

Coalition of Peninsula Businesses

*A coalition to resolve the Peninsula water challenge
to comply with the CDO at a reasonable cost.*

Members include:

*Monterey County Hospitality Association,
Monterey Commercial Property Owners' Association,
Monterey Peninsula Chamber of Commerce,
Carmel Chamber of Commerce,
Pacific Grove Chamber of Commerce,
Monterey County Association of Realtors,
Community Hospital of the Monterey Peninsula,
Pebble Beach Co., and
Associated General Contractors–Monterey Bay Division.*

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Jeff Davi and John Tilley, Co-chairs

*A Brief Overview, 2018-2021 Highlights, Future Focus
and Milestones to be Achieved*

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Prepared by:

Bob McKenzie

Consultant to the Coalition of Peninsula Businesses

Coalition of Peninsula Businesses - Brief Overview

In late 2010, the Monterey County Hospitality Association formed a Water Task Force to address the issue of current and future water rates charged to commercial business owners and to address the State Water Resources Control Board Cease and Desist Order against California American Water ordering drastic reductions in pumping from the Carmel River. In early 2011 it sponsored a Community Water Forum to educate the business community on the importance of the situation. The three main goals for the forum were these:

- 1) share what MCHA had done;
- 2) share information gathered; and
- 3) review how the business community on the Peninsula could work together in a *balanced effort* to have one strong voice on water issues.

The principal accomplishment of this effort was formation of a strong coalition of Peninsula businesses and community organizations that share common concerns regarding securing a sustainable long-term water supply solution at the most reasonable cost.

In mid 2011, the Coalition of Peninsula Businesses was formed. Initially, the coalition was composed of Monterey County Hospitality Association, Monterey Commercial Property Owners' Association, Monterey Peninsula Chamber of Commerce, Carmel Chamber of Commerce, Pacific Grove Chamber of Commerce, Monterey County Association of Realtors, and Community Hospital of the Monterey Peninsula. The Associated General Contractors-Monterey Division joined in 2012 and the Pebble Beach Co. joined in 2014.

The Coalition brought together - for the first time - a broad association of Peninsula community organizations, business interests and entities with a common goal.

The established mission of the coalition was three-fold:

- Educating the community on the draconian effects of the State Water Resources Control Board's Cease and Desist Order if a solution to our water supply crisis was not implemented by the CDO deadline.
- Educating the community about the need for a water project - approved by the California Public Utilities Commission - and providing strong, across-the-board community support for it.
- Helping the public understand the need for active participation in review of, and cost-control of, a water project that will provide a long-term sustainable water supply solution at a reasonable cost.

The Coalition was initially successful raising the community's awareness of the drastic consequences to the community if the CDO deadline is not met; virtually everyone agreed the Monterey Peninsula area needs a supplemental water supply as soon as possible. The Coalition was also successful in working with community interests in keeping water costs as low as possible.

Originally, the Coalition supported the Regional Water Project (RWP) as the only water supply project capable of being built and operational in time to help the Peninsula avoid devastating and destructive water supply cutbacks ordered by the State Water Resources Control Board's (SWRCB) Cease and Desist Order (CDO).

The RWP collapsed for reasons not related to project efficacy and was abandoned by the California Public Utilities Commission (CPUC).

In its place, California American Water Company (Cal Am or CAW) proposed – and applied to the CPUC (A.12-04-019) for – a Monterey Peninsula Water Supply Project (MPWSP). The Coalition joined as a party in the PUC proceeding and supported Cal Am's MPWSP as the only realistic and reasonable way to meet the SWRCB CDO mandates and secure a sufficient and sustainable Peninsula water supply. The Coalition worked diligently since 2012 to build community support for the Monterey Peninsula Water Supply Project and to secure CPUC approval for it, which was finally achieved in late 2018.

In 2016, the Coalition joined a united, successful community effort to get the State Water Resources Control Board to amend the terms of the CDO to a realistic and achievable schedule for accomplishment of a replacement water supply. The Coalition has continued to work hard to assure compliance with the new CDO milestones but for reasons detailed later, the community is failing to meet the CDO deadlines.

In November of 2019, Coastal Commission staff recommended the Commission deny approval of the CPUC-authorized MPWSP. Two factors were key to the surprising denial recommendation: 1) Introduction of the "Supply and Demand for Water on the Monterey Peninsula" report prepared and submitted by Monterey Peninsula Water Management District General Manager David Stoldt which purports to "prove" that existing water supplies, in combination with the projected yield of a proposed Pure Water Monterey Project expansion, are sufficient to meet Peninsula water demand for at least twenty years and 2) assurances from Stoldt and others that the Pure Water Project Expansion is a "viable alternative" for Peninsula water supply needs.

