

Exhibit CAW-030

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EXHIBIT CAW-030

6 Attorneys for
California American Water Company

8 BEFORE THE CALIFORNIA

9 STATE WATER RESOURCES CONTROL BOARD

11 In the Matter of Draft Cease and Desist Order
No. 2008-00XX-DWR Against California
12 American Water Company

TESTIMONY OF THOMAS J. BUNOSKY

14 My name is Thomas J. Bunosky, and I am Vice President of Operations for California-
15 American Water Company (“CAW”). As Vice President of Operations, I am responsible for the
16 operations of CAW’s various water systems throughout California. I have over 28 years of water
17 industry experience. My Statement of Qualifications is marked as Exhibit CAW-030A.

18 In State Water Resources Control Board (“State Water Board”) Order 95-10, the State
19 Water Board ordered CAW to file quarterly reports. (Exhibits CAW-030B through CAW-
20 030WW.) Among other things, the quarterly reports reflect actions taken by CAW, or actions taken
21 by others with the involvement of CAW, to obtain an alternate water supply for Monterey Peninsula
22 residents served by CAW. The quarterly reports reflect the actions described herein, as well as
23 many others.

24 In 1998, the Monterey Peninsula Water Management District (“MPWMD”), in cooperation
25 with CAW, began feasibility studies to develop an aquifer storage and recovery project (“ASR”).
26 The preliminary feasibility study involved testing the viability of the ASR by injecting water into
27 the Seaside Groundwater Basin. In 1999, the ASR had its first full year of testing and successfully
28 injected 195 acre-feet of water into the Seaside Groundwater Basin. In 2000, and each subsequent

1 year through 2006, the State Water Board authorized withdrawal of water from the Carmel River
2 for testing of the ASR. Because of hydrologic conditions, full capacity testing of ASR was not able
3 to begin until 2002. Testing continued into 2003, when all components including injection, storage
4 and recovery were successfully tested. In September 2003, a petition was submitted to add points
5 of diversion and a place of storage to Permits 20208 and 7130B in order to permit the ASR
6 diversions.

7 In late 2007, the State Water Board approved the petition as to Permit 20808A. Permit
8 20808A is jointly held by MPWMD and CAW and grants appropriative rights to divert up to 2,426
9 acre-feet per year from the Carmel River. More specifically, Permit 20808A allows for
10 implementation of Phase 1 of the ASR, enabling excess Carmel River water diverted and then
11 injected and stored in the Seaside Basin for later withdrawal; thus reducing production from the
12 Carmel River during low flow months. It is estimated that Phase 1 of the ASR will yield on a long
13 term annual average 920 acre-feet of water per year. A second phase expansion of the ASR is
14 proposed as a component of the Coastal Water Project (“CWP”).

15 During the initial period of testing for the ASR, CAW continued to pursue a potential Dam
16 project. The testimony of B. Kent Turner and David Stephenson explain CAW’s effort in that
17 regard. They make clear that as public opposition to a Dam project mounted, the evaluation of non-
18 dam alternatives under “Plan B process” began. Plan B consisted of two components which would
19 develop new water supplies for the Monterey Peninsula: the Moss Landing Desalination Plant and
20 the Seaside Basin Storage and Recovery.

21 From Plan B, CAW formulated the CWP, whose principle components are a desalination
22 plant and aquifer storage and recovery facilities. CWP is expected to require the participation of
23 more than 25 local, state and federal entities to provide approvals, permits and/or a level of
24 cooperation.

25 In 2003, CAW began the public process necessary to apply for a Certificate for Public
26 Convenience and Necessity (“CPCN”), including numerous scoping meetings and presentations by
27 CAW on the CWP. In 2004 and 2005, CAW held public sessions to educate and receive feedback
28 from the community and local government agencies on the CWP. CAW’s community outreach

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3 effort had six parts:

- 4 (1) Formal and informal briefings with elected officials, public agencies, and
5 citizen boards.
- 6 (2) Formal presentations in the affected communities in California American
7 Water's service territory and neighboring communities.
- 8 (3) Informal briefings, presentations, and discussions with individual
9 stakeholders and non-governmental organizations.
- 10 (4) Public information provided through the print and broadcast media.
- 11 (5) Easy public access to all project information through a web page.
- 12 (6) Easy local public access to a project library and "Permit Coordination
13 Center" facility.

14 In the summer and early fall of 2004, CAW gave over 25 presentations regarding the CWP
15 to such agencies as the Fort Ord Reuse Authority, the Monterey Peninsula Water Management
16 District, Monterey County Board of Supervisors, the City Councils of Monterey, Pacific Grove,
17 Seaside, Marina, and Del Rey Oaks, the Marina Coast Water District, the Castroville Water
18 District, the City of Sand City, the City of Carmel-by-the-Sea, the Moss Landing town hall meeting,
19 the Carmel Valley town hall meeting, the Monterey town hall meeting, the Carmel town hall
20 meeting, the Pacific Grove town hall meeting, the Carmel-by-the-Sea town hall meeting, the
21 Seaside town hall meeting, the Moss Landing Chamber of Commerce, and the Elk's Lodge. CWA
22 also met with numerous non-governmental organizations including, for example, Monterey League
23 of Women Voters, Carmel Watershed Protection Council, Surfriders, Defenders of Wildlife, Nature
24 Conservancy, Carmel River Steelhead Association, and the Planning and Conservation League.

