RCM maintenance principles across MPWMD water assets. The intention is to identify the root cause of asset failures through monitoring plant performance and asset condition, reduce the mean time between failures, and pre-empt the failures before they happen. Traditionally, the maintenance approach has been based on the fixed period maintenance schedules utilizing manufacturers' recommendations or on a set of tasks produced by staff based on experience and best practices. The Lean RCM approach utilizes condition monitoring and simple visual management techniques that can also be applied to ensure that the system/asset is working within the correct asset performance parameters, ensuring efficient and effective energy use and process stability/reliability.

The implementation of the revised approach to maintenance embraces the adoption of industry best practice accompanied by the training and development of maintenance staff, the improvement of relevant business processes, and system management capability. In essence, the strategy and implementation program have been designed to satisfy four main aims:

- 1) To extend asset life and improve plant/equipment reliability through effective routine maintenance.
- 2) To reduce maintenance costs through more effective use of labor and reduced breakdowns, resulting in reduced downtime, compliance risk, and unplanned overtime.
- 3) To make best use of valuable engineering resources by developing effective and robust operator-involved maintenance systems.
- 4) To achieve operator ownership of equipment performance and workplace organization by employing visual management techniques.

Improvements will be made to the site-specific maintenance regimes for the critical assets, applying condition monitoring techniques as part of the inspection intervals (operational tours) to ensure key measuring points are created and monitored for critical/high priority asset assemblies. This Lean RCM approach has been developed around a model where equipment operators perform the clear majority of the routine maintenance tasks allowing the maintenance engineers time to concentrate on the more complex maintenance activities such as fault diagnosis, pre-emptive maintenance, and root cause analysis of asset failures. This revised maintenance regime takes a different view by looking at each possible failure and implementing a maintenance regime that can identify the process of the failure during its lifecycle. The approach utilizes condition monitoring techniques to gain insight on assembly condition, track the asset reliability, and predict the asset failure modes. Application of these techniques enables any degradation of the asset to be identified and PM applied before critical failure of the asset occurs. The revised maintenance regime specifies the inspection regime based on visual and condition monitoring techniques that enable the development of process failure curves that predict asset failure. Over time, as the asset data matures and PM tasks are completed, the number of random failures significantly decreases and the mean time between failures are greatly reduced.

To enable the successful implementation of the Lean RCM model, a competency-based training program for maintenance and operations staff has been introduced. The training program ensures that the operators understand the concept of Lean RCM and have the skills to perform the maintenance tasks including condition

monitoring (temperature/vibration analysis), human sense checks, and practically applying the proactive maintenance processes relevant to the facility.

7.1.5 Procurement and Supply Chain

The Service Delivery Team will work with the Procurement Team to review the processes regarding the procurement of goods and services associated with CIP project work. The existing framework agreements are currently under review and new contracts are being drafted for a future tender issue to key contracting partners with an aim to improve relationships and benchmarking costs and services. The use of these framework agreements will also help achieve the following:

- Duty of care will be demonstrable by assessing the competence of our contracting partners to meet the needs of MPWMD.
- The potential of volumetric savings and quality of service will be achieved through consistent use of framework agreements.
- Agreed standard sets of rates and bills of materials will be introduced with the intention to limit reactive work being carried out at a premium.
- The proposed framework agreements will ensure standard specification of equipment and will ensure service level targets of our suppliers and contracting partners are achieved. The framework agreements will also incorporate performance criteria (cost, quality, and time) and a program review/assessment that will allow us to measure the level of service being achieved.

APPENDIX E

8. References

American Water Works Association (AWWA). 2016. *M17 Fire Hydrants: Field Testing, and Maintenance*. Fifth Edition.

American Water Works Association (AWWA). 2015. *M44 Distribution Valves: Selection, Installation, Field Testing, And Maintenance*. Third Edition.

Mays, Larry W. 2000. *Water Distribution Systems Handbook*. American Water Works Association (AWWA).

APPENDIX F

Barclays Confidence Letter re: Financing

September 24, 2019



Christopher D. Roberts
Director

10250 Constellation Boulevard
Suite 750
Los Angeles, CA 90067
(310) 481-4963 Phone
chris.d.roberts@barclays.com

September 24, 2019

Monterey Peninsula Water Management District
C/O De Lay & Laredo
Attn: David Laredo, District Counsel
606 Forest Avenue
Pacific Grove, CA 93950

Re: Monterey Peninsula Water Management District: Revenue Bond Financing - Acquisition of the California-American Water Company Monterey Main System

Dear Mr. Laredo:

Barclays Capital Inc. ("Barclays") is pleased to submit this letter to express our confidence in Monterey Peninsula Water Management District's (the "District") ability to access capital markets to successfully secure a financing (the "Proposed Financing") to acquire the assets of California-American Water Company's ("CA-AM") Monterey Main System (the "System") and fund current and future capital requirements.

Barclays believes there is a market for the type of financing structure being contemplated and that it will be feasible to execute the Proposed Financing, subject to successful implementation of structuring terms that are consistent with investors' expectations for transactions of this nature. Barclays has reviewed the financial results forecasted by Raftelis and concludes that given the assumptions for capital and operational costs, revenues and rates established by the District and Raftelis, the District is able to finance the proposed purchase of the System based on comparisons with financing structures and coverage margins for similar water systems.

Additionally, if pursued by the District, we recognize the unique attributes of eminent domain law might warrant the issuance of fully collateralized short-term bond anticipation notes ("BANs") payable from: (i) the special fund established to receive delivery of an eminent domain court awarded purchase amount and (ii) proceeds from the District; with a take-out refinancing of the BANs secured by an installment sale agreement following a Final Order of Condemnation and the vesting of title with the District.

Barclays is highly experienced in successfully structuring, managing, purchasing, placing and delivering financings of a similar type, size and scope as the Proposed Financing and we would assist in achieving the financial solution that delivers the highest value to the District. This letter of support is based on current market conditions, our present understanding of the contemplated financing structure, which includes a number of terms that have not yet been finalized, and our estimation of potential investor interest in the Proposed Financing.

Proposed issuance terms, which are based on generally accepted standard market parameters, include:

- **Amount of issuance:** An amount sufficient to acquire the System and to pay related costs, fees, reserves and capital and operational requirements to meet customer needs; Currently estimated at \$585 - \$615 million;
- **Title:** The District obtains title to the System;
- **Security:** Pledge of Net Revenues of the System (i.e. Revenues – Operating and Maintenance expenses);
- **Term of financing:** Up to 30 years;
- **Credit rating:** Minimum of investment grade ratings;
- **Legal covenants:** Standard legal covenants, including a rate covenant, additional bonds test and reserve requirements sufficient to secure investment grade ratings;



Monterey Peninsula Water Management District

September 24, 2019

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- **Debt Service Reserve:** One year of debt service (e.g., maximum annual debt service), funded from proceeds of the Proposed Financing;
- **Working capital:** 180 days of cash for operations; and
- **Technical Study:** The District will engage a qualified technical consultant to evaluate the condition of the System and summarize their findings in a report to be included in the Proposed Financing disclosure document

Barclays has a long history of leadership in the municipal market, including a strong track record in the issuance of water revenue bonds. Over the last five years, Barclays has served as book-running senior manager on nearly 500 bond offerings, totaling over \$100 billion in principal across all municipal sectors. In addition to our overall municipal experience, Barclays has senior managed 65 transactions, totaling over \$10.3 billion, during this timeframe for revenue bond issuances for water, sewer and other utility systems. This experience includes the direct purchase by Barclays of the \$138.225 million City of Missoula, Montana Water System Revenue Bond Anticipation Notes inaugural credit in 2017 and subsequent publicly offered \$96.68 million long-term refinancing of the Bond Anticipation Notes in 2019 to fund the City's water system acquisition from Liberty Utilities.

Barclays is a 329-year-old company with a global financial services network that employs 80,000 people worldwide. Barclays Bank and its subsidiaries serve large governmental, corporate and institutional clients with a full spectrum of solutions to their strategic advisory, financing and risk management needs. Our client base includes corporations, domestic and international governmental agencies, money managers, insurance companies, pension funds, hedge funds, depository institutions, trust banks, money market and mutual funds, official institutions and central banks.

Barclays carries long-term credit ratings in the “A” category from each of Fitch Ratings (A+), Moody’s Investor Service (A2) and Standard & Poor’s Ratings Group (A) and has a balance sheet approaching \$800 billion. Evidence of Barclays’ long-term, unsecured debt ratings can be found at:

<https://www.home.barclays/barclays-investor-relations/credit-ratings.html>.

The Proposed Financing would remain subject to usual conditions for a transaction of this nature including, without limitation, (i) completion of all financial, technical, environmental, legal and other due diligence relating to the Proposed Financing, (ii) the accuracy and completeness of all Information (as defined below), (iii) prevailing capital market conditions, (iv) mutual agreement on the form and content of the documentation relating to the Proposed Financing, and (v) our receipt of all internal approvals (credit, underwriting, etc.).

You will appreciate that this letter is not an offer of financing or any commitment on our part, nor is it intended to be legally binding or to give rise to any legal or fiduciary relationship between us or between Barclays Bank PLC (or its affiliates) and any other person. Notwithstanding anything to the contrary, nothing in this letter shall be construed to be accounting, legal or tax advice. This letter shall be treated as confidential and is being provided to you solely in connection with the Proposed Financing and shall not, without Barclays’ prior written consent, be disclosed by you to any person other than the District’s accountants, lawyers and other advisers and then only on a confidential basis and in connection with the Proposed Financing.

In reaching the preliminary views described herein, Barclays has relied solely on certain information, assumptions, and projections provided by you or publicly available, and has not independently reviewed any of the Information for completeness or accuracy. Barclays may terminate its discussions with you for any reason including if any of such Information proves to have been inaccurate or incomplete or if any change occurs, or any additional information is disclosed to or is discovered by Barclays, which Barclays deems materially adverse in respect of the condition (financial or otherwise), business, operations, assets, liabilities



Monterey Peninsula Water Management District

September 24, 2019

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or prospects of the borrower. This letter is governed by New York law.

We hope that this letter demonstrates the value that Barclays continues to place on its relationship with the District. We look forward to discussing it with you in greater detail at your convenience. Please do not hesitate to contact me at (310) 481-4963 with any questions or comments about this letter.

