



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

To: Honorable Mayor and Members of City Council

From: RUDY FISCHER

Meeting Date: January 17, 2015

Subject: *Summary of MRWPCA actions in 2014.*

CEQA: This action does not constitute a “project” as defined by the California Environmental Quality Act (CEQA) Guidelines.

RECOMMENDATION

Receive a report regarding MRWPCA actions in 2014, and how those actions could affect Pacific Grove.

BACKGROUND

The Monterey Regional Water Pollution Control Agency (MRWPCA) just finished up an important year on the water issue for the Monterey Peninsula in 2014, and it is appropriate to provide an update at this time.

The California Coastal Commission decided some time ago that an open ocean intake is not in the best interests of the environment, so this method of obtaining sea water for the regional desalination project cannot be considered at this time. Therefore, in order to move forward with a desalination project for its customers, Cal Am is being required to drill a slant well under the coast to determine if that method of obtaining brackish water for desalination will work. This single slant well is expected to take in 4.32 million gallons of water each day from beneath the ocean floor. Once they pump this water in to test the process, however, they will need to dispose of it again since this is only a test.

At the MRWPCA’s December meeting, the Board of Directors approved an agreement with Cal Am to have the company install a settling tank on MRWPCA property so that sand can settle out while Cal Am is developing the well. The MRWPCA obtained a permit to do this from the Regional Water Quality Control Board and, now that this permit has been approved, Cal Am will be able to settle out the sand and inject water from the slant well at the Cemex site into the MRWPCA’s outfall pipe into the ocean. Cal Am is now digging its test well and will use this outfall when they actually start processing water from the slant wells. We approved this because

not doing so would have been counter to the public interest and could have held up developing a solution to the region's water problems.

The MRWPCA is also involved in providing a significant part of the solution to the Peninsula's water needs through a Ground Water Replenishment (GWR) Project. Although this project was originally conceived as a part of the Greater Monterey Peninsula Water Supply Project that would provide some water for the Seaside Basin, it has grown into a project that could provide 3,500 acre feet – or more – toward the region's needs. This would allow Cal Am to build a smaller and less expensive desal plant. The issue in moving this project forward has been the source of the water that would be used; as the agricultural community insists that all such source water (though it comes from the Peninsula cities) belongs to them - and they do not want to give it up even though some of that water is currently being allowed to run to the ocean.

As a result, several months ago the MRWPCA started discussion with others to identify more sources of water to use in order to free up that which would be needed for the GWR Project.

Discussions with the growers and the City of Salinas continue and, in fact, the overall project to find and clean up water for GWR has grown even more over the last several months as the agency has negotiated with those growers. As these discussions progressed, the project has more than doubled in size from GWR using just 4,320 acre feet (af) of treated water to produce 3,500 AF of potable water for Cal Am use, to one of using over 8,856 AF of new water which would provide potable water to Cal Am and recycled water for crop irrigation to the Castroville Seawater Intrusion Project. The MRWPCA will also leave 200 af per year in the Seaside Groundwater Basin – up to a total of 1,000 af – as a “banked reserve”. That will allow Cal Am to continue drawing that water in case of a drought, even as the agency reduces the water for the Peninsula in order to process more recycled water for crop irrigation, if needed. At this time there is no provision covering what will happen once the banked reserve is used up.

All of the source waters are still being evaluated and, as far as I can determine, there is still an open question on source water from the Peninsula. The Mayor also brought this up at a Mayor's JPA meeting in October of last year, but it has not really been addressed in a satisfactory way to date. As long as all source water counted is counted once it is in the PCA system, there probably are no problems. If the growers insist – though it was not specifically mentioned in the MOU – that ALL water (including that in the systems owned by Pacific Grove, Monterey, Seaside, etc.) are theirs, we may have a problem.

Such an agreement could preclude Pacific Grove's Local Water Project, which would be highly detrimental to the city. It may also constrain other cities from actions they may need to take in the future.

In fact at some point in the future, if this is not resolved, it may be worthwhile either starting discussions with the Carmel Area Wastewater District (CAWD) about using their facility, or recommending that we stop the negotiations and exercise our rights under Amendment 3. Though I am sure that connecting to CAWD would require expensive pipelines and an expansion of their plant; if Pacific Grove, Monterey, and Seaside were to all take such action the

wastewater from the Peninsula cities would at least remain available to the Peninsula cities. This, along with what we get from Cal Am, may finally allow some growth.

Also, because the GWR project is tied to the Cal Am project, GWR has been a bit delayed and there was discussion in the latter part of 2014 about potentially “decoupling” GWR from the Cal Am project. The Recycled Water Subcommittee of the MRWPCA also asked staff for contingency plans as to how the GWR project could move along without or with limited CPUC involvement, even though any water produced and purchased by Cal Am will require the approval of the CPUC.

Things are now moving forward, however. The GWR draft EIR should be ready in March of 2015, we will get comments from the public, and then give testimony to the PUC in November of this year. We would then expect a PUC decision on the project by June of 2016 and will then be able to start construction. GWR water production still looks likely for the fall of 2017. By the end of January of this year the MRWPCA will have spent \$2,339,000 on GWR, all subject to shared funding from the Monterey Peninsula Water Management District (MPWMD), which has been working closely with us on this project.

The agreement with Cal Am to purchase water from the MRWPCA will require approval by the CPUC, but we don’t see any problems with that. Since we will have water available well before the desal plant comes on-line, Cal Am will be compelled to buy water from GWR and, since it would be harmful to the Monterey Peninsula not to do so, we will continue to move forward.

There are indications that the MRWPCA could be eligible for some of the \$640 million left in the State Revolving Fund (SRF) for recycled water project funding. These are highly sought after thirty year loans with an interest rate of 1%. Additional SRF loans are available at 1.7% interest. Dave Stoldt of the MPWMD, and Paul Sciuto of the MRWPCA met with Tom Howard, the Executive Director of the State Water Resources Control Board, to look into this further. Proposition 1 could also provide as much a \$729 million more for projects such as this for entities throughout the state.

Although things are moving in a positive direction, as the continuing, as the liaison to the MRWPCA from Pacific Grove, I will continue to monitor developments and represent our interests.

It was also announced in December that the General Manager of the MRWPCA - Mr. Keith Israel – would retire effective June 12th, 2015. Seaside’s Mayor Ralph Rubio, Monterey’s Councilwoman Libby Downey, and I were the members of the selection committee which selected CPS HR out of Sacramento as the search firm to recruit for this very important position. I also provided input to the position description, which is now going out to potential candidates.

Respectfully submitted,

Rudy Fischer

Rudy Fischer, Councilmember