25 On September 20, 2004, CAW submitted Application 04-09-019 to obtain a CPCN for the
26 CWP. Additional community forum meetings were held in 2005. While preparing the CPCN
27 application to the CPUC, CAW was also preparing its Proponent's Environmental Assessment
28 ("PEA"). In the PEA, CAW evaluated numerous alternative projects, including a regional

1 alternative, an over-sized pipeline alternative, a horizontal directional drilling intake alternative, a
2 North Marina site alternative, and a no project alternative.

3 In July 2005, CAW submitted the final PEA, which contained thousands of pages of
4 scientific and engineering data. CAW submitted the CWP PEA to the CPUC as the lead agency for
5 compliance with the California Environmental Quality Act (“CEQA”) and preparation of an
6 Environmental Impact Report (“EIR”). While the CPUC was in the process of selecting an
7 environmental consultant to prepare the EIR, CAW continued to pursue all actions to move the
8 process forward.

9 During the first half of 2006, CAW engaged in high-level project planning with its parent
10 company American Water Works Company, Inc. CAW developed and enhanced the CWP
11 schedule to create a work allocation structure that could be adjusted to reflect schedule delays. The
12 planning effort also resulted in the identification of critical path tasks and contingency alternatives
13 for different phases of the project.

14 The planning efforts in 2006 also resulted in the decision to issue Statements of
15 Qualifications (“SOQ”) or Requests for Proposals (“RFP”) for the next phases of engineering
16 design beyond the Coastal Water Project Conceptual Design Report prepared concurrent with the
17 PEA in 2005. Long-lead permit activities require detailed data collection and analysis to support
18 environmental studies to meet regulatory requirements more stringent than CEQA, supporting
19 engineering activities, as well as maintenance of project schedule controls. In 2006, CAW issued
20 RFP's and retained a conveyance consulting team, an ASR consulting team, and geotechnical
21 consultants.

22 After filing the PEA, CAW also continued its public outreach efforts in order to continue
23 moving the project forward. CAW conducted the following outreach activities in 2006: five direct
24 mail update letters to project stakeholders and customers in September, May and December;
25 continued update meetings with local concerned groups such as the Carmel River Steelhead
26 Association and Carmel River Watershed Conservancy; updates to the CWP website; and the
27 creation of a five-minute video, explaining the need for the project – particularly in regard to the
28 Carmel River and its threatened species – that appeared on CBS affiliate KION as well as local

1 cable stations.

2 CAW delivered public presentations to the Transportation Agency for Monterey County, the
3 local chapter of the Society for Civil Engineers, Rotary Clubs of Pacific Grove and North County,
4 the City of Seaside, Sons In Retirement, and students at California State University Monterey Bay.

5 CAW met with elected officials for the sole purpose of helping these leaders to inform their
6 constituents about the status of the Coastal Water Project, including Supervisors Potter, Smith and
7 Salinas, Monterey Mayor Dan Albert and Assembly member John Laird.

8 CAW conducted media outreach through the following media outlets: Monterey County
9 Herald, Carmel Pine Cone, Monterey County Weekly, KSMS (Spanish TV), KSBW (NBC), KION
10 (CBS), KCBA (FOX), KAZU (NPR) – regarding progress on the CWP. Specific issues which
11 resulted in intense print and broadcast outreach included: issuance of the pilot plant permit, arrival
12 of the pilot plant equipment, rate case proceedings, and the Coastal Commission hearing regarding
13 the pilot plant. In addition, a two-part special on the water supply needs of the Monterey Peninsula
14 was aired on KION/KCBA.

15 CAW made information about the CWP available at community events. CAW also
16 coordinated public participation hearings.

17 CAW's outreach efforts were directed to residents and community leaders on the Monterey
18 Peninsula, Moss Landing and on the pipeline route. Throughout CAW's outreach effort, CAW
19 used several outside firms to assist in this public outreach effort. The cost for CAW's public
20 outreach program through June 30, 2005 was \$1,336,805. CAW incurred additional costs for its
21 public outreach effort after filing the PEA, in excess of \$125,000.

22 In June 2006, one year after CAW submitted the PEA, the CPUC retained a team of
23 consultants to prepare the EIR. As discussed below, the CPUC is still in the process of preparing
24 the draft EIR.

25 Additional environmental studies were performed in 2006, in advance of the certification of
26 the EIR and issuance of the CPCN, in order to expedite the schedule for project implementation
27 beyond those project milestones. The environmental studies are necessary for permit requirements
28 subsequent to the certification of the final EIR, and require more detailed data collection than

1 initially required by CEQA. The focused protocol-level biological surveys performed during 2006
2 are an example of this type of study.