For and on behalf of Barclays Capital Inc.,

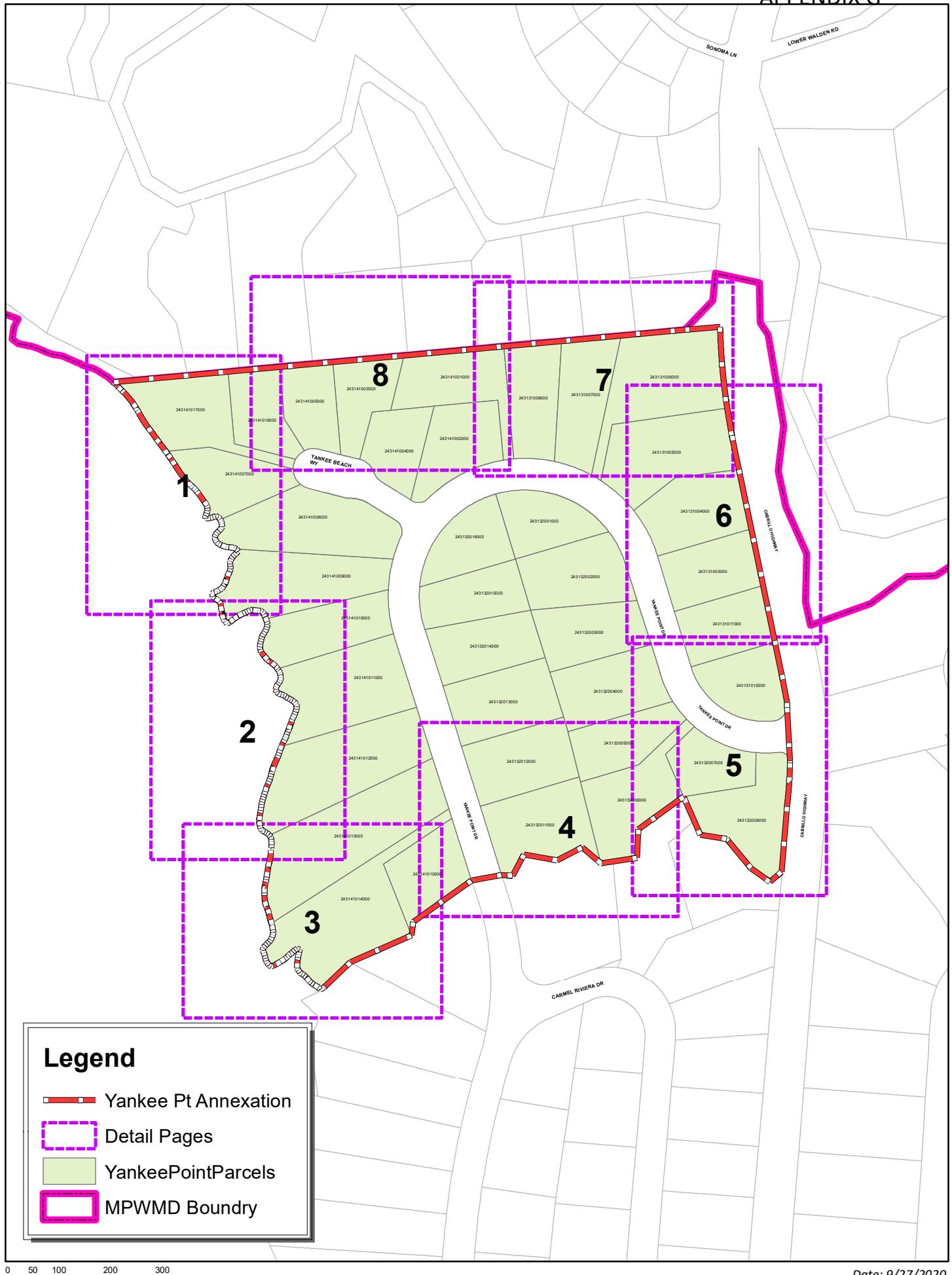
A handwritten signature in blue ink that reads "Christopher D. Roberts".

Chris Roberts

Director

APPENDIX G

Yankee Point Annexation Parcel Maps and Description

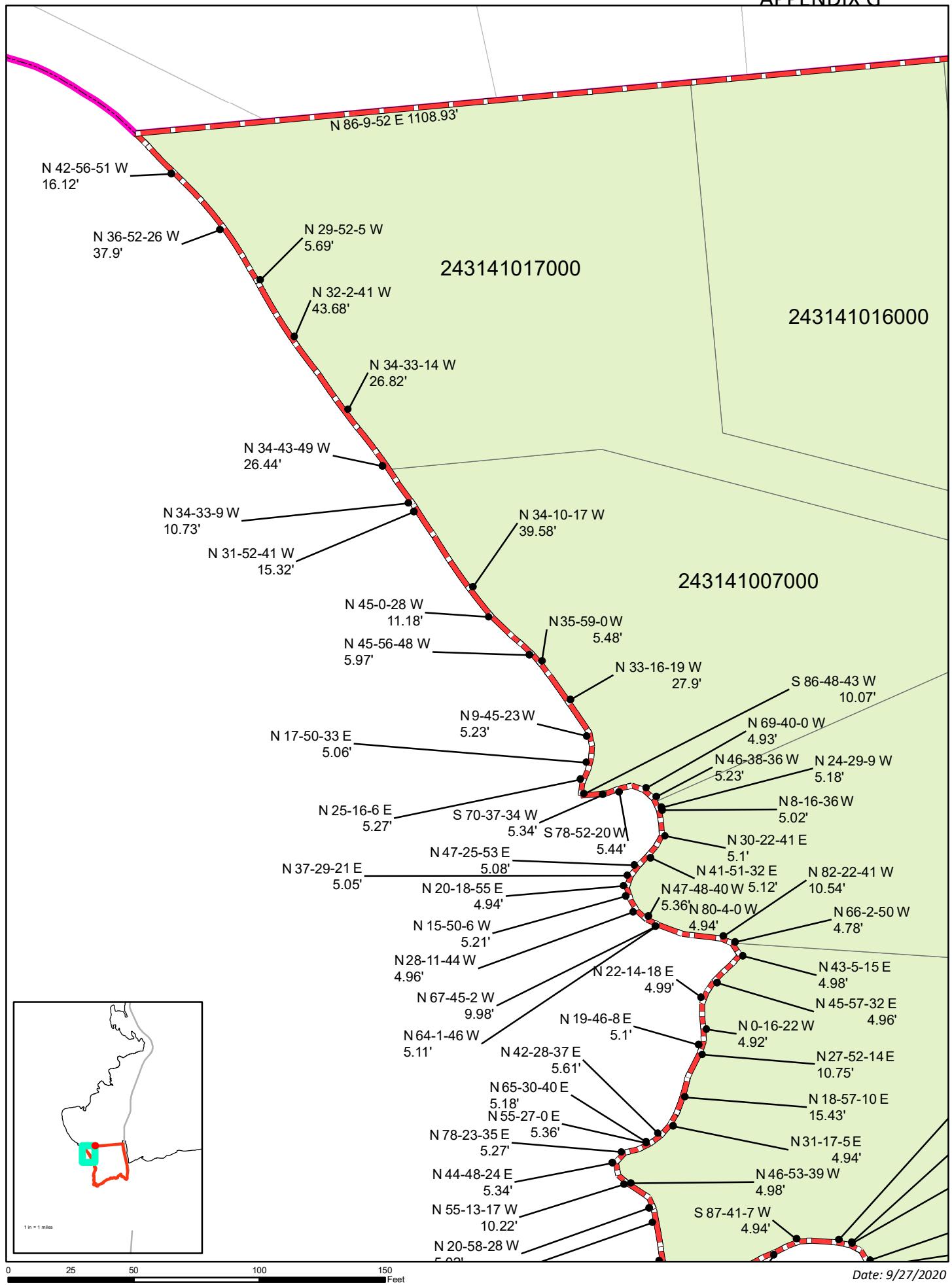


Legend

-  Yankee Pt Annexation
 -  Detail Pages
 -  YankeePointParcels
 -  MPWMD Boundary

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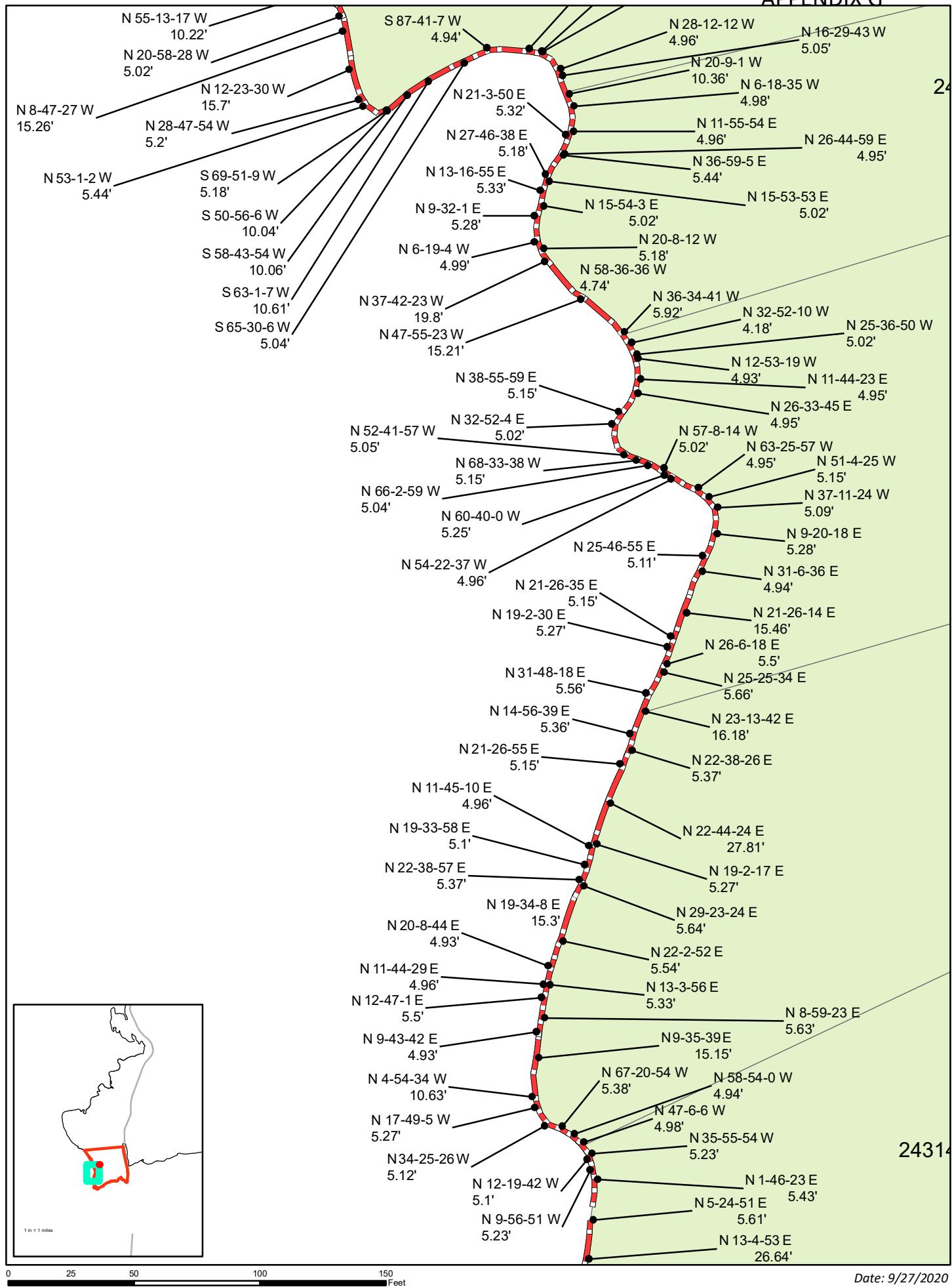
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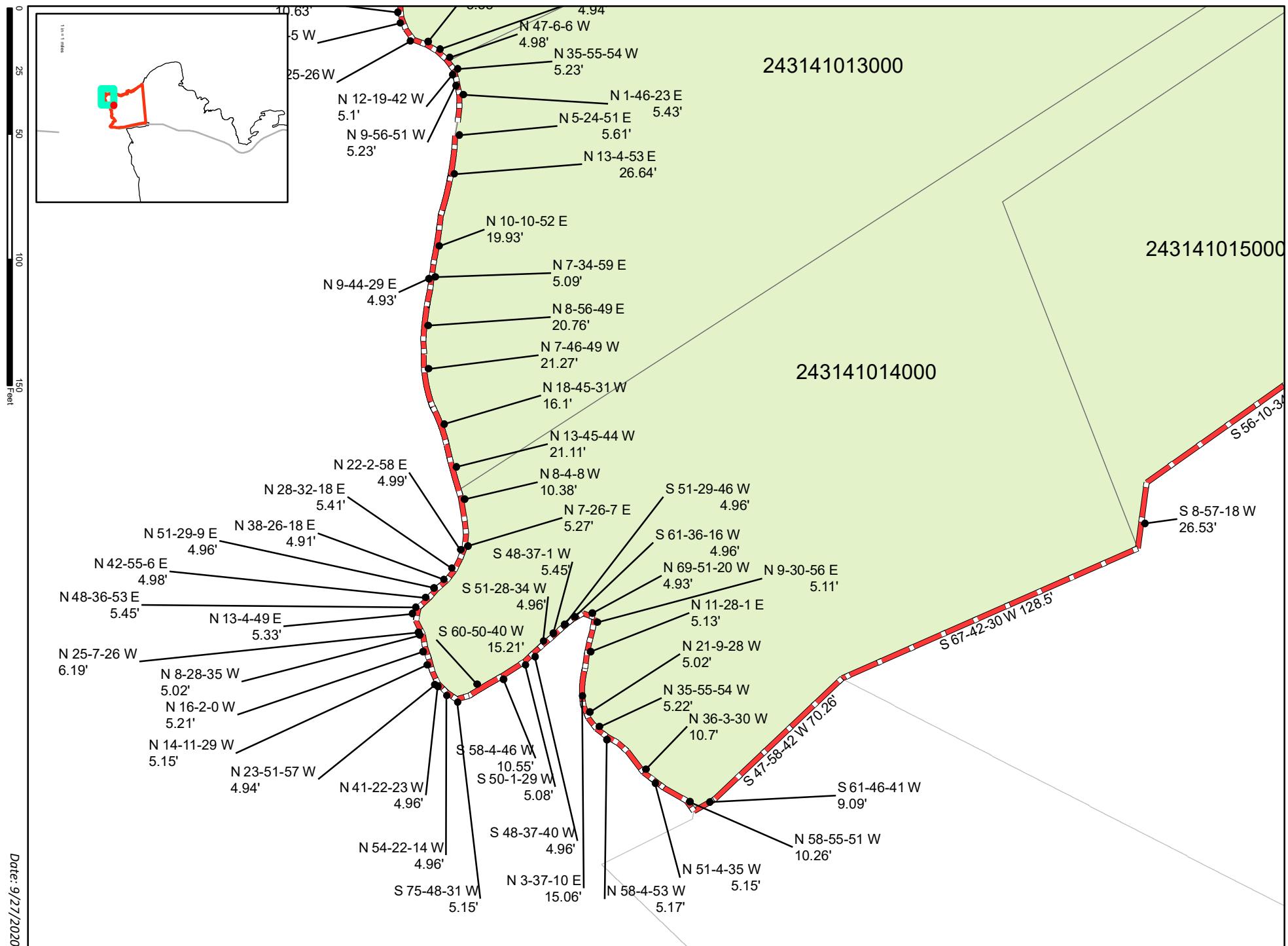


