



Pure Water Monterey
A Groundwater Replenishment Project

January 14, 2016 Joint Special Meeting



Agenda

- Progress
- Barriers to Success and Strategy to Address
- Opportunities
- Water Purchase Agreement
- Cost Comparison
- Testimony



Progress

Procurement Schedule (End Dates)	CPUC Schedule
Diversion Facilities <ul style="list-style-type: none"> • Bid Process - August 15, 2016 • Construction – September 12, 2016 	Jan 22 -Testimony Due Mar 22 - Rebuttals April - Hearings
AWTF <ul style="list-style-type: none"> • Bid Process – August 3, 2016 • Design/Construction – March 30, 2018 	May - Briefs Due July - Proposed Decision
Injection Wells <ul style="list-style-type: none"> • Bid Process – February 7, 2017 • Construction – January 12, 2018 	Aug- Commission Action

Barriers to Success and Strategies to Address

- 9 Settlement Criteria
 - 7 have been met
- Water Purchase Agreement
 - Discussion Today
- Cost Comparison
 - Grants
 - Third Party Review of Desal Projects
 - Outfall Lease Options
- Testimony
 - Mobilize NGO and political support

Opportunities

- Outfall Agreement



9 Settlement Criteria

- | | |
|------------------------|--|
| 1) Certified EIR | 6) 10% Design |
| 2) Permits on Schedule | 7) SRF Funding Plan |
| 3) Source Water | 8) Water Purchase Agt |
| 4) SWRCB/DDW Support | 9) Annual Cost is Just and Reasonable |
| 5) Project on Schedule | |





Water Purchase Agreement (WPA)



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WPA: Performance Obligations

- Deliver 3,500 AF per year
- Minimum delivery of 2,800 AF per year
- Build Operating Reserve to 1,000 AF at start and 1,750 after 3 years
- Build Drought Reserve to 1,000 AF
- Ensure water quality
- Agency reads meters; District performs billing and Reserve accounting



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WPA: Breach and Events of Default

- Delivery Start Date July 1, 2019
- Performance Start Date January 1, 2020
- Failure to deliver 3,500 AF in 3 consecutive years
- Failure to deliver at least 2,800 AF in 2 consecutive years
- Failure to deliver at least 1,800 AF in one year
- Failure to make available 3,500 AF from deliveries and reserves in any year
- Repeatedly fail to meet water quality standards



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WPA: Cal-Am Recourse

- Cal-Am wanted direct recourse to Agency for breach or default
- Public team refused – “Buying water from District”
- Agency assets and ratepayer revenues deemed unavailable for damages
- Cal-Am still wanted Agency “specific performance” as a remedy
- Solution: District has assigned its right to specific performance if it fails to act



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WPA: Exposure and Protection

Exposure	Protection
Construction Risk	Contractor Insurance
Construction Overruns	Exposed? (CPUC Process)
Interruption	Operating Reserve
Water Quality Remediation	Insurance
Inflation & Repairs	Tier 1 Advice Letter
Large Capital Fix	Exposed (CPUC Process)
Damages	Insurance or Exposed
Cal-Am Failure	Exposed (District)



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WPA: Other

- 30 Year Term from Performance Start Date
- Up to 10 year extension
- Delivery Start Date before Performance Start Date allows start-up period and building Operating Reserve



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Cost – Urging Approval Even with Unknowns

- Greater Certainty
- Resource Diversity
- Less expensive water on its own
- Meets 8 Statewide Policy goals
- Many social and environmental benefits



Cost

	Cost per AF Based on 1 st Year Revenue Requirement	Fully Loaded 1 st Year Cost per AF
GWR Low Scenario	n.a.	\$1,379 / AF
GWR Median Scenario	n.a.	\$1,811 / AF
6.4 MGD Desalination	\$5,918 / AF	\$6,147 / AF
9.6 MGD Desalination	\$4,214 / AF	\$4,364 / AF



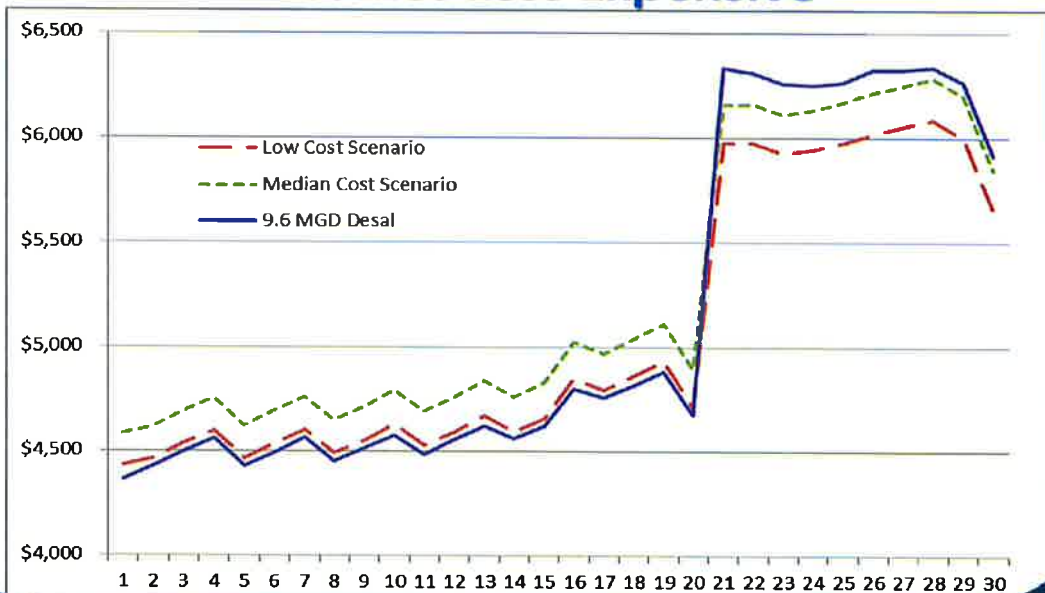
Cost Comparison - Issues

- CPUC Single Test Year History
- Misses Future Replacement Costs
- Misses Outfall Rental
- Escalation Rates
- Grants, Reimbursements Unknown
- Bids not Received

Cost Comparison – Lifecycle Results

	Gross Lifecycle Benefit of GWR	Net Present Value of GWR Benefits	GWR Cost per AF	6.4MGD Cost per AF	Blended Cost per AF	9.6MGD Cost per AF
Median Cost Scenario	(\$30,342,000)	(\$22,034,000)	\$1,811	\$6,147	\$4,591	\$4,364
Low Cost Scenario	\$20,660,000	\$3,313,000	\$1,379	\$6,147	\$4,435	\$4,364

Cost Comparison – Eventually Becomes Less Expensive



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Cost Comparison – Additional Issues

- Externalities
- Debt Equivalence
- Desal Project Component Review



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Testimony – Agency/District Game Plan

- Paul Sciuto – Master of Ceremony, Introduction, General Project Information
- Dave Stoldt – CDO, Financing, WPA, Revenue Requirement, Policy
- Bob Holden – RWQCB/DDW Approval, Level of Design
- Margie Nellor - RWQCB/DDW Approval
- Allison Imamura – Status of Permitting
- HDR – Externalities Study



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A San Jose Water Company Project

Next Steps

- Share thoughts on Process
- Provide Direction on Testimony
- Provide Guidance on Outfall Agreement
- Approve form of WPA in open session



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