Both of those contentions are in direct contradiction of the MPWSP Final Environmental Impact Report and its extensive analysis of Peninsula water supply and demand and both depend on an as-yet unauthorized and unapproved expansion project. The Coalition and others have demonstrated that the Peninsula needs a desal plant in addition to all the other water supply projects to meet the Peninsula's water supply needs.

Because of several issues, the Monterey Peninsula missed its September 30, 2020 CDO milestone and the 1,000 afa of water supply as the penalty for missing the milestone. Sadly, the Peninsula is going to miss its September 30, 2021 milestone, thus losing another 1,000 afa, and, more importantly, miss the critical final deadline of complete CDO compliance at December 31, 2021. That means the water supply available from the Carmel River will be reduced, starting in 2022, to the legal pumping limit of 3,376 afa – a total loss of roughly 60% of the Peninsula’s water supply. The principal reasons for this major setback are the following:

- opposition of the Coastal Commission to the Monterey Peninsula Water Supply Project;
- myriad difficulties getting the Monterey One Water (M1W) Monterey Pure Water project operational at its target production goal of 3,500 afa;
- expansion of the (M1W) Pure Water Monterey project, purported to yield an additional 2,250 afa per year; is still not an approved project; and
- Aquifer Storage and Recovery is not yielding anything close to the 1,300 afa relied on by Monterey Peninsula Water Management District (MPWMD) and others; and
- neither MPWMD or M1W have approved a ‘parallel pipeline’ that would enable using Pure Water Monterey and Aquifer Storage and Recovery at the same time.

Another recent complication for our water supply is a study showing early warning signs of seawater intrusion in the Seaside Basin. That basin is the key to storing recycled water from the Pure Water Monterey project for the state-law mandated waiting period before the water is available for consumer use. That basin also provides storage for Aquifer Storage and Recovery water for later use during the high-demand summer months. Quite simply, the Seaside Basin will soon need to retain more water to prevent seawater intrusion and the only source for that extra water is desal

The Monterey Peninsula is faced with serious water shortages. The likelihood of water rationing in 2022 or 2023 and beyond is imminent.

The community consensus the Coalition helped build for the realization of a timely, sufficient and sustainable water supply project has been temporarily abandoned. The Coalition will concentrate its efforts to regain that consensus and promote development of the critically needed water supply project that has the multiple benefits of diversity of sources and operational redundancy to avoid future water shortages.

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Highlights of 2018, 2019 and early 2020, Future Focus and Milestones to be Achieved

- ✓ Worked diligently with Cal Am and other parties to secure a reasonable decision on Cal Am's PUC general rate case.
- ✓ Prepared, reviewed and submitted Coalition comments on MPWSP draft EIR/EIS.
- ✓ Participated in numerous settlement conference calls and settlement agreements on various MPWSP issues, including 2017-2018 professionally facilitated settlement discussions, and brief effort for settlement of issues presented by petitions to the Supreme Court challenging the CPUC approval of the water project and its related environmental work.
- ✓ Heard project update presentations on Groundwater Recharge/Pure Water Monterey from M1W spokesman Mike McCullough and then-Monterey Peninsula Water Supply Project engineer Ian Crooks.
- ✓ Received a briefing on updated water demand figures by then-MPWSP project engineer Ian Crooks.
- ✓ Heard a briefing by Monterey County Farm Bureau General Manager Norm Groot on the perspective of the ag community on discussions by MPWSP opponents on expansion of the Groundwater Recharge/Pure Water Monterey to reduce or eliminate the desal plant portion of the project.
- ✓ Heard a briefing on the state of the Seaside Basin from Watermaster Chair Paul Bruno.
- ✓ Reviewed an analysis by Bob McKenzie of proposals by Marina Coast Water District to loan water to Monterey Peninsula Water Management District for use by Cal Am and to Seaside Basin Water Master to offset Cal Am water payback for past over-pumping. The Coalition voted to not support these proposals.
- ✓ The Coalition developed and adopted a Statement of Position on Current Water Supply Project Issues to restate Coalition positions on critical water supply issues and to guide Coalition deliberations and decisions in facilitated settlement discussions and elsewhere.
- ✓ The Coalition voted to oppose the Measure J initiative seeking a public takeover of Cal Am as inappropriately timed and distracting from the community's need to secure a sustainable, long-term water supply. The measure passed.
- ✓ Corresponded with MPWMD and its counsel on criteria and principles for the Cal Am buy-out feasibility study mandated by measure J.
- ✓ Heard a presentation/briefing from MPWMD Chair Molly Evans on feasibility study procedures and issues.