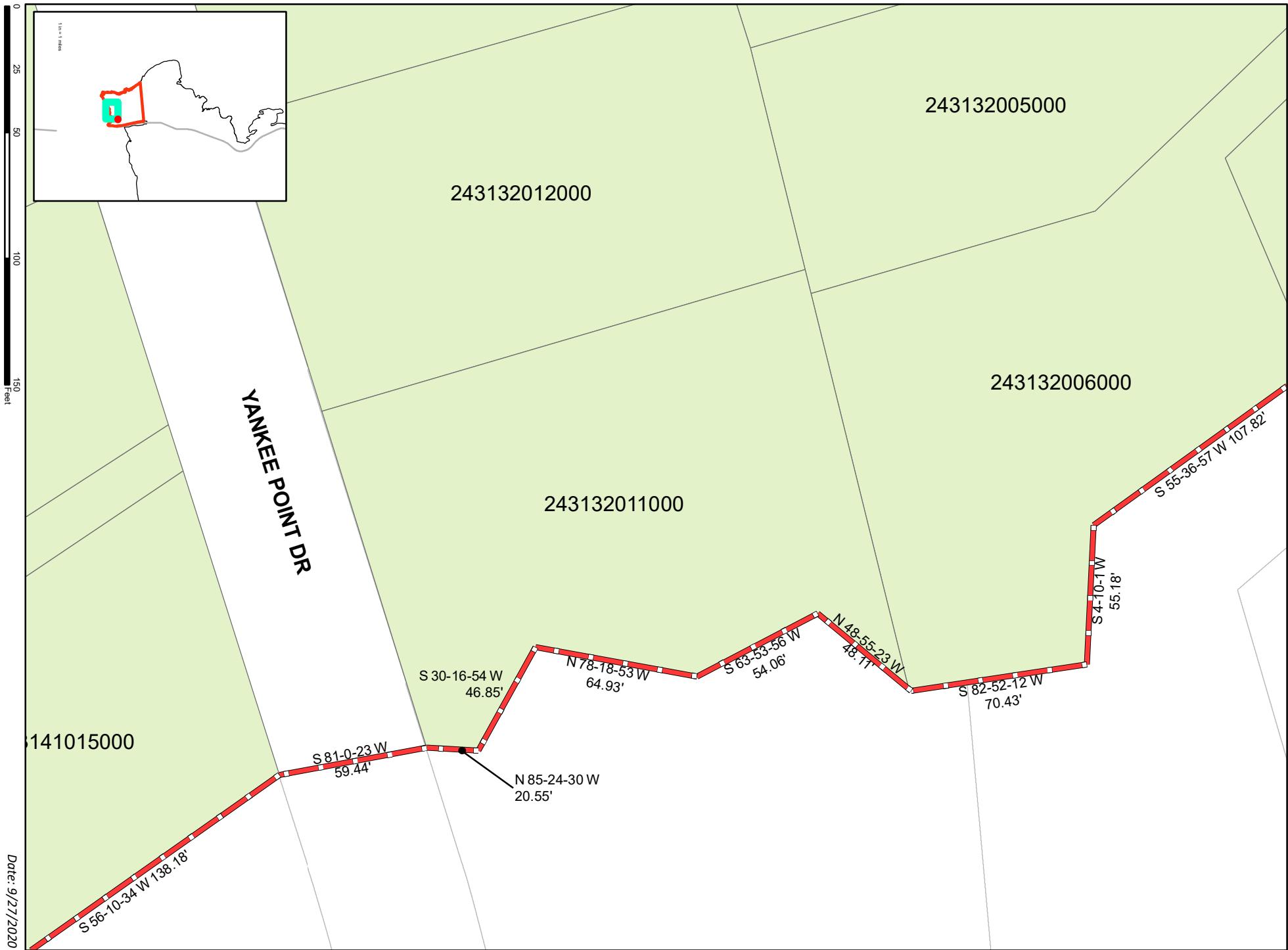


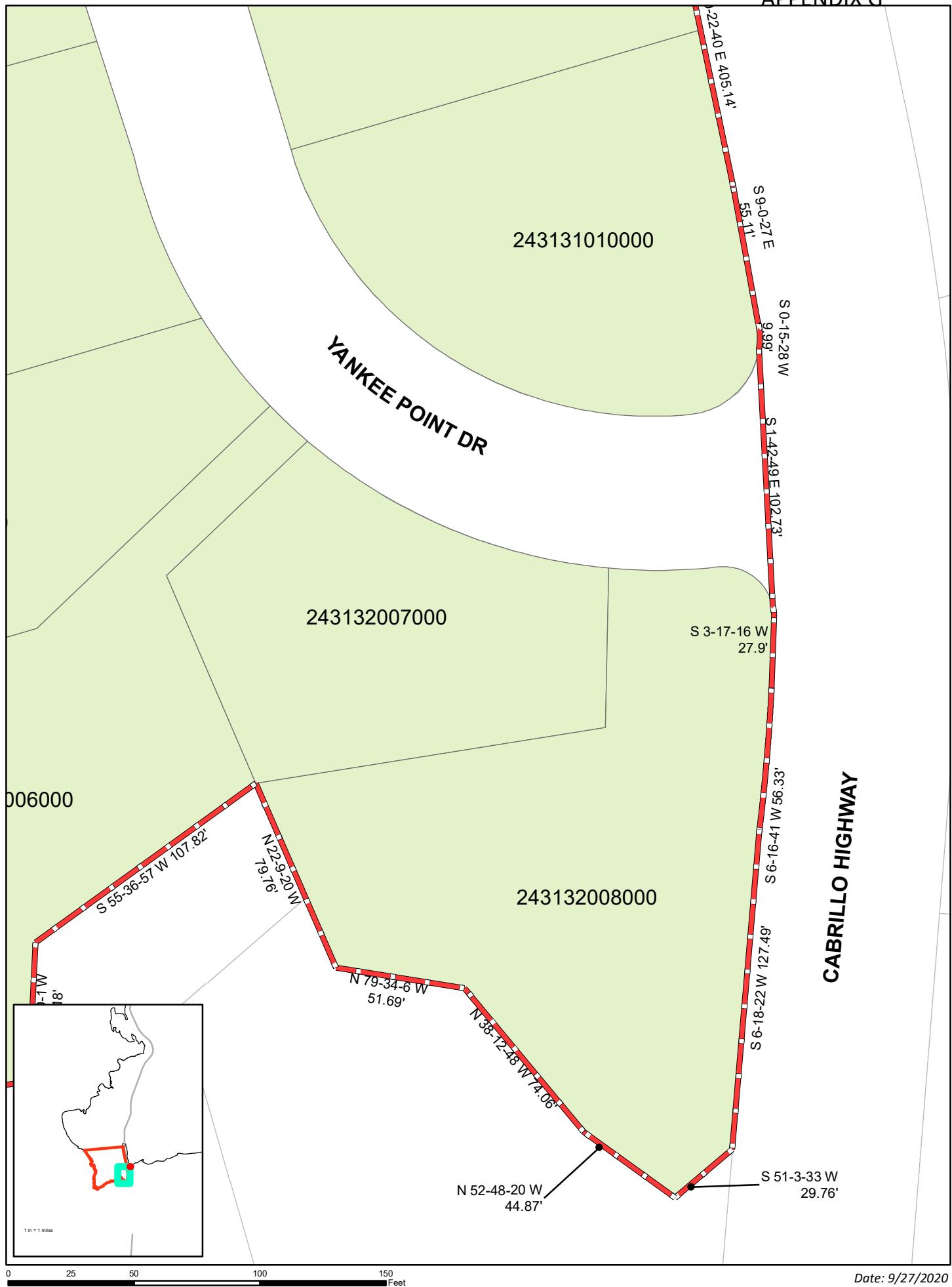
Monterey Peninsula Water Management Agency
Yankee Point Annexation

