



**CALIFORNIA**  
**AMERICAN WATER**

## **Monterey Peninsula Water Supply Project**

### **California Public Utilities Commission Public Participation Hearings**

**January 9, 2013**

## **Monterey Peninsula Water Supply Project**

**Our Application before the California Public Utilities Commission is extensive. To signup for project updates or view the application, visit our project website:**

**[www.watersupplyproject.org](http://www.watersupplyproject.org)**

## Topics

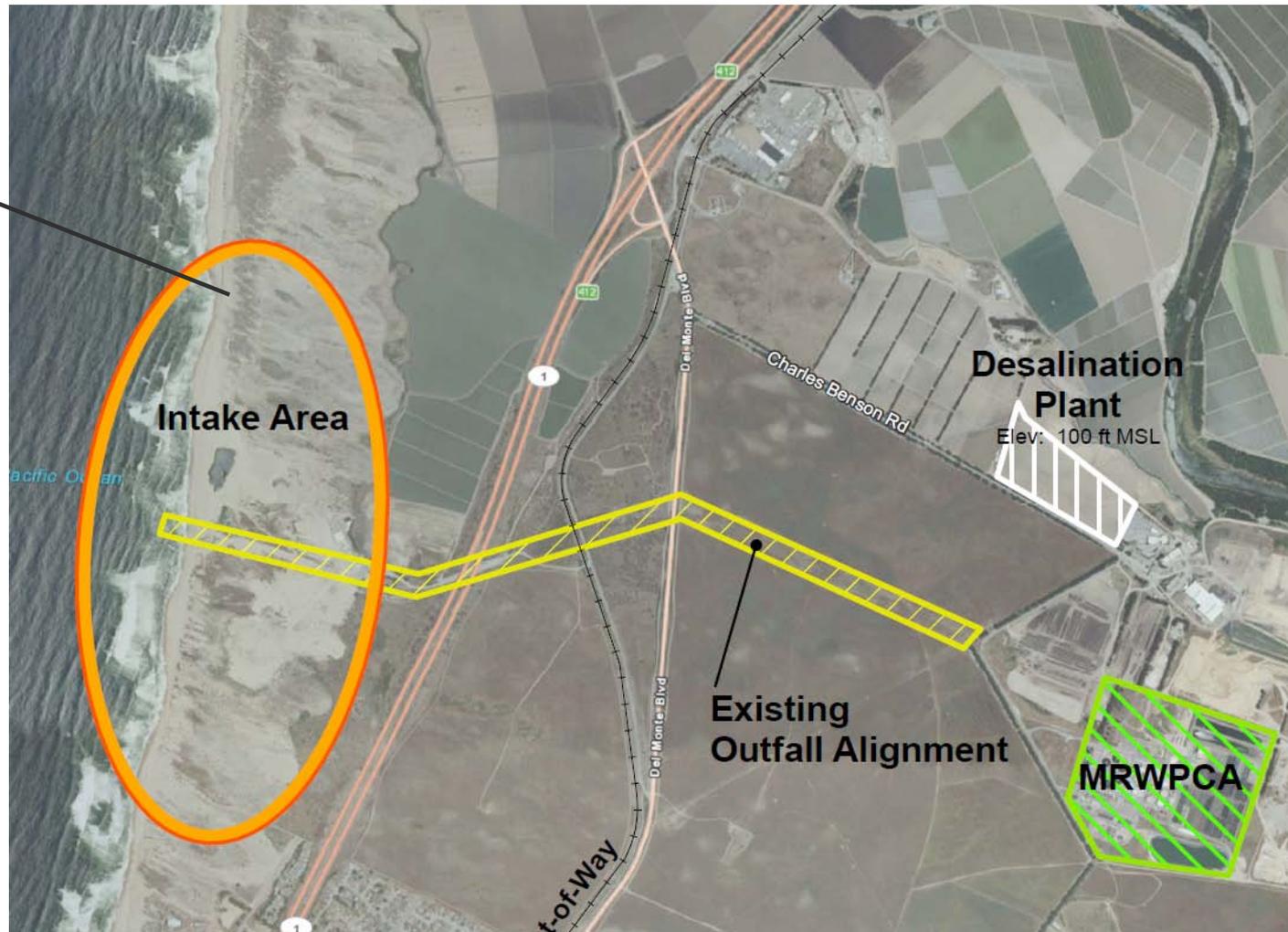
- **Project Overview**
- **Changes / updates to application**
  - **Updated Demand & Components**
  - **Updated Financing**
  - **Updated Schedule**
- **Outreach/updates**
- **Overview of Groundwater Reuse**

## Project Overview

- **Deliver a replacement water project for the Monterey Peninsula**
- **Cal-Am desires to construct a smaller desal facility and purchase Groundwater Replenishment (GWR) from public agencies**
  - Desalination plant to be reduced by 35% if 3,500 AFY of GWR is available from MRWPCA / MPWMD.
  - Project includes Improvements to Aquifer Storage and Recovery (ASR) system.

## Intake and Desal Plant Location

Cal-Am  
Proposal  
Includes Slant  
Wells

