



# CITY OF DEL REY OAKS

## Council Agenda Report

**DATE:** February 28, 2023

**TO:** Honorable Mayor and Members of City Council

**FROM:** Councilmember Shirley & Councilmember Uy

**SUBJECT:** Authorize submission of this comment letter, on behalf of the Del Rey Oaks City Council, to the California Public Utilities Commission (CPUC) in Support of the Monterey Peninsula Water Management District's Petition for Modification of D.22-12-001 in proceeding A2111024. This petition if adopted by the CPUC would compel California-American Water Company (Cal-Am) to sign the Water Purchase Agreement authorized in Decision 22-12-001

**CEQA:** This action does not constitute a "project" as defined by the California Environmental Quality Act (CEQA) guidelines section 15378 as it will not result in direct or indirect physical changes in the environment.

### Recommendation

That the City Council authorizes submission of this comment letter to the California Public Utilities Commission (CPUC) in support of the Monterey Peninsula Water Management District's (MPWMD) Petition for Modification of D.22-12-001 requesting that the CPUC compel California-American Water to sign the Water Purchase Agreement authorized in Decision 22-12-001. CPUC comments go to the Public Advisors office at: [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov)

This comment letter would also be sent to the following representatives and agencies:

- Governor Gavin Newsom
- Secretary for CA Natural Resources Agency, Wade Crowfoot
- Senator John Laird, 17th Senate District
- Assemblymember Dawn Addis, 30th Assembly District State of California,
- Housing and Community Development Department
- Monterey County Board of Supervisors
- Maura Twomey, Association of Monterey Bay Area Governments
- State Water Resources Control Board
- Paul Sciuto, Monterey One Water
- Dave Stoldt, Monterey Peninsula Water Management District

### Policy Implications

Providing a letter to the CPUC as recommended is crucial to demonstrate the unwavering dedication and fervor of the City Council towards ensuring the Monterey Peninsula has access to sustainable water sources and can move forward with affordable housing for its residents and workforce. By taking action and speaking out, the City Council can showcase its resolute commitment to these vital issues and emphasize the importance of addressing them in a timely and effective manner.

## **Fiscal Implications**

There is no direct financial impact from submitting the letter.

## **Background**

The following is an edited summary of the history of the Pure Water Monterey expansion project as told by Dave Stoldt, General Manager of Monterey Peninsula Water Management District.

The suggestion to consider the expansion of the Pure Water Monterey (PWM) project came from the California Public Utilities Commission (CPUC) itself five years ago. Since then, the Monterey Peninsula Water Management District (MPWMD) and Monterey One Water (M1W) have been working tirelessly to show the potential and promise of PWM expansion as a supplemental source of water, a backup plan in case of the failure of the desalination plant to move forward, or as an outright alternative.

The PWM expansion project can produce 2,250 acre-feet per year of urgently needed water in the shortest time possible (two years), supporting the needed housing, jobs, and drought protection.

The community currently faces a 1,000 acre-foot annual shortfall until PWM expansion is complete. Rain, use of reserves, and over-pumping of existing supplies must make up for this difference.

On September 22, 2021, Cal-Am, M1W, and MPWMD reached an agreement on a Water Purchase agreement (WPA) to buy water from PWM Expansion. On November 29, 2021, Cal-Am submitted the WPA for the PWM expansion and associated cost recovery to the CPUC.

On December 1, 2022, the CPUC approved the Water Purchase Agreement for PWM expansion but until Cal-Am actually signs the agreement to buy the water from the PWM expansion, construction cannot begin. On December 6, 2022, Cal-Am President Kevin Tilden informed M1W and MPWMD that Cal-Am would not sign the WPA until they had received authorization to recover more costs in rates, citing financial harm and indicating it would file for a rehearing at the CPUC. Despite having the option to sign the WPA while simultaneously applying for a rehearing, Cal-Am chose not to do so.

On December 13, 2022, Cal-Am issued a press release stating its full support for the Expansion project and adding the project's additional recycled water would bolster the region's water supplies but indicated that they need the necessary funding to support the wells, pipelines, and pumps necessary to deliver the Expansion's additional supplies to their customers on the Monterey Peninsula. There was no mention of the fact that the CPUC had already authorized Cal-Am to collect \$61.5 million for the needed Expansion infrastructure. MPWMD General Manager Dave Stoldt wrote to Cal-Am President Kevin Tilden, asking Cal-Am to reconsider its refusal, saying that Cal-Am was seeking "free dollars from ratepayers" and that it has never submitted any evidence to support the company's claim that its "actual costs were in excess."