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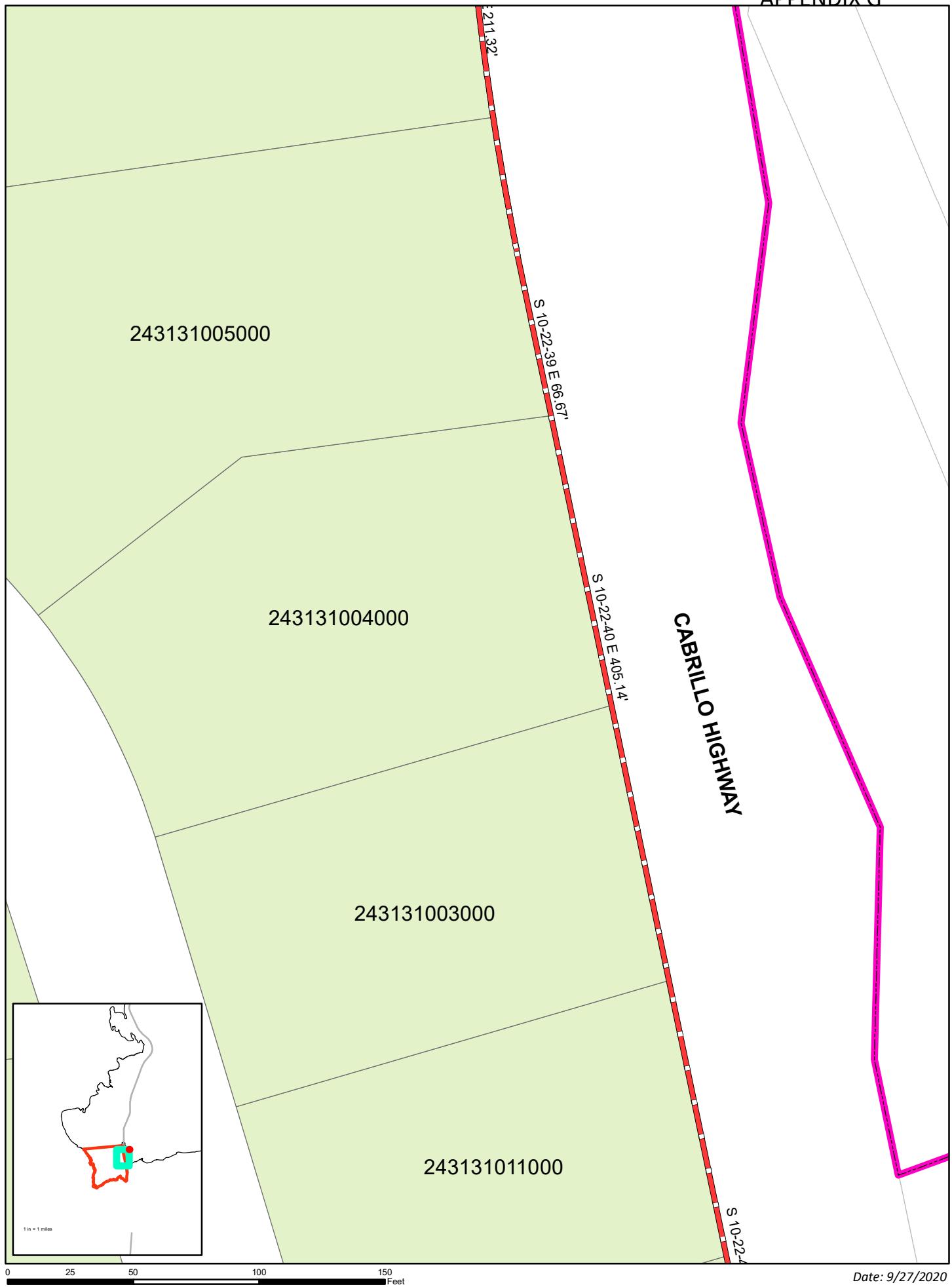


