

# **This is the Testimony of Steven Kasower, Senior Research Economist, Center for Integrated Water Research, UCSC Concerning a Regional Water Supply Process Called *Water For Monterey County***

## **Background**

The Division of Ratepayer Advocates (DRA), California Public Utilities Commission (CPUC) contracted with the Center for Integrated Water Research, University of California, Santa Cruz (CIWR) to evaluate a seawater desalination project proposal at Moss Landing California. The project called the Coastal Water Project (CWP) was proposed to resolve regulatory water rights and groundwater overdraft issues in the Monterey, California region. Additionally, the seawater desalination project was generating some controversies even though it was in the early planning stages. The controversies centered mainly on environmental impacts and project ownership and costs.

In September 2006, with project review underway, the CIWR Senior Economist, Steven Kasower recommended to DRA Management that water resource decisions were predominantly “political” in nature. As such, the CIWR review of the CWP may not be adequate to protect the interests of the ratepayers during decision making processes at the CPUC. Specifically, CIWR recommended that DRA consider looking for a regional solution to the water supply issues in Monterey. CIWR recommended that a regional solution may have increased benefits and political support. The DRA management agreed and engaged the CIWR to set about the processes that could result in a regional water supply solution.

The CIWR began discussing the possibility of a regional water supply planning process with water and wastewater agency managers. The actual regional planning dialogue began in January 2007. Twelve meetings were scheduled to occur monthly (July, 2007 was skipped). Milestones<sup>1</sup> were set and accomplished.<sup>2</sup> The regional planning process attracted a diverse array of participants. Under the management and coordination from CIWR, any interested party was welcomed to participate equally and without conditions. Agency managers, senior staff, regulatory staff, local and State elected officials and staff, elected and appointed board members from various municipalities and agencies, non-government organizations, and citizens, all participated. The meetings frequently had between 40 to 60 attendees. All meetings were held at the University of California, Santa Cruz, Monterey Bay Education, Science, and Technology (UC MBEST) Center in Marina, California.<sup>3</sup> The group was called the Regional Plenary Oversight Group

---

<sup>1</sup> Diana Brooks and Steve Kasower, Draft Monterey Regional Water Supply Reliability Planning Milestones, January 18, 2007, [online] <http://ciwr.ucsc.edu/monterey/meetings/PlanningMilestones.pdf>

<sup>2</sup> See meeting notes and accompanying documents, [online] <http://ciwr.ucsc.edu/monterey/meetings/index.html>

<sup>3</sup> [online] <http://www.ucmbest.org/>

(REPOG) who named the regional project that resulted from the collaboration, "Water for Monterey County - An affordable, sustainable water supply solution."

### **The Planning Goal**

The initial planning goal that REPOG set was to identify a regional solution to Monterey's water supply and environmental problems that satisfied a set of planning criteria.<sup>4</sup> The timeline for the identification of the regional project and its components corresponded to the CEQA evaluation process that was underway for the Coastal Water Project Environmental Impact Project<sup>5</sup> and had a due date to be submitted to the California Public Utilities Commission, Energy Division, the EIR Project Manager by June 1, 2008. The EIR work on the Water For Monterey County project was completed and submitted on time. The funding for the work came from Marina Coast Water District, Cal Am, and the Monterey Regional Water Pollution Control Agency. The project that was submitted uses 100% of the region's recycled water, meets proposed SWRCB Ocean Plan regulations, meets urban water needs, meets agricultural water needs and restores the Salinas Basin water quality, protects the National Marine Sanctuary, and provides a carbon neutral energy source.<sup>6</sup>

### **The Next Steps**

The REPOG process is now focused on drafting a strategic implementation plan. The Strategic Implementation Plan will include a series of tasks that both describe a "fast-track" solution to the Monterey Peninsula's regulatory issues as well as the more extensive regional agricultural and north county supply components.

The key tasks envisioned for the Strategic Implementation Plan

#### **1. Project Engineering and Economic Analyses**

Criteria that will be utilized to evaluate the project components will include

- Schedule
- Reliability
- Permitting
- Public Acceptance
- Environmental
- Regulatory
- Additional Supply
- Cost
- Sustainability

---

<sup>4</sup> See Monterey Regional Water Plan, Draft Plan of Study, *Identifying Water Supplies that are "Affordable, Reliable, Attainable, and Implementable,"* May 25, 2007 [online]

<http://ciwr.ucsc.edu/monterey/meetings/DraftPlanofStudyv2.pdf>

<sup>5</sup> [online] <http://www.cwp-eir.com/>

<sup>6</sup> [online] <http://ciwr.ucsc.edu/monterey/meetings/June2008W4MC.htm>

2. **Project Implementation Responsibilities**  
During this task we examine what agency does what during project evaluation, financing, contracting, building, operating, etc.
3. **Project Scheduling and Sequencing**  
In this task we examine when project components can be implemented. This includes those supplies that can be brought on at the earliest date and how the various components come on line relative to each other.
4. **Project Permitting Strategies**  
Each project component requires a select array of permits. During this task we examine those requirements and establish an optimal strategy for acquiring the necessary permits.
5. **Institutional Relationships and Agreements**  
Agency authorities, rights, and responsibilities will impact the contractual arrangements and agreements necessary to coordinate water supply production, wholesaling, and retail distribution. During this task we examine these issues and recommend approaches that can efficiently produce and distribute the water supplies from the regional project in a fashion that reflects the objectives and criteria developed by REPOG as well as represent effective solutions for the participating agencies.
6. **Funding and Financing Strategy**  
During this task we examine alternative local financing approaches and determine availability and qualification requirements of State and Federal funds.
7. **Outreach Strategy**  
While the REPOG has been a “public involvement process, there remain the larger body of citizens who will be impacted by the regional project and who should be informed. This task examines how best to “get the word out” about what the local agencies are doing with the regional water project as well as how that project impacts the communities it serves. Moreover, because the regional project derived primarily from the REPOG process, it is not entirely a creature of local agencies. This is true even though local agencies will be the project sponsors, owning and operating the regional project components. Still, the fact that a diverse set of agencies, elected officials, regulators, non-governmental organizations, and citizens came together to craft this regional plan, should represent a unique “story” to inform the public about. The REPOG process adds an additional “political voice” on behalf of citizens as opposed to the traditional agency-derived project proposals. Essentially, REPOG has no true institutional position. Still, we represent a unique influence over the water supply future in the Monterey region.

Our first set of tasks are anticipated to focus on water supplies that we expect may be most rapidly made available to Cal Am to satisfy the regulatory requirements they face.

The Strategic Implementation Plan will be presented as a proposal for funding to the Marina Coast Water District Board of Directors at their July 9, 2008 meeting. There is an interest from that agency to sponsor the project as part of their water supply responsibilities within their service area. It is anticipated that the additional water for Cal Am would be sold by

MCWD to Cal Am thus creating a wholesaling capability to accompany their retailing responsibilities. The institutional principles of this potential arrangement would be part of the Strategic Implementation Plan evaluation.