

**Pages 4 and 5 of a
Post- 2011 CPUC Filing
by Cal Am
(ID #302075898.4)**

As part of that proceeding, the Commission conducted environmental review of the Coastal Water Project, the North Marina Project, and the Regional Desalination Project, and certified the Environmental Impact Report ("EIR") in December 2009.⁹ A year later, in D.10-12-016, the Commission approved implementation of the Regional Desalination Project by California American Water, Marina Coast Water District ("MCWD"), Monterey County Water Resources Agency ("MCWRA") and the related Water Purchase Agreement.¹⁰ Generally, the Water Purchase Agreement required MCWRA to construct, own and operate wells to pump intruded seawater from the Salinas Groundwater Basin, MCWD to construct, own and operate the desalination plant to treat that water, and California American Water to construct, own and operate the California American Water-only facilities to distribute the treated water to its customers.¹¹

Unfortunately, issues arose during the implementation of the Regional Desalination Project that led to the inability to move forward with that project in a timely and efficient manner.¹² It became clear that the Regional Desalination Project was no longer viable and would not allow California American Water to meet the SWRCB December 2016 deadline. On September 28, 2011 California American Water terminated the Water Purchase Agreement and related agreements based on MCWRA's repudiation of those agreements resulting from the alleged conflict of interest concerning Stephen Collins. Although California American Water, MCWD and MCWRA participated in mediation for a total of almost five months, a variety of obstacles remained, including failure to obtain test well permits, water rights lawsuits, lack of

⁹ D.09-12-017, *In the Matter of the Application of California-American Water Company (U210W) for a Certificate of Public Convenience and Necessity to Construct and Operate its Coastal Water Project to Resolve the Long-Term Water Supply Deficit in its Monterey District and to Recover All Present and Future Costs in Connection Therewith in Rates*, 2009 Cal. PUC LEXIS 764, *34 ("D.09-12-017, 2009 Cal. PUC LEXIS 764"), Ordering ¶ 1.

¹⁰ D.10-12-016, 2010 Cal. PUC LEXIS 548, *301, Ordering ¶ 1.

¹¹ A.04-09-019, *Marina Coast Water District's Notice of Filing of Conformed Copy of Water Purchase Agreement Containing Previously-Announced Revisions Acceptable to the Signatories*, filed August 30, 2010, Appendix A, *Water Purchase Agreement* ("Water Purchase Agreement"), pp. 23-24, § 3.

¹² California American Water discussed these issues in multiple pleadings in A.04-09-019: *California-American Water Company Compliance Filing - Mediation Update*, filed January 18, 2012, pp. 1-2; *Status Report of California-American Water Company*, filed March 1, 2012, pp. 2-3; *California-American Water Company Compliance Filing*, filed March 1, 2012, pp. 2-5; *California-American Water Company Response to the Separate Status Report of Marina Coast Water District*, filed March 15, 2012, pp. 2-9.

CAL AMR PUC FILING

financing, and a ruling from the Monterey County Superior Court that the EIR was not valid for use by MCWD as lead agency. On January 17, 2012, California American Water announced publicly that it withdrew its support for the Regional Desalination Project and would propose an alternative project.

III. WATER SUPPLY REPLACEMENT

The purpose of the Monterey Peninsula Water Supply Project is to replace a significant portion of the existing water supply from the Carmel River, as directed by the SWRCB. The total replacement supply needed is the difference between customer demand and California American Water's legal rights on the Carmel River and within its adjudicated rights in the Seaside basin. As stated in the source of supply analysis in the EIR, California American Water must be able to meet a customer demand of 15,250 acre feet per year (afy).¹³ As shown in the table below, California American Water estimates the current supply deficit at approximately 9,000 afy. California American Water is proposing a three-pronged approach to replace the water supply reductions ordered by the SWRCB. The three prongs consist of: (1) desalination, (2) groundwater replenishment, and (3) aquifer storage and recovery ("ASR").

The desalination prong is the Monterey Peninsula Water Supply Project. The Project is a variation of the North Marina Project, which the Commission reviewed and analyzed in A.04-09-019, and incorporates the California American Water-only facilities previously approved by the Commission.¹⁴ It will consist of slant intake wells, brackish water pipelines, the desalination plant, product water pipelines, brine disposal facilities, and related appurtenant facilities.

The Groundwater Replenishment Project is the second prong. The Groundwater Replenishment Project will create a drought-proof underground reservoir that can be used as a source of supply by taking the effluent from MRWPCA's plant, filtering it through a new advanced water treatment plant, and injecting the highly treated product water into the Seaside

¹³ A.04-09-019, Reference Exh. B, *Final Environmental Impact Report*, dated October 30, 2009, p. 2-10.

¹⁴ D.10-12-016, 2010 Cal. PUC LEXIS, 548, **195-200.