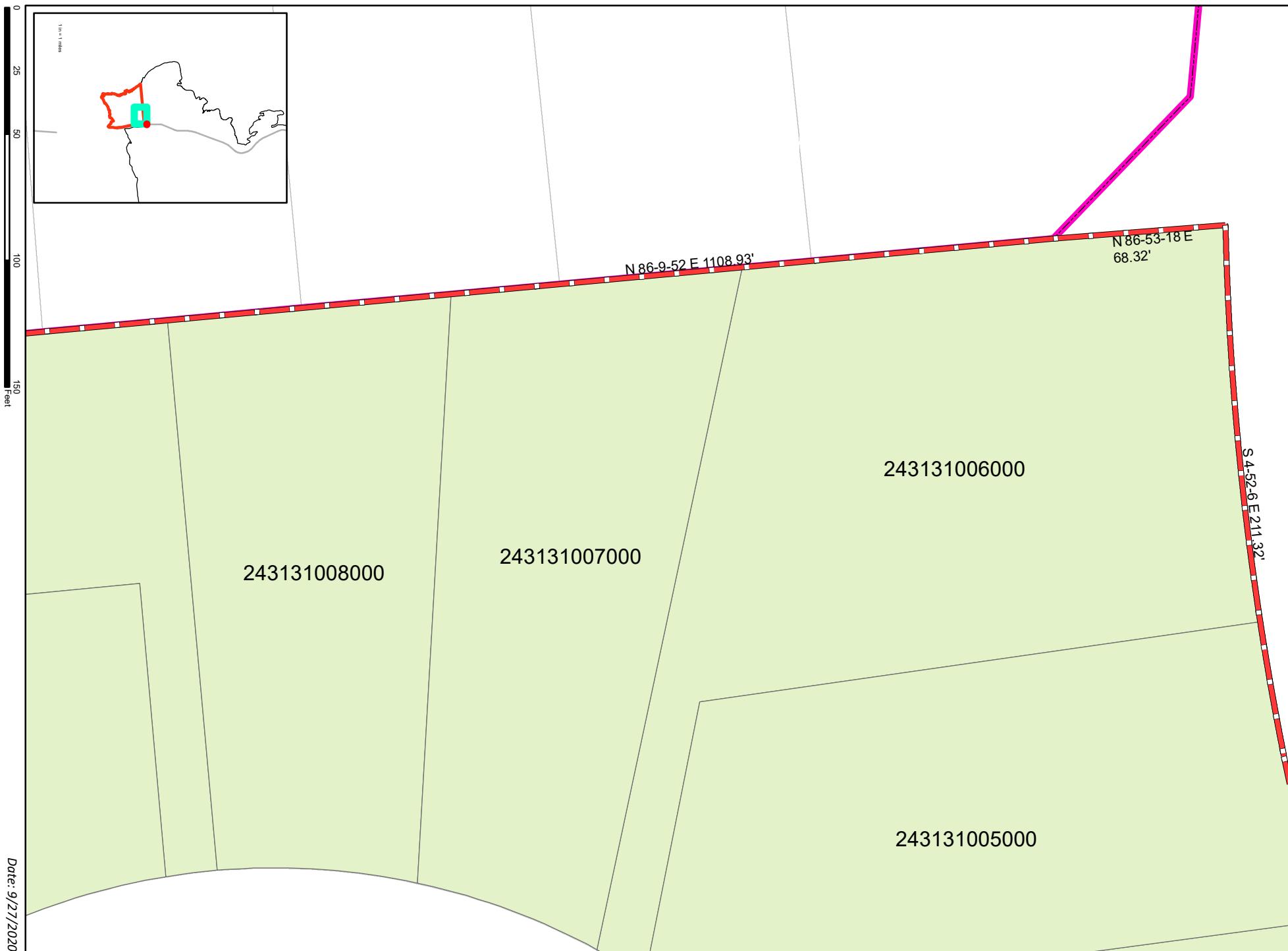


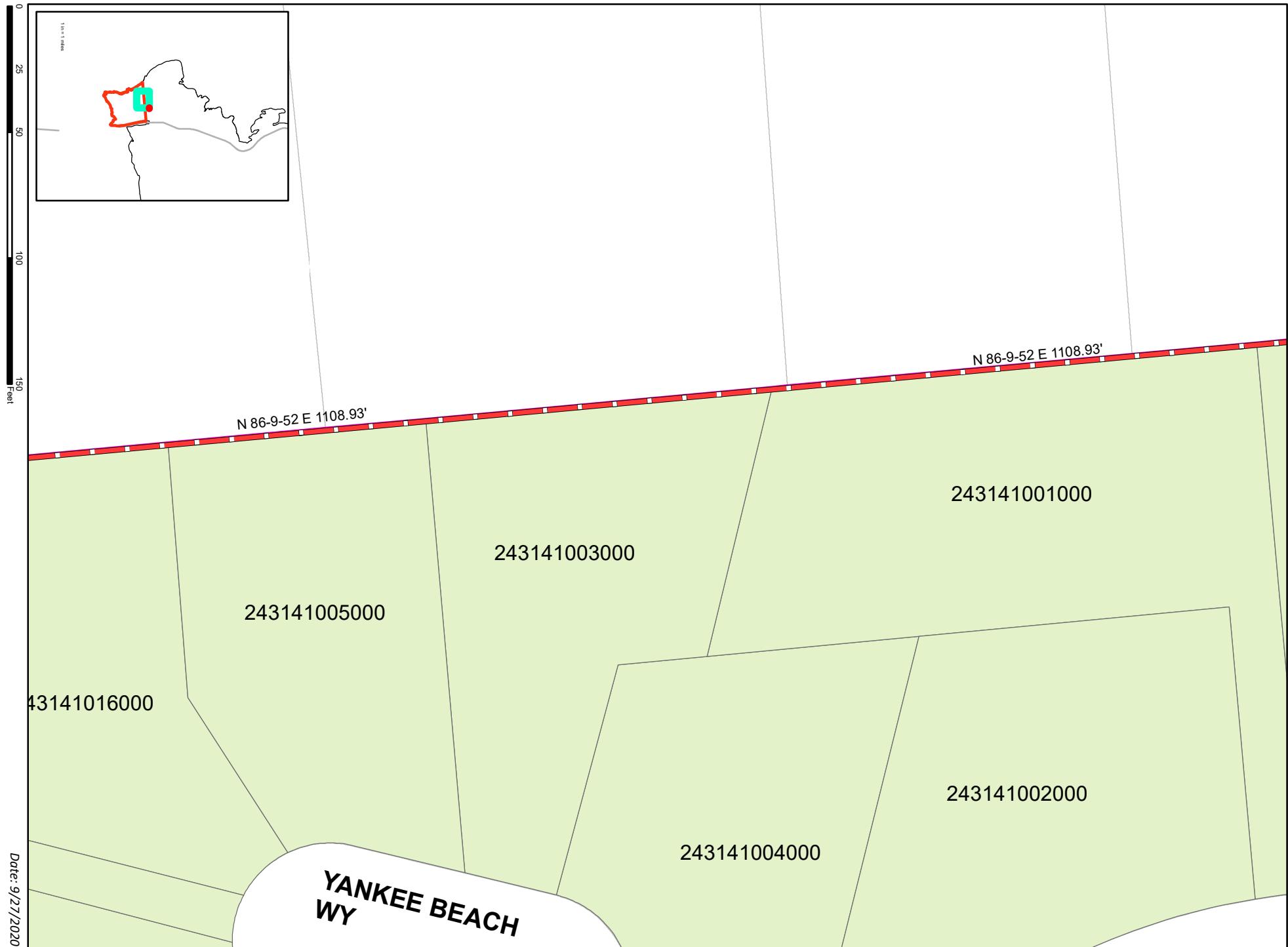


Monterey Peninsula Water Management Agency
Yankee Point Annexation

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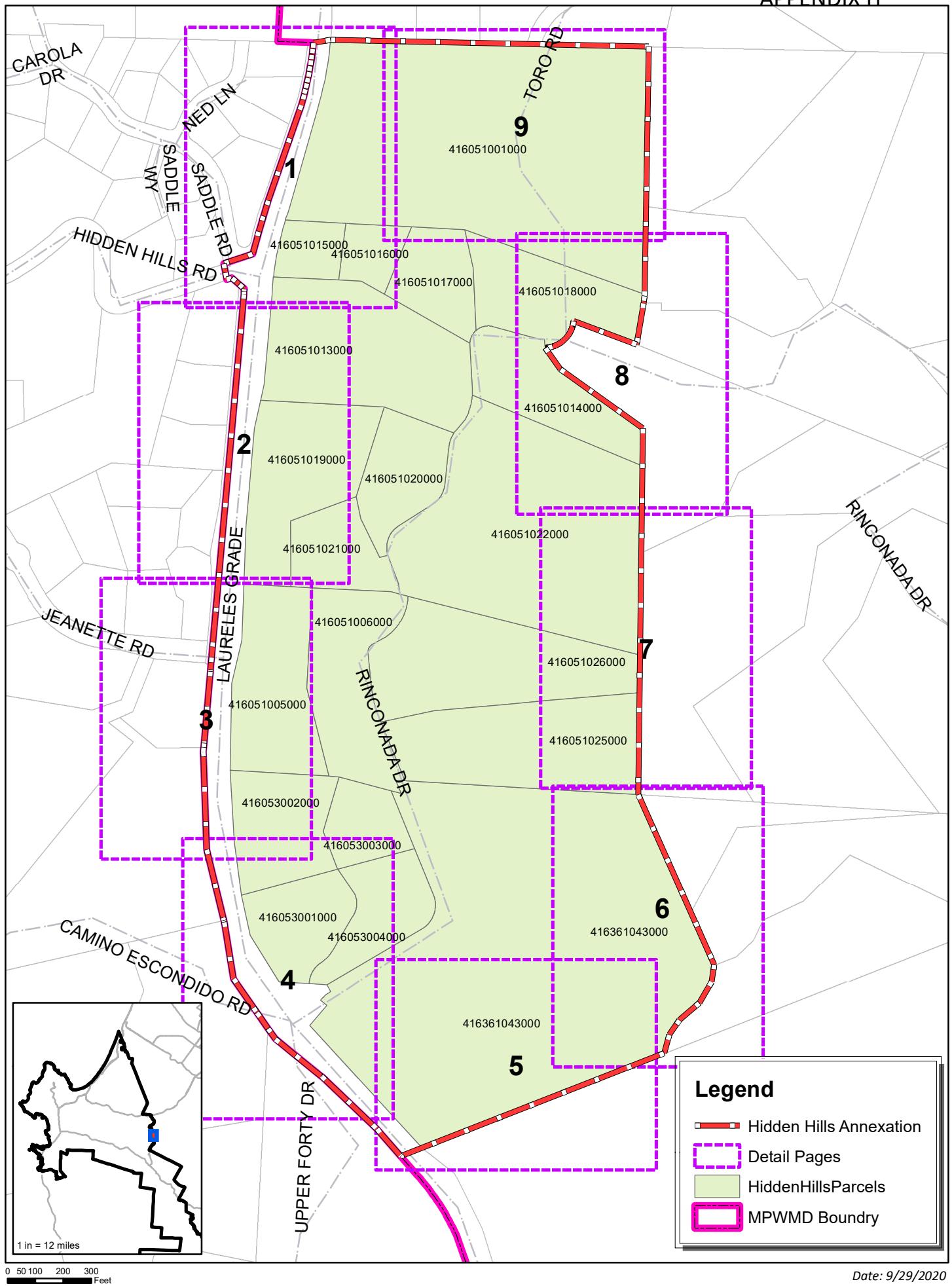


APPENDIX H

Hidden Hills Annexation Parcel Maps and Description

Monterey Peninsula Water Management Agency
Hidden Hills Annexation

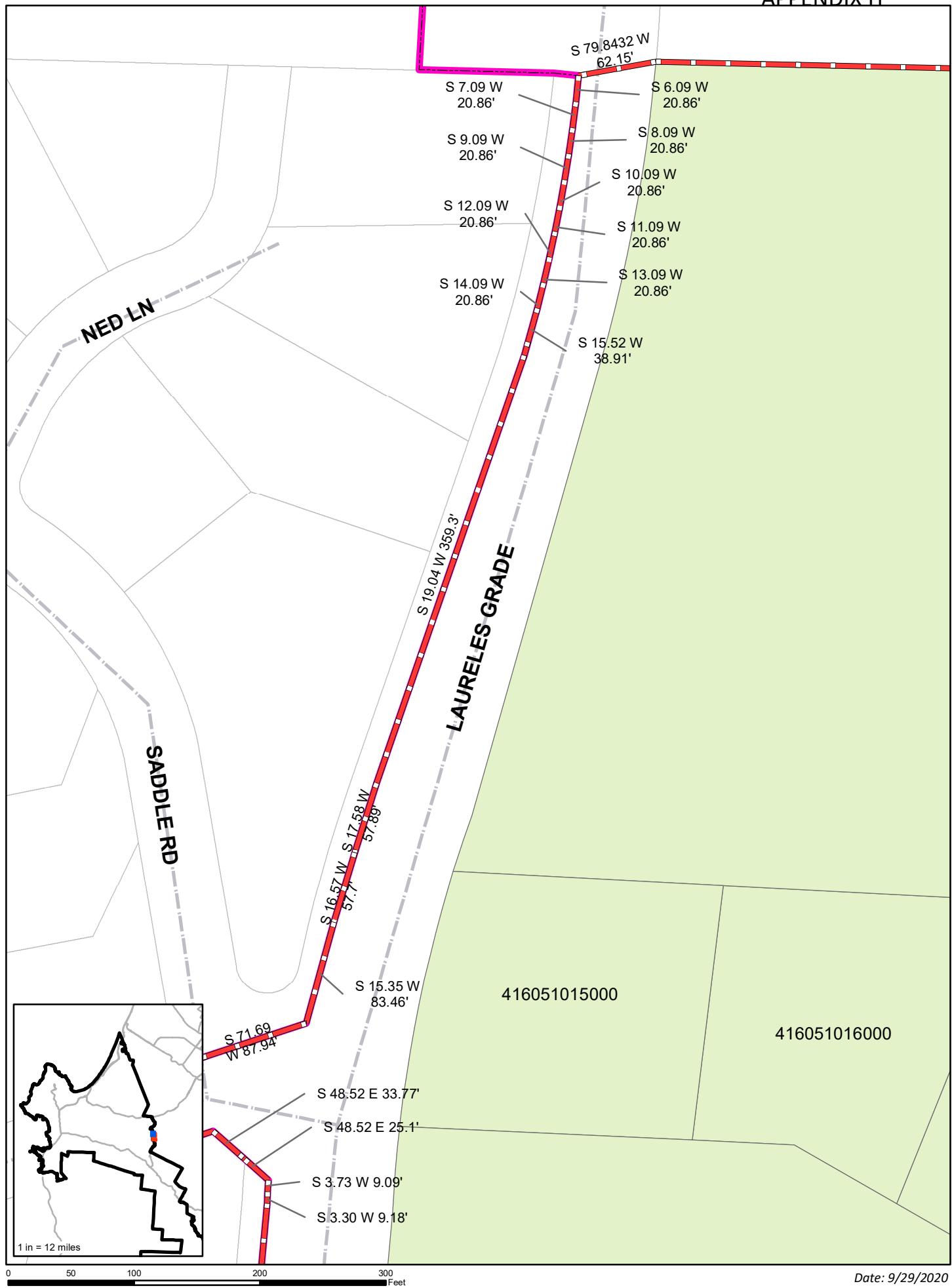
APPENDIX H Index





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Hidden Hills Annexation

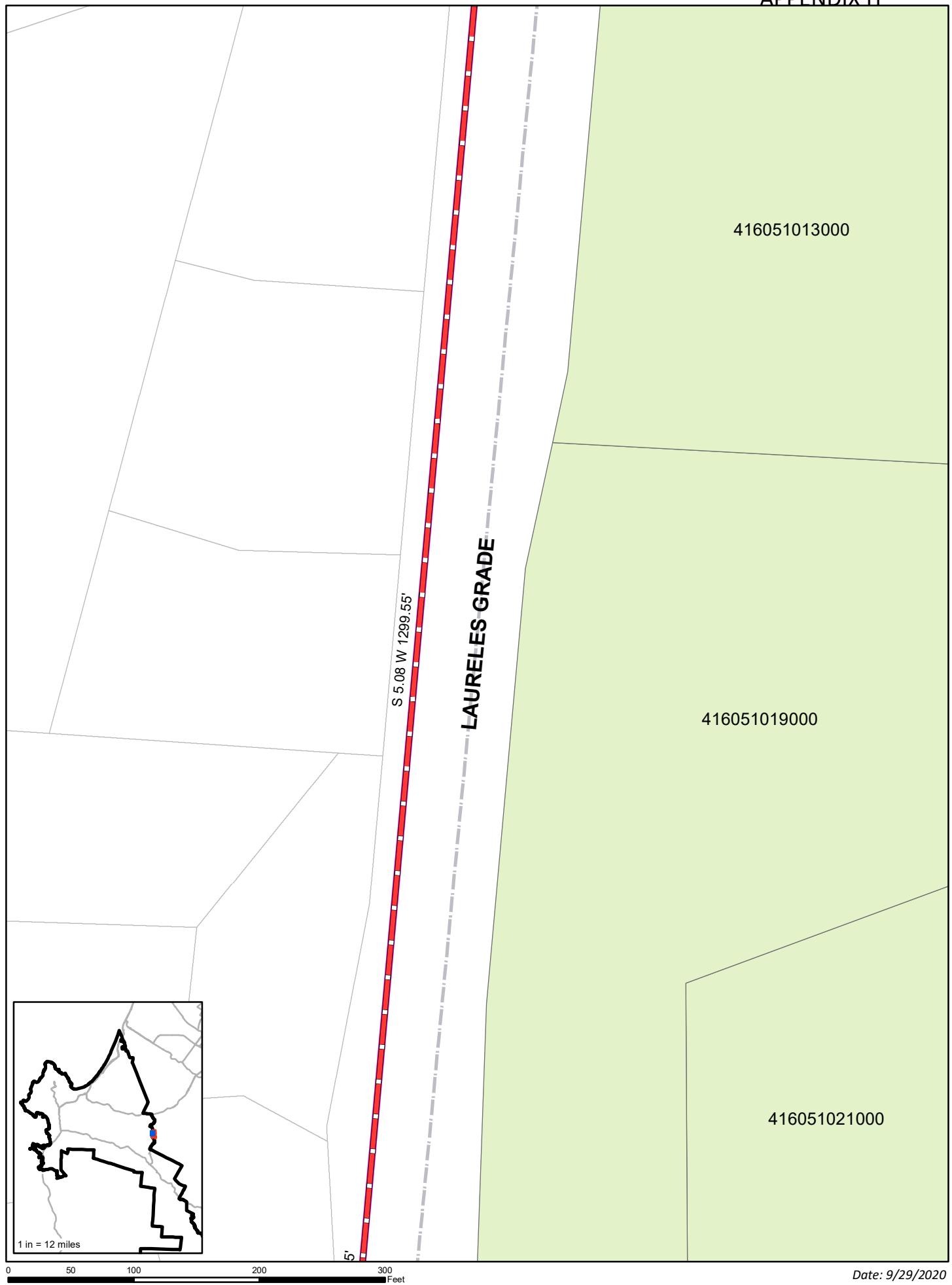
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Hidden Hills Annexation