- ✓ Discussed the facilitated settlement discussions and concluded they will not be successful because of the strident opposition to the desal project by several of the parties with whom no compromise is possible.
- ✓ Heard an extensive briefing by MPWMD General Manager Dave Stoldt and M1W (formerly MRWPCA) General Manger Paul Sciuto on potential Pure Water Monterey expansion scenarios.
- ✓ Prepared, reviewed, approved and submitted a briefing on the Monterey Peninsula Water Supply Project Final Environmental Impact Report/Environmental Impact Statement that supports a) immediate finalization by the PUC, immediate issuance by the PUC of a Certificate of Public Convenience and Necessity for the project, and inclusion of the now-disputed 500 afa of water demand for economic recovery. The CPUC approved the water project (including the 500 afa for economic recovery) and its related environmental studies. A Certificate of Public Convenience and Necessity was issued on September 13, 2018.
- ✓ Continue to question and/or cooperate, when beneficial to the business community, with the local and state agencies.
- ✓ Continue focus on the Coalition’s primary mission of securing a long term adequate and reliable water supply at a reasonable price, including a desal project to provide a sustainability and security element lacking in the Groundwater Recharge/Pure Water Monterey and expanded Aquifer Storage and Recovery portions of the ‘three-legged stool’ Monterey Peninsula Water Supply Project.
- ✓ Prepared and presented major comprehensive briefings for forums sponsored by Monterey County Hospitality Association and Monterey Peninsula Chamber of Commerce.
- ✓ Reviewed briefings by Bob McKenzie on CPUC petitions for rehearing of water project decision and California Supreme Court petitions for writ of mandate filed by City of Marina and Marina Coast Water District seeking overturning of CPUC certification of the water project Final Environmental Impact Report and rescission of the CPCN.
- ✓ Reviewed briefing by Bob McKenzie on CPUC decision denying petitions for CPUC rehearing.
- ✓ Engaged in multiple extensive reviews and analyses of “Supply and Demand for Water...” report prepared for MPWMD, filed with the Coastal Commission staff, and used by that staff to issues its recommendation for denial of the Monterey Peninsula Water Supply Project.
- ✓ Reviews and analyses of the “Supply and Demand for Water...” report included extensive written communication with MPWMD and communication with Coastal Commission staff re denial of desal and the long-term Peninsula effects of eliminating desal from the mix of water projects.

- ✓ Helped coordinate Peninsula cities/city managers critiques of “Supply and Demand for Water...” Report.
- ✓ Prepared and distributed letters and model letters to Coastal Commission staff for November 2019 ‘informational hearing’ on MPWSP.
- ✓ Engaged in extensive preparation for Coastal Commission MPWSP hearing, including hiring a consultant to help engage Commissioners. Cal Am cancelled the hearing and withdrew its application because of lack of support by Commissioners for the project. Cal Am later refiled its application, which is now pending before the Commission.

Milestones to be achieved – partial list

- ✓ Defend, to the extent possible, the CPUC approval of the Monterey Peninsula Water Supply Project, certification of the Final Environmental Impact Report, and issuance of the Certificate of Public Convenience and Necessity.
- ✓ Work for successful CPUC adoption of reasonable and equitable rate increases in its general rate case (A-19-07-004), methods for funding costs of Cal Am infrastructure for GWR/PWM and ASR expansion for water conveyance.
- ✓ Work for inclusion of the MPWSP desal plant and its costs and other reasonable criteria for Cal Am buy-out feasibility study conducted by MPWMD.
- ✓ Work diligently to secure Coastal Commission approval of refiled application for MPWSP and defeat attempts to delay or eliminate the desal plant portion of MPWSP.
- ✓ Continue work to re-establish community consensus for the diversified ‘three-legged stool’ solution to the Peninsula’s water supply crisis (Desal, Pure Water Monterey, Aquifer Storage and Recovery) to provide necessary operational redundancy and avoid putting the Peninsula’s water security at risk on essentially one project.
- ✓ Continue to educate the community on realistic water demand and supply quantities.
- ✓ Help educate the community on the necessity of avoiding seawater intrusion in the Seaside Basin, the community’s only viable water storage facility.