MONTEREY PENINSULA
WATER SUPPLY PROJECT

NEWSLETTER
2016/3Q

IT BEGINS

THE MONTEREY PENINSULA WATER SUPPLY PROJECT BREAKS GROUND

INSIDE

A NEW WATER PARADIGM

Ground breaking on the new Pipeline Project marks the beginning of the end for the Peninsula's water crisis

After years of planning, false starts and legal battles, work has finally begun to end the water crisis that has plagued the Monterey Peninsula for decades. A groundbreaking ceremony on Oct. 17 in front of Monterey City Hall marked the beginning of installation for a 36-inch pipeline that will connect the area to new sources of water.

The pipeline will be used to transport water from the Pure Water Monterey groundwater replenishment project and a new desalination facility that will be constructed north of Marina.

These two sources will significantly reduce the amount of water taken from the impacted Carmel River. The pipeline's construction also meets a requirement of the State Cease and Desist Order on pumping from the river, which mandates demonstrable milestones be met in the project's development.

"The pipeline construction is the first tangible step in bringing in a new source of water supply to the area," said California American Water president Rob MacLean. "There are many people to thank; however, a special recognition is owed to the residents of the Monterey Peninsula who have done their part by becoming one of the lowest-per-capita water users in the country and who have showed tremendous patience while this complex process played out."

The pipeline will run about seven miles from Seaside to Pacific Grove and is expected to be completed by the end of 2017. Initial work has already begun on the $50-million project, which is expected to have varied traffic impacts throughout the year of its construction.

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Cal Am has undertaken an outreach campaign to notify all affected customers of the potential traffic impacts. This campaign includes a new "pipeline" section of the project's redesigned website: **watersupplyproject.org**. Here, customers will be able to see where construction is taking place, how long the work is expected to take and forecasted traffic impacts to the area. Customers can also sign up for a weekly email construction update. In addition, company representatives have held community meetings, City Council presentations and sent information on the project to all local customers.

[Opposite page] *Vice President of Operations Rich Svindland (left) stands with various elected officials and agency partners who are holding golden shovels in commemoration of the beginning of the water supply project's pipeline installation.*

[This page - left to right] *Bill Kampe, Mayor of Pacific Grove, Libby Downey – Councilwoman, Monterey, Rich Svindland – Vice President of Operations, California American Water, Dave Stoldt – General Manager, Monterey Peninsula Water Management District, Paul Sciuto – General Manager, Monterey Peninsula Regional Water Pollution Control Agency.*

CPUC APPROVES

PURE WATER MONTEREY PROJECT
PIPELINE PROJECT

POTHOLING:
For the past month, we've been conducting potholing operations along the proposed pipeline path. Potholing is necessary in order to validate and confirm the existence of other underground utilities to avoid conflicts. This phase is expected to conclude in November.

The California Public Utilities Commission unanimously approved in September a water purchase agreement for the $85-million Pure Water Monterey proposal. The Commission also approved a $50 million pipeline to connect the project to Cal Am's Monterey system. The approval paves the way for the most significant and tangible point of progress in the community's decades long effort to find a new source of water.

Construction of the recycled water plant will begin in February 2017, as currently scheduled. Completion of the plant with deliverable water is expected in early 2018.

Pure Water Monterey is one leg of the water supply project's "three-legged" stool, in addition to a yet-to-be-approved desalination facility and expansion of aquifer and storage recovery wells. Developed by the Monterey Regional Water Pollution Control Agency and the Monterey Peninsula Water Management District, the Pure Water Monterey project will deliver about 3,500 acre feet of recycled water annually.

In order to deliver water from the recycling facility to customers, Cal Am will install a seven-mile, 36-inch pipe from Seaside to Pacific Grove. The pipeline will also serve as the conduit for the desal plant, which has yet to be approved.

The approval and construction of the pipeline will also bring Cal Am in compliance with early progress milestones set by the State Water Resources Control Board in its Cease and Desist Order, which mandates finding alternative sources to the over-pumped Carmel River.

COMMUNITY OUTREACH

Cal Am representatives have made presentations on the pipeline project that includes the need for the project, where construction will be taking place and what to expect during construction. So far, they have visited the following groups:

- City Council of Monterey
- City Council of Seaside
- City Council of Carmel-by-the-Sea
- City Council of Pacific Grove
- City Council of Del Rey Oaks
- City Council of Sand City
- Monterey County Hospitality Association
- Peninsula Business Coalition
- Monterey County Association of Realtors
- North Fremont Street Business District
- New Monterey Neighborhood Association
- Old Town Monterey Neighborhood Assoc.
- Casanova Oak Knoll Neighborhood Assoc.

If you are a member of an affected community group and would like to be provided a presentation on this project, please call California American Water's pipeline hotline at: 831-646-3297.

ABOUT THE PROJECT

The Monterey Peninsula is facing a severe water supply problem. That's because the State Water Resources Control Board has ordered California American Water to significantly reduce its pumping of water from the Carmel River.

This order coupled with pumping restrictions in other parts of the county means that nearly 70 percent of the Monterey Peninsula community's historic water supply must be replaced.