On December 16, 2022, the MPWMD petitioned the CPUC to modify its decision, arguing that Cal-Am was obstructing the project by requesting additional funding that had already been denied by the commission. The petition stated that Cal-Am was not committed to the project and would over-pump the adjudicated Seaside Basin if water was needed in the next few years, holding the Peninsula hostage.

On December 30, 2022, Cal-Am responded by requesting a rehearing from the CPUC to collect an additional \$20 million plus from ratepayers for the PWM Expansion. The company argued that additional funding was necessary to cover the increased costs of the project and to provide the best water supply solution for the community.

## **Summary & Discussion**

At the December 1, 2022, virtual meeting, the CPUC authorized Cal-Am to enter into the Water Purchase Agreement by issuing Decision 22-12-001 in Application 21-11-024. This approval provides a much-needed opportunity to move forward with the Pure Water Monterey (PWM) expansion project, which could provide enough water to potentially lift the Cease-and-Desist order from the State Water Resources Control Board on the Monterey Peninsula. However, the signature of California American Water on the Water Purchase Agreement is necessary to begin construction.

The lack of water availability is a major concern on the Monterey Peninsula and is preventing the implementation of Regional Housing Needs Assessment units due to the lack of an additional water supply. As a peninsula city, Del Rey Oaks is concerned about the lack of affordable housing in the region. We understand that the only way the region will be able to move forward with increased housing is if we have a new source of water. The PWM expansion project is a shovel-ready project that will provide the Peninsula with an additional 2,250 acre-feet of water, which is a crucial step towards building the affordable housing that is desperately needed.

Cal-Am has petitioned twice for recovery costs, and after an additional \$20 million was granted, they have been denied any additional money from the CPUC. They are asking for a rehearing, but the CPUC is unlikely to grant a rehearing on this matter.

These delays in signing the Water Purchase Agreement are now costing public agencies additional money in terms of administrative costs and potential increases in costs for construction and financing in the future. To date, these delays may be costing upwards of \$14 million dollars. Our ratepayers, who are our Del Rey Oaks residents, will end up paying for these additional costs.

The public agencies may also lose out on \$42 million in grant funds for this \$70 million project, which would result in ratepayers paying the increased costs on their water bills. Additionally, moving forward with the PWM expansion project will provide an opportunity to build new extraction wells, which will allow the Monterey Peninsula Water Management District to increase Aquifer Storage and Recovery production.

Given these concerns, we believe the council should request that the California Public Utilities Commission compel California American Water to sign the Water Purchase Agreement in order for the Pure Water Monterey Expansion Project to move forward. The PWM expansion project will provide the much-needed water at a cost residents can afford. We respectfully urge the Del Rey Oaks City Council to support this initiative of submitting a letter to the CPUC so that our community can move forward with this project which will save our residents from higher water costs in the future.

Respectfully Submitted,

Councilmember Shirley and Councilmember Uy

## **ATTACHMENT:**

Letter to the CPUC

President Alice Busching Reynolds  
Commissioner Genevieve Shiroma  
Commissioner Darcie L. Houck  
Commissioner John Reynolds  
Commissioner Karen Douglas  
505 Van Ness Avenue  
San Francisco, CA 94102

Re: Application 21-11-024 – In Support of the Monterey Peninsula Water Management District's Petition for Modification of D.22-12-001

Dear President Reynolds and Commissioners:

The Del Rey Oaks City Council would like to thank you for your unanimous approval of the amended Water Purchase Agreement at the December 1, 2022, virtual meeting by the issuance of D.22-12-001 in A. 21-11-024. This approval now provides the opportunity to move forward on the Pure Water Monterey expansion project, which will provide enough water to potentially lift the Peninsula's Cease-and-Desist order from the State Water Resources Control Board.

The Monterey Peninsula is in desperate need of an additional water supply for new housing and drought protection. As a peninsula city, Del Rey Oaks is concerned with the lack of affordable housing in the region. We understand that the only way the region will be able to move forward with increased housing is if we have an additional source of water.

Right now, two of our public agencies—the Monterey Peninsula Water Management District (MPWMD) and Monterey One Water (M1W) are poised and ready to move forward with the Pure Water Monterey Expansion, which will provide the Peninsula with an additional 2,250 acre-feet of water. All that is required to begin construction is California American (Cal-Am) Water's signature on the Water Purchase Agreement. At this time, Cal-Am has refused to sign the Water Purchase Agreement until the CPUC approves its request for greater cost recovery.