3 Biological surveys may be required for areas of the project with critical habitat for
4 endangered and other listed plant and animal species, as well as for locations where conveyance
5 pipelines cross wetland areas or stream-crossing requiring streambed alteration. The Watershed
6 Sanitary Survey is necessary to support the Drinking Water Permit and is another example of the
7 long-lead permitting activities which were able to be performed concurrently with the EIR. In
8 2006, RBF Consulting was retained to perform these studies, provide right-of-way and easement
9 negotiations, and acquisition services as a long-lead activity that could be initiated in 2006 in order
10 to maintain a greater degree of control over the project schedule.

11 As testified to by other representatives from CAW, CAW has expended many millions of
12 dollars in engineering and environmental work for the CWP. CAW participated in many public
13 workshops and meetings to ensure the environmental review process provided transparency and
14 public participation. At the request of the CPUC, CAW has funded environmental consultants to
15 facilitate the CPUC's environmental analysis. CAW has also established a permit coordination
16 center to enable the examination of all reports, presentation materials, detailed engineering
17 materials, scientific data and maps.

18 In addition, and as briefly discussed above, CAW has facilitated the CWP process by
19 actively seeking and obtaining permits and constructing a pilot desalination plant. Monterey
20 County's acting zoning administrator, Jeff Main, granted a coastal permit for the pilot plant in July
21 2006. In August 2006, the Monterey County Supervisors approved a permit to operate the pilot
22 desalination plant, while simultaneously voting 4-0 to reject an appeal of the permit approval by
23 Santa Monica-based Desal Response Group. This approval of development was within the Coastal
24 Zone and was subsequently appealed to the California Coastal Commission ("Coastal
25 Commission"). In October 2006, the Coastal Commission found a substantial issue with the
26 County's action and set the matter for a de novo hearing in December of 2006. The County's
27 approval was supported by numerous parties before the Coastal Commission, including
28 Congressman Sam Farr, the MPWMD, National Marine Fisheries Service, every Peninsula city and

1 the State Water Board. Accordingly, on December 14, 2006, the California Coastal Commission
2 upheld CAW's approval to operate the pilot desalination plant.

3 Despite the Coastal Commission upholding the County's decision, the Coastal Commission
4 did not adopt findings until its May 2007 meeting, at which point the actual permit was issued.
5 Thus, CAW's construction of the pilot desalination plant at Moss Landing Power Plant ("MLPP")
6 was delayed until June of 2007. Even before issuance of the permit, a lawsuit was filed challenging
7 the Coastal Commission's and the County of Monterey's decision. That action, *Riley v. County of*
8 *Monterey*, is still pending. Nonetheless, CAW was able to move forward with construction of the
9 pilot plant. Construction was completed in October of 2007. CAW and its consultants have been
10 developing the test plan for the pilot plant and the testing phase is scheduled to commence by June
11 12, 2008.

12 Simultaneous to the pilot plant construction and placing in service, the CPUC's Division of
13 Ratepayer Advocates ("DRA") established a public review and participation process by funding the
14 University of Santa Cruz's Center for Integrated Water Research. The University of Santa Cruz's
15 Center for Integrated Water Research conducted and facilitated a dialogue among any and all
16 entities and individuals who expressed interest in identifying potential alternatives to the CWP and
17 for consideration by the CPUC for inclusion in the CWP's EIR.

18 The dialogue group was named the Regional Plenary Oversight Group ("REPOG") and
19 began meeting monthly in January of 2007, and has continued to meet on a regular basis,
20 completing its fourteenth meeting on June 4, 2008. The REPOG includes over 50 water agencies,
21 cities, interest groups, and various individuals participating in the process. The REPOG has formed
22 smaller committees to research and evaluate technical issues and public outreach measures.
23 Through this process, additional specific alternatives have been identified, including a Regional
24 Water Supply project alternative that contains a suite of recycled water, desalination, surface and
25 groundwater components that would provide supplemental water supply sources. CAW also
26 modeled and developed a slant-well seawater desalination project alternative that would be sited in
27 a north Marina location. The CPUC indicated it intends to include these two alternatives in the
28 CWP EIR. The REPOG is another successful example of community involvement in the process

1 CAW initiated for identifying and analyzing potentially feasible alternatives to the CWP, but which
2 are intended to provide CAW with an alternate water supply.

3 In June 2008, the CPUC indicated no further CWP alternatives can be identified at this time
4 because analysis of the current alternatives exhaust the remaining time in the proposed schedule,
5 which includes the release of a draft EIR by the end of 2008. The CPUC indicated it anticipates the
6 release of the draft EIR by the end of 2008, enabling certification of a final EIR in July of 2009. In
7 addition, the CPUC's schedule indicates that the CPCN will be approved by the CPUC in the
8 summer of 2009, thereby authorizing CWA to pursue permitting and construction the CWP or an
9 alternative that the CPUC may select.

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