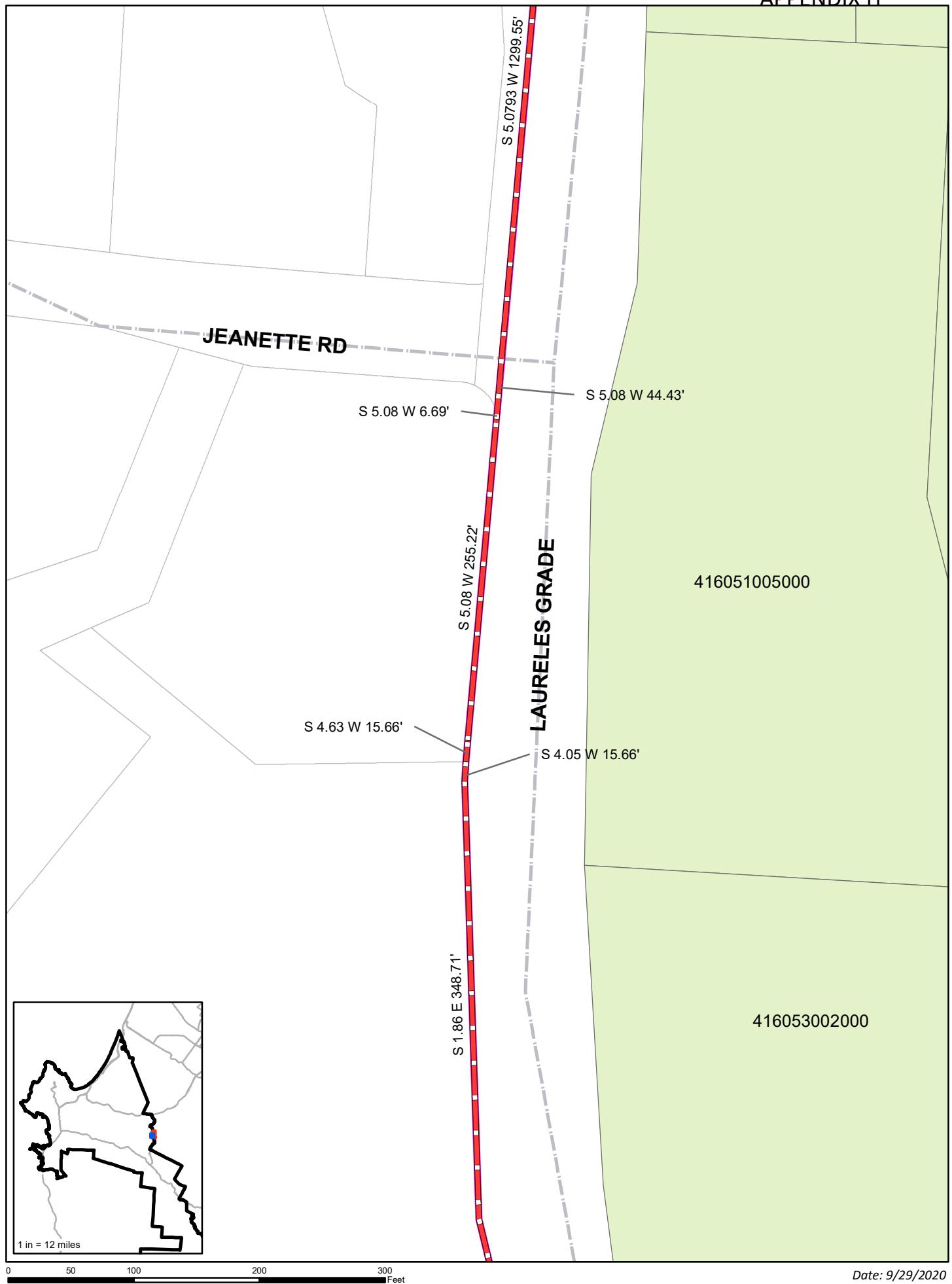
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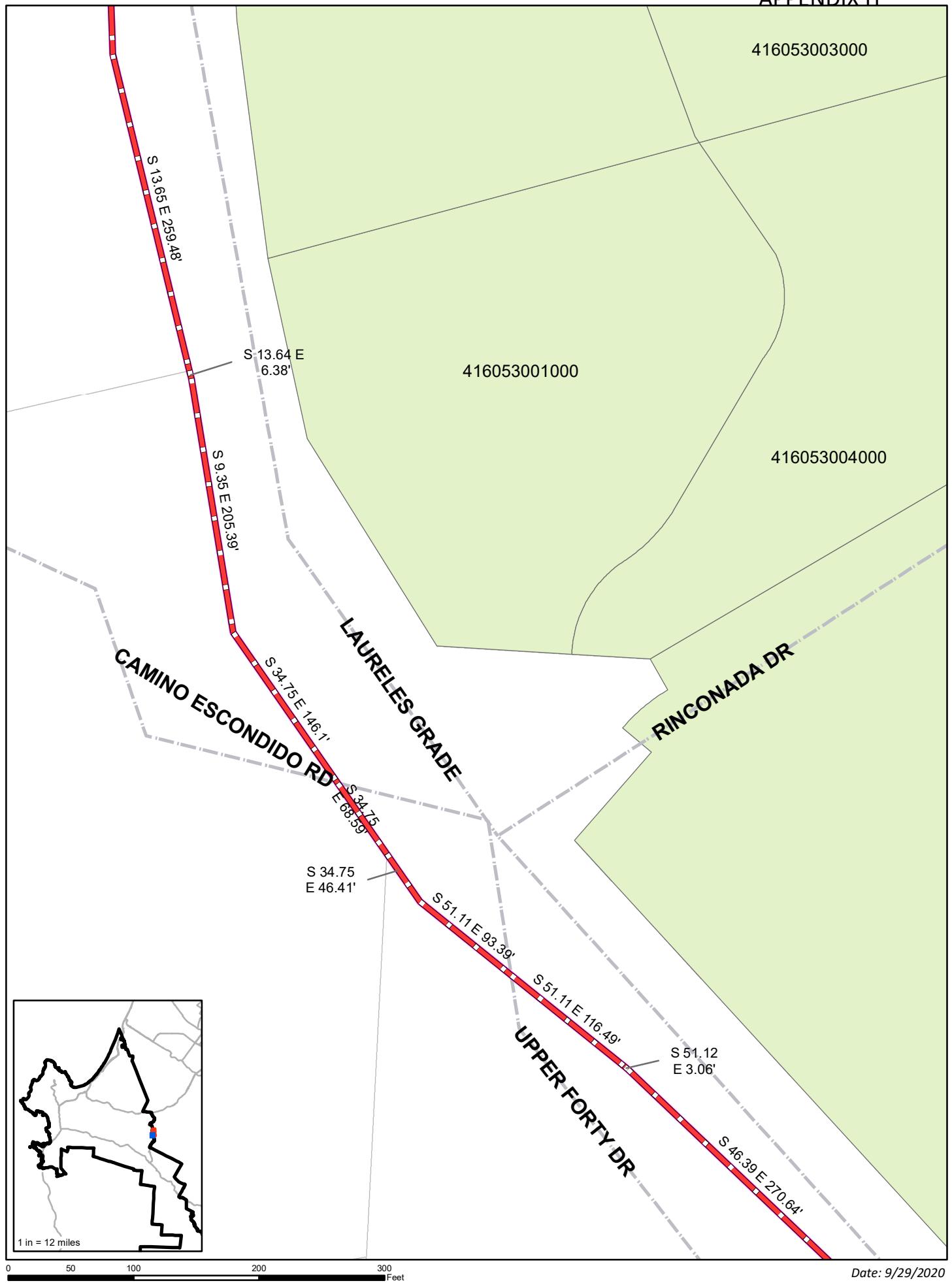