As a council, we believe Cal-Am's delay has the following negative consequence for our residents and the greater Peninsula:

1. The delay in signing the Water Purchase Agreement is costing our public agencies additional money in terms of administrative costs and in the future, an increase in costs for construction and financing. A very rough estimate is that these delays may be costing upwards of \$14 million dollars. Our ratepayers will end up by paying for these additional costs.
2. If this is delayed further, our public agencies may be losing out on \$42 million in grant funds for this \$70 million project. If these grant funds, which will pay for more than half of the project, are not secured, then our ratepayers may end up paying these increased costs on their water bills.

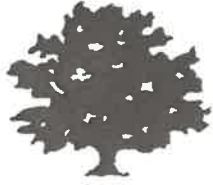
3. Moving forward with the expansion of Pure Water Monterey will also provide an opportunity to build new extraction wells which will allow the Water Management District to increase Aquifer Storage and Recovery (ASR) production. With the higher flows of the Carmel River, more water could be recovered from this source and stored within our aquifers for future use. However, without the signed Water Purchase Agreement, additional wells aren't being constructed and the community is losing out on saving this valuable water for future use.

Given these concerns, we respectfully request that the California Public Utilities Commission compel California American Water to sign the Water Purchase Agreement so that the Pure Water Monterey Expansion Project can move forward.

Thank you for your consideration on this important matter.

Respectfully,

Elected members of the Del Rey Oaks City Council



# CITY OF DEL REY OAKS

650 CANYON DEL REY BLVD., DEL REY OAKS, CALIFORNIA 93940  
PHONE (831) 394-8511 FAX (831) 394-6421

**DATE:** February 28, 2023  
**TO:** Honorable Mayor and City Council  
**FROM:** John Guertin, City Manager  
**SUBJECT:** Consider letter to the California Public Utilities Commission (CPUC)

**CEQA:** This action does not constitute a "project" as defined by the California Environmental Quality Act (CEQA) guidelines section 15378 as it will not result in direct or indirect physical changes in the environment.

## **Recommended Action**

That the Council consider drafting and sending a letter to the California Public Utilities Commission (CPUC).

## **Discussion**

Both the Monterey Peninsula Water Management District (MPWMD) and Monterey One Water have requested that peninsula cities consider sending a letter to the CPUC in support of the Monterey Peninsula Water Management District's petition for modification of D.22-12-001 in proceeding A2111024. The MPWMD draft was submitted for consideration by Councilmembers Shirley and Uy (report and letter attached). The Monterey One Water draft was submitted for consideration by Mayor Donaldson.

The Council could consider:

- Approving one of the letters as drafted for submittal to the CPUC
- Modifying or drafting another letter for submittal
- Not submitting a letter to the CPUC

## **Fiscal Impacts**

None.

Respectfully Submitted,

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John Guertin  
City Manager

President Alice Busching Reynolds  
Commissioner Genevieve Shiroma  
Commissioner Darcie L. Houck  
Commissioner John Reynolds  
Commissioner Karen Douglas  
505 Van Ness Avenue  
San Francisco, CA 94102

Re: Application 21-11-024— Request to Compel Execution of the Amended Water  
Purchase Agreement Authorized in D. 22-12-001

Dear President Reynolds and Commissioners:

As elected officials from the City of Del Rey Oaks on the Monterey Peninsula, we want to thank you for your unanimous approval of the amended Water Purchase Agreement at the Dec. 1, 2022, virtual meeting by the issuance of D.22-12-001 in A. 21-11-024. The approval cleared the way for the expansion of the Pure Water Monterey Project. The amount of water created from the expanded Pure Water Monterey Project would potentially lift the Cease-and-Desist Order imposed upon the area by the State Water Resources Control Board.

The area is in desperate need of the additional water as the Regional Housing Needs Assessment units are not being implemented because of the lack of water availability.

It is our understanding that two of the three parties -- Monterey One Water and the Monterey Peninsula Water Management District -- needed to execute the Amended Water Purchase Agreement have already signed the document. The Third party, California American Water, has not yet signed the Agreement. Once the Agreement is fully executed, the financing to construct the Project can be secured and bidding the various components of the Project can begin. The delays caused by not executing the Agreement are delaying drought proofing efforts for the residents and businesses in our communities.

As requested by the Water Management District in its December 16, 2022, Petition for Modification, we also respectfully request that the California Public Utilities Commission compel California American Water to sign the Amended Water Purchase Agreement in order for the Pure Water Monterey Expansion Project to move forward. California American Water can continue to work through the issues related to cost recovery at a later time without delaying the expansion of the Pure Water Monterey Expansion Project.

Sincerely,

Scott Donaldson	Kim Shirley	John Uy	Jeremy Hallock	Bill Ragsdale-Cronin
Mayor	Councilmember	Councilmember	Councilmember	Councilmember