The current project is comprised of three elements:

- Desalination
- Aquifer Storage and Recovery
- Pure Water Montery: A Groundwater Replenshiment Project

This multi-faceted approach brings numerous advantages over a single-source solution. For one, it will enable California American Water to build a smaller desalination plant that will reduce the project's environmental footprint.

Secondly, this strategy will build-in redundancy that is critical for all municipal water supply systems, allowing the water system to continue to provide water if one component becomes temporarily unavailable.

DESALINATION

The Monterey Peninsula Water Supply Project consists of sub-surface slant intake wells, a desalination plant, and related facilities including source water pipelines, product water pipelines and brine disposal facilities.

The desalination plant will produce 6,250 acre-feet of treated water per year. One acre-foot is equal to one acre filled with one foot of water, which is typically enough water to support four households on the Monterey Peninsula for a year.

California American Water purchased a 46-acre parcel of land located off of Charles Benson Road in Marina as the site for the proposed desalination plant.

California American Water has also secured access to and the ability to purchase permanent easements for locations to host its slant intake wells. California American Water's project will use a series of slant wells located near the coastline in the North Marina area to draw ocean water.

The slant wells will be up to 800 feet long. The final location, layout and configuration will be based on the results of the slant test well and groundwater modeling work. In addition to the plant and its intake wells, other pipeline, storage and pump facilities will need to be constructed to ultimately deliver water to customers.

AQUIFER STORAGE AND RECOVERY

California American Water will expand its current ASR project – a partnership with the Monterey Peninsula Water Management District – which captures excess winter flows from the Carmel River for storage in the Seaside Aquifer and withdrawal during the dry, summer months. Winter flows are considered excess only when they exceed what is needed to protect the river's threatened population of steelhead.

For the Monterey Peninsula Water Supply Project, the company plans to construct two additional ASR wells that will increase capacity of the program and allow the desalination plant to be smaller than would be needed without the wells.

BUDGET*

Subsurface Intake System and Supply Return Facilities: $79M (24% spent to date)

Desalination Plant: $115M (14% spent to date)

Pipeline Facilities: $128M (13% spent to date)

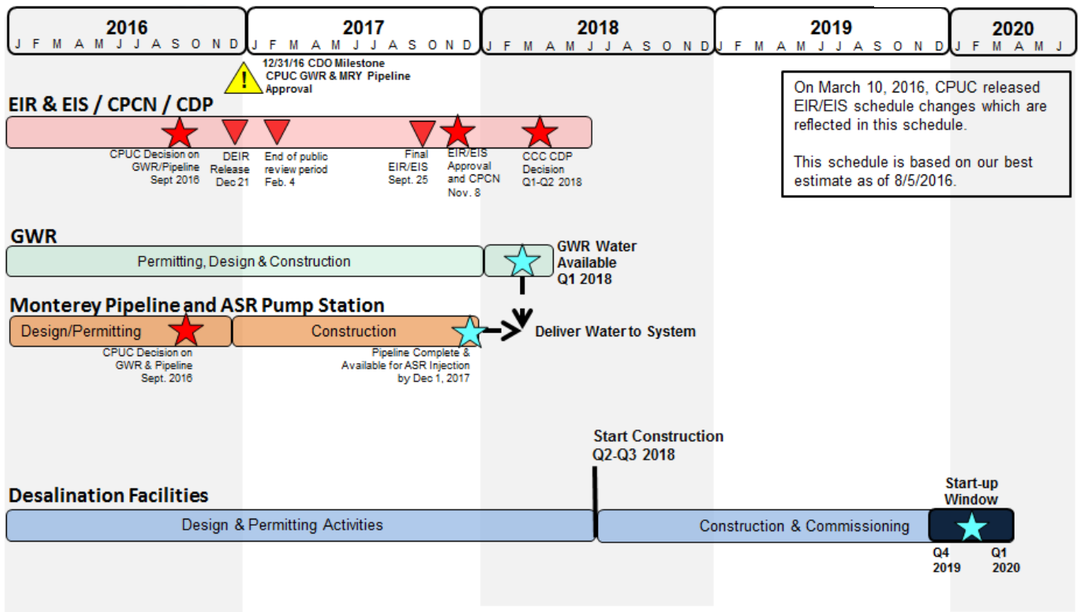
Pre-Construction Cost: $8M (100% spent to date)

*NOTE: These figures are based on a 6.4 MGD desalination facility. Pre-construction costs are included in the $322-million project total. Further breakdown of the above components will occur after the CPUC issues a Certificate of Public Convenience and Necessity permit for the MPWSP. These figures include financing and some contingency costs and therefore differ from the capital costs listed in the settlement.

For more information on the pipeline construction schedule and traffic impacts, please visit the project's website: www.watersupplyproject.org

Here you will find informaton on where construction crews will be and when. You can also sign up to receive a weekly email with traffic alerts and general project progress.

PROJECT SCHEDULE



Note: The schedule is based on the information and assumptions available at time of update and is accurate to +/-6 months.

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WATER FOR OUR FUTURE