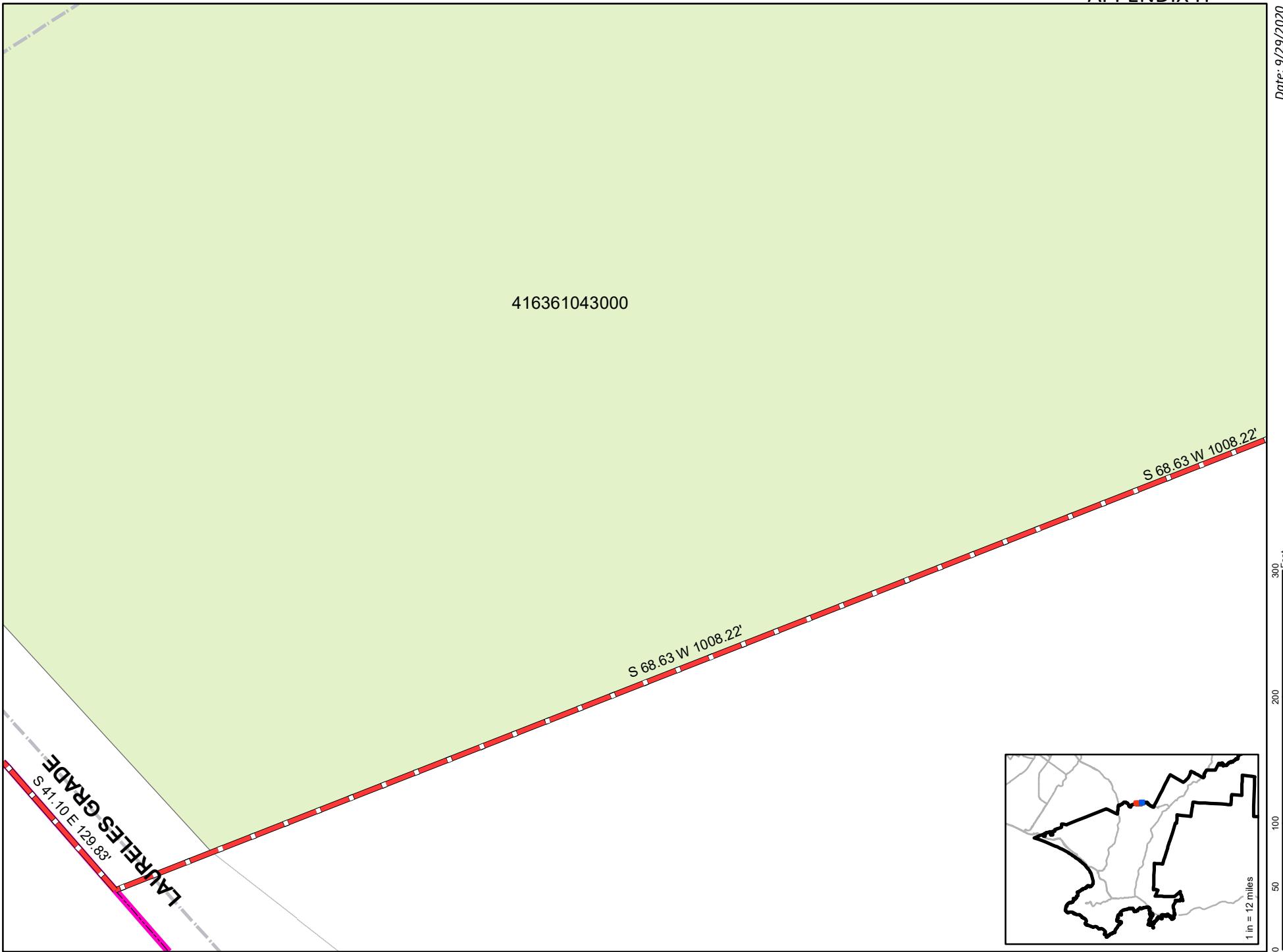


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Hidden Hills Annexation

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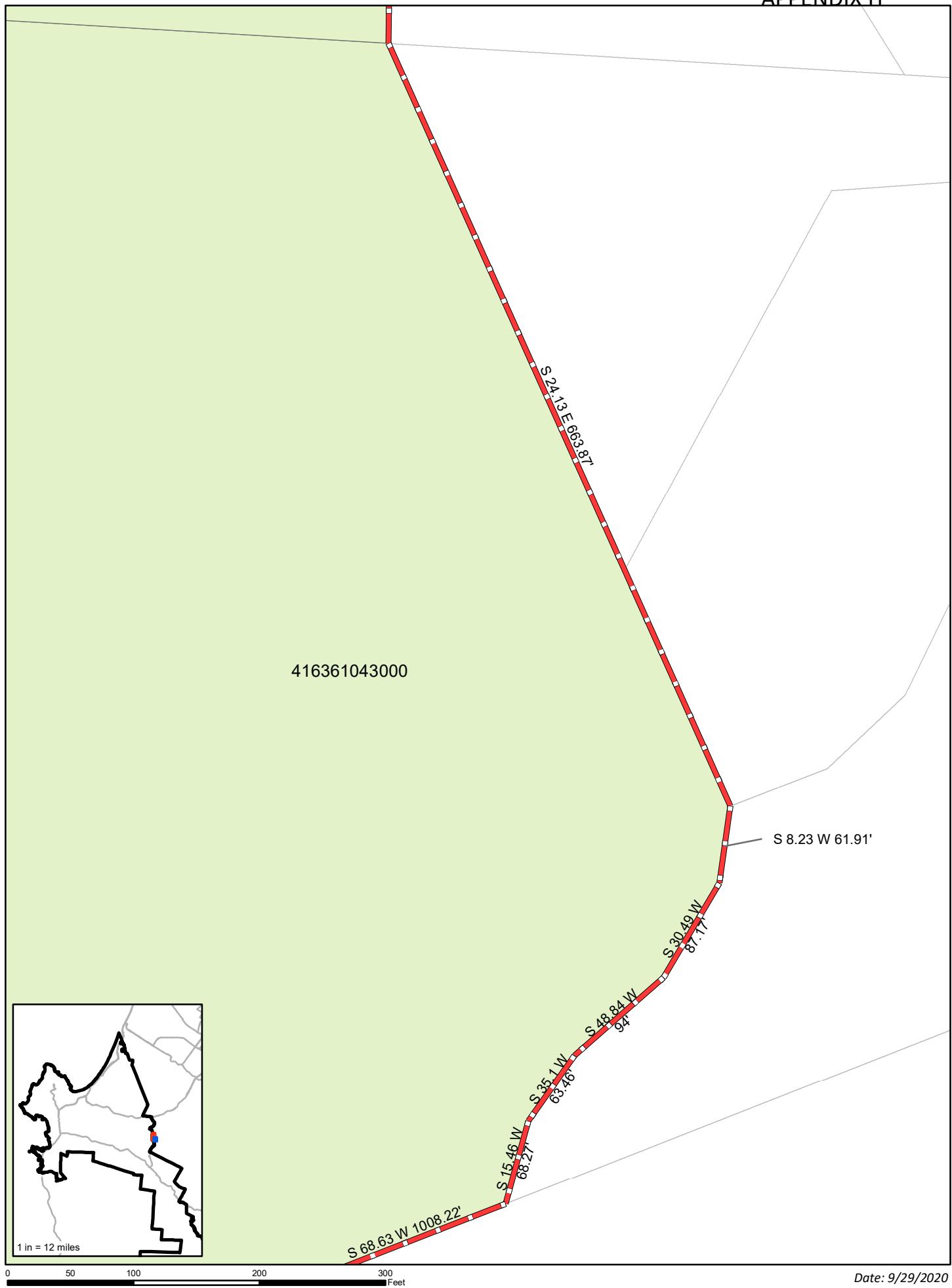






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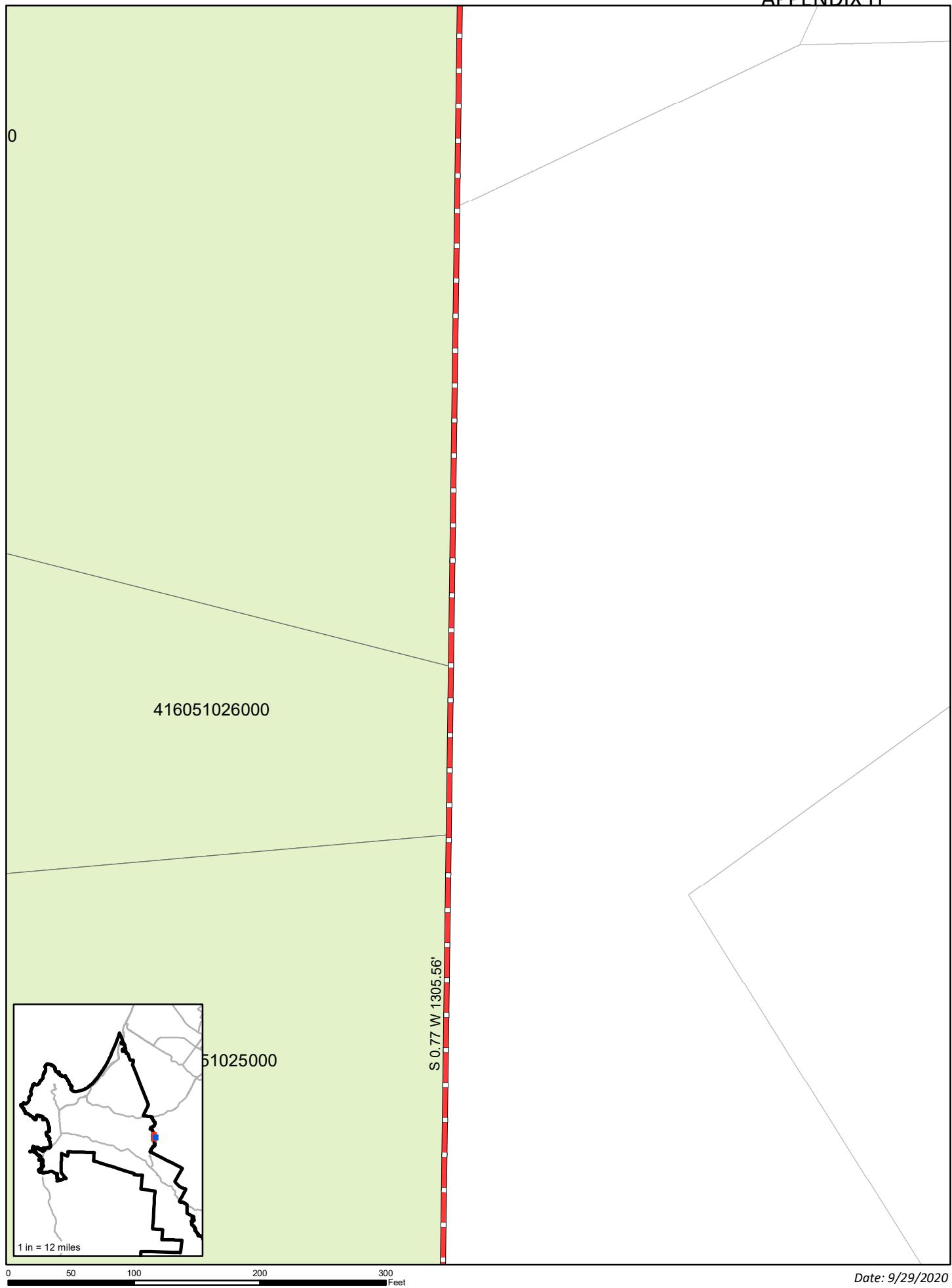
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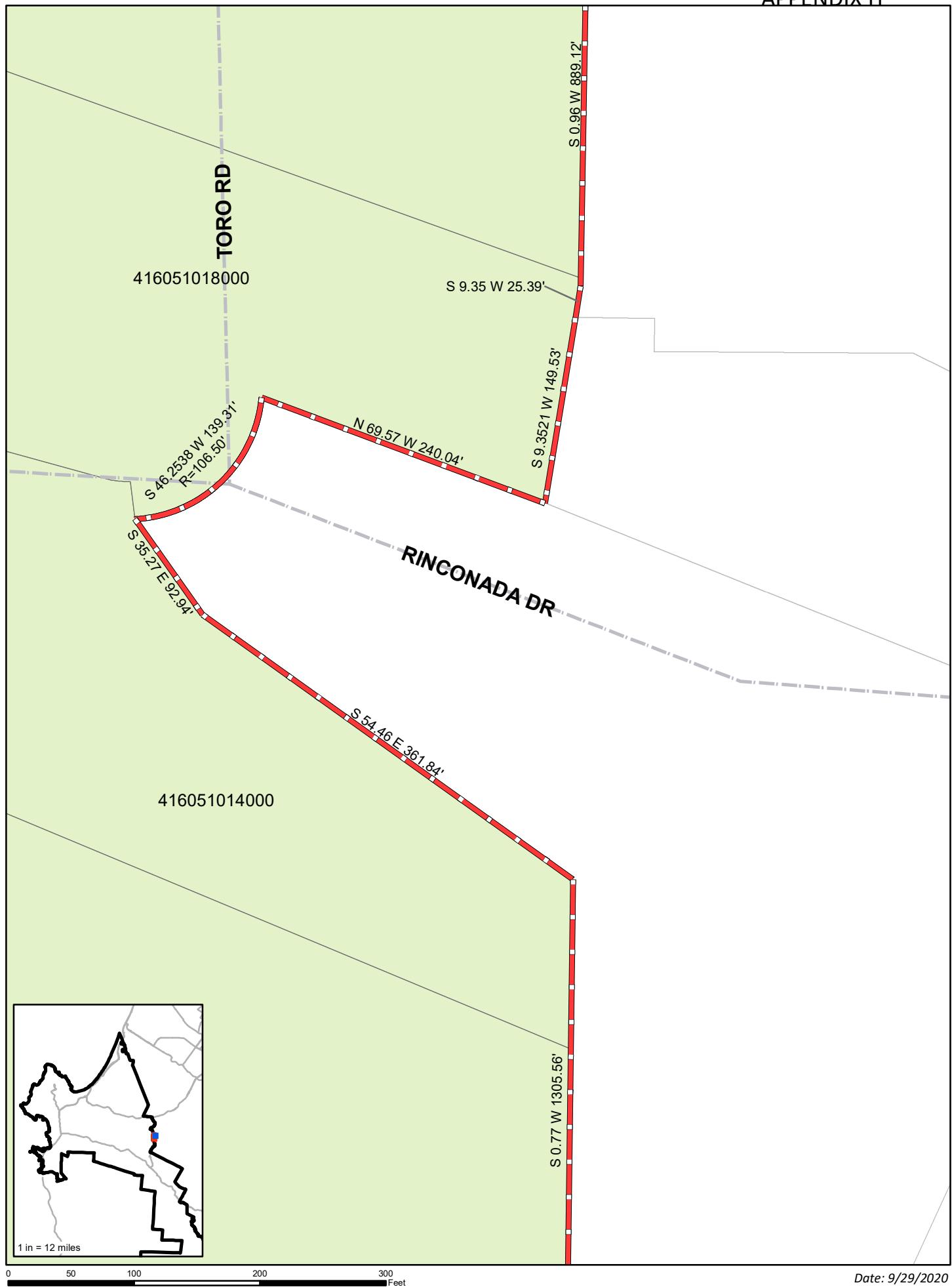


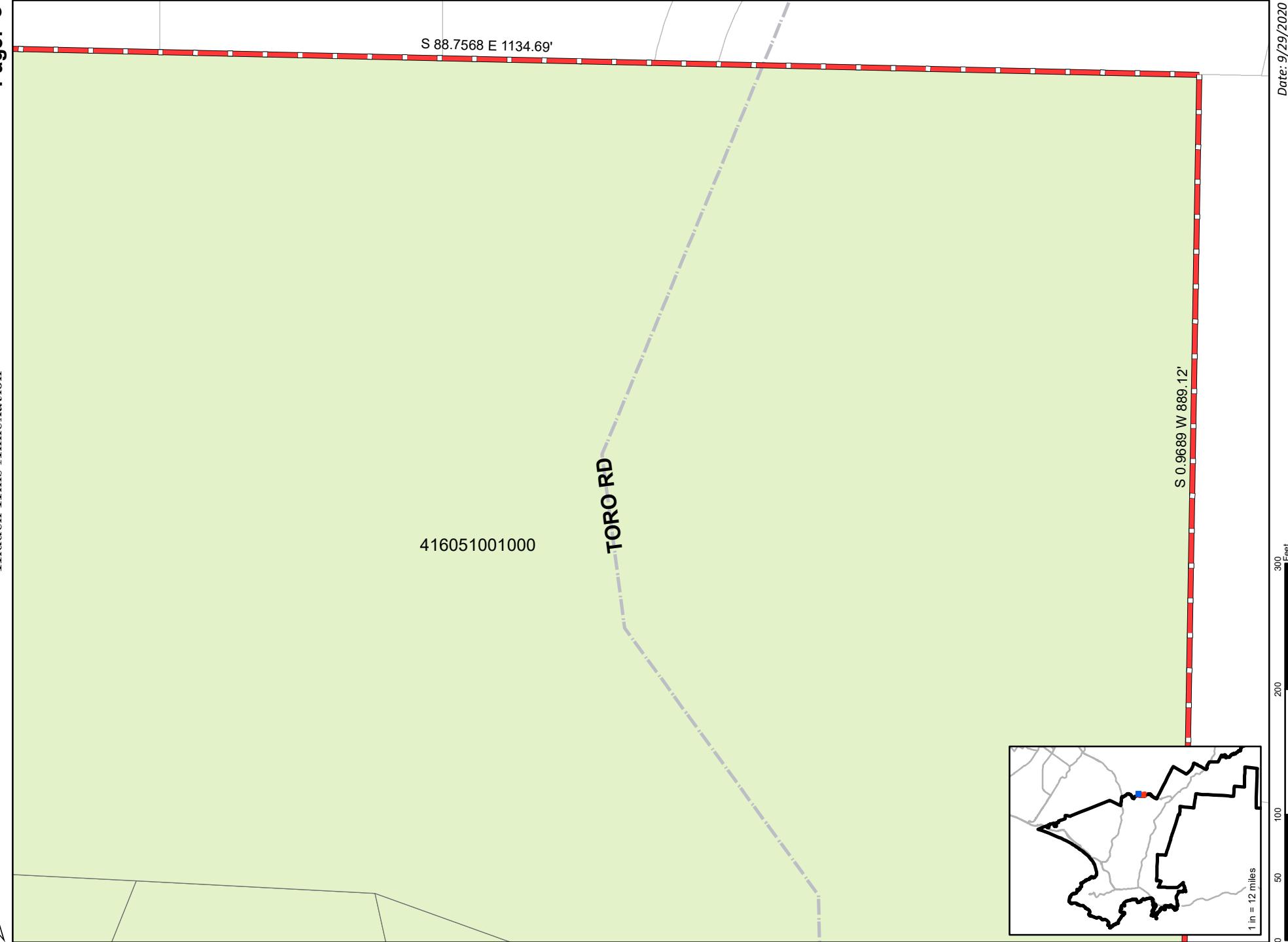


Monterey Peninsula Water Management Agency
Hidden Hills Annexation

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APPENDIX I

**Pro Forma District Resolution for Adoption of a
Property Tax Transfer Agreement**

RESOLUTION 2021-__

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
APPROVING A ZERO PROPERTY TAX TRANSFER FOR THE PROPOSAL TO SEEK
AUTHORIZATION TO ACTIVATE LATENT DISTRICT POWERS
AND TO ADOPT A SPHERE OF INFLUENCE AMENDMENT AND ANNEXATION**

WHEREAS, The Monterey Peninsula Water Management District (“District”) is organized and exists under the Monterey Peninsula Water Management District Law (Chapter 527 of the Statutes of 1977, and published at Water Code Appendix, Section 118-1, et seq.) (“District Law”).

WHEREAS, Pursuant to Section 325 of the District Law, and except as otherwise limited by the District Law, the District has the power to do any and every lawful act necessary in order that sufficient water may be available for any present or future beneficial use or uses of the lands or inhabitants within the District, including, but not limited to, irrigation, domestic, fire protection, municipal, commercial, industrial, recreational, and all other beneficial uses and purposes.

WHEREAS, Pursuant to Section 328 of the District Law, the District has the power, among other things, (a) to acquire public or private water systems necessary or proper to carry out the purposes of the District Law; (b) to store water in surface or underground reservoirs within or outside of the District for the common benefit of the District; (c) To conserve and reclaim water for present and future use within the District; (d) To appropriate and acquire water and water rights, and import water into the District and to conserve and utilize, within or outside of the District, water for any purpose useful to the District.

WHEREAS, the Monterey County Local Agency Formation Commission (LAFCO) has received a proposal involving a sphere of influence amendment and annexation of various parcels to the Monterey Peninsula Water Management District.

WHEREAS, Revenue and Taxation Code Section 99 requires a county Board of Supervisors to determine an appropriate tax transfer for all jurisdictional changes of organization occurring within a county which could affect the service responsibility of any special district.

WHEREAS, pursuant to Revenue and Taxation Code Section 99(b)(6), the Executive Officer of

LAFCO shall not issue a Certificate of Filing (Government Code Section 56828) for a change of organization until an exchange of property tax revenue is negotiated; and

WHEREAS, the Monterey County Board of Supervisors approved and adopted a formula and policies for determining property tax transfer resulting from jurisdictional changes involving special districts (Resolution No. 80-249).

NOW, THEREFORE, BE IT RESOLVED, as follows: The Board of the District does hereby resolve, determine, and order a Zero Property Tax Transfer involving the proposed sphere of influence amendment and annexation of various parcels to the Monterey Peninsula Water Management District in accordance with District Resolution No. 2020-12.

On motion of Director _____, and second by Director _____, the foregoing resolution is duly adopted this 15th day of March 2021 by the following votes:

AYES:

NAYS:

ABSENT:

I, David J. Stoldt, Secretary to the Board of Directors of the Monterey Peninsula Water Management District, hereby certify that the foregoing is a resolution duly adopted on the 15th day of March 2021.

Witness my hand and seal of the Board of Directors this ____ day of March 2021.

David J. Stoldt,
Secretary to the Board

APPENDIX J

Verification of Payment of California Department of Fish and Wildlife Environmental Review Fee



State of California - Department of Fish and Wildlife
2020 ENVIRONMENTAL FILING FEE CASH RECEIPT
DFW 753.5a (REV. 12/01/19) Previously DFG 753.5a

Corrected receipt received from CDFW on
12/16/2020. Transmitted by email dated 12/16/2020.

RECEIPT NUMBER:
27-10302020-089
STATE CLEARINGHOUSE NUMBER (*If applicable*)

SEE INSTRUCTIONS ON REVERSE. TYPE OR PRINT CLEARLY.

LEAD AGENCY MONTEREY PENINSULA WATER MGT	LEAD AGENCY EMAIL	DATE 10/30/2020
COUNTY/STATE AGENCY OF FILING MONTEREY		DOCUMENT NUMBER 2020-0089

PROJECT TITLE

POTENTIAL ACQUISITION OF MONTEREY WATER SYSTEM AND DISTRICT BOUNDARY ADJUSTMENT

PROJECT APPLICANT NAME DAVID STOLDT	PROJECT APPLICANT EMAIL	PHONE NUMBER (831) 658-5651
PROJECT APPLICANT ADDRESS 5 HARRIS COURT BLD G	CITY MONTEREY	STATE CA ZIP CODE 93940

PROJECT APPLICANT (*Check appropriate box*)

Local Public Agency School District Other Special District State Agency Private Entity

CHECK APPLICABLE FEES:

<input checked="" type="checkbox"/> Environmental Impact Report (EIR)	\$3,343.25	\$	\$3,343.25
<input type="checkbox"/> Mitigated/Negative Declaration (MND)(ND)	\$2,406.75	\$	
<input type="checkbox"/> Certified Regulatory Program (CRP) document - payment due directly to CDFW	\$1,136.50	\$	

Exempt from fee

Notice of Exemption (attach)

CDRW No Effect Determination (attach)

Fee previously paid (attach previously issued cash receipt copy)

<input type="checkbox"/> Water Right Application or Petition Fee (State Water Resources Control Board only)	\$850.00	\$	
<input checked="" type="checkbox"/> County documentary handling fee		\$	\$50.00
<input type="checkbox"/> Other		\$	

PAYMENT METHOD:

Cash Credit Check Other TOTAL RECEIVED \$ \$3,393.25

SIGNATURE

X *[Signature]*

AGENCY OF FILING PRINTED NAME AND TITLE

Luizana Gonzalez, Deputy County Clerk-Recorder

APPENDIX K

Signed LAFCO Indemnification Agreement

INDEMNIFICATION AGREEMENT

for

**Monterey Peninsula Water Management District: Proposed Sphere of Influence
Amendment, Annexation of Lands into the District's Jurisdictional Boundary, and
Activation of a Latent Power (Retail Potable Water Services)**

LAFCO File# _____

As part of this Application, the Monterey Peninsula Water Management District ("District") and its successors and assigns, shall indemnify, defend, and hold harmless the Local Agency Formation Commission of Monterey County ("LAFCO"), its officials, officers, employees, agents, representatives, contractors, and assigns from and against any and all claims, demands, liability, judgments, damages (including consequential damages), awards, interest, attorney fees, costs, and expenses of whatsoever kind or nature, at any time arising out of, or in any way connected with any legal challenges to or appeals associated with LAFCO's review and/or approval of the Application (collectively, "Indemnification Costs"). The District's obligation to indemnify, defend and hold harmless LAFCO, its officials, officers, employees, agents, representatives, contractors and assigns under this Indemnification Agreement shall apply regardless of fault, to any acts or omissions, or negligent conduct, whether active or passive, on the part of the District, LAFCO, its officials, officers, employees, agents, representatives, contractors, or assigns. The District's obligation to defend LAFCO, its officials, officers, employees, agents, representatives, contractors, and assigns under this Agreement shall be at the District's sole expense and using counsel selected or approved by LAFCO. LAFCO may, at its sole discretion, participate in the defense of such action, but such participation shall not relieve the District of its obligations under this Indemnification Agreement.

In the event of a lawsuit, the District will be notified by LAFCO within three business days of being served. An invoice will be submitted to the District by LAFCO for an amount between \$10,000 and \$25,000 to cover a portion of the Indemnification Costs ("Reserve"), which shall depend upon the estimated cost to resolve the matter and shall be determined in LAFCO's sole discretion. The District shall pay the Reserve to LAFCO within seven calendar days of LAFCO's request. The Reserve shall be applied against LAFCO's final bill for the Indemnification Costs, with any unused portion to be returned to the District. LAFCO shall bill the District monthly for the Indemnification Costs, which shall be paid to LAFCO no later than fifteen calendar days after receipt of LAFCO's bill.

It is agreed and understood by the Parties hereto, that this Agreement has been arrived at through negotiations and that neither party is to be deemed the party which prepared this Indemnification Agreement within the meaning of Civil Code section 1654.

By Monterey Peninsula Water Management District:

Signature:  Date: 2-26-2021
 Print name: David J. Stoldt Title: General Manager

By LAFCO of Monterey County:

Signature: _____ Date: _____
 Print name: _____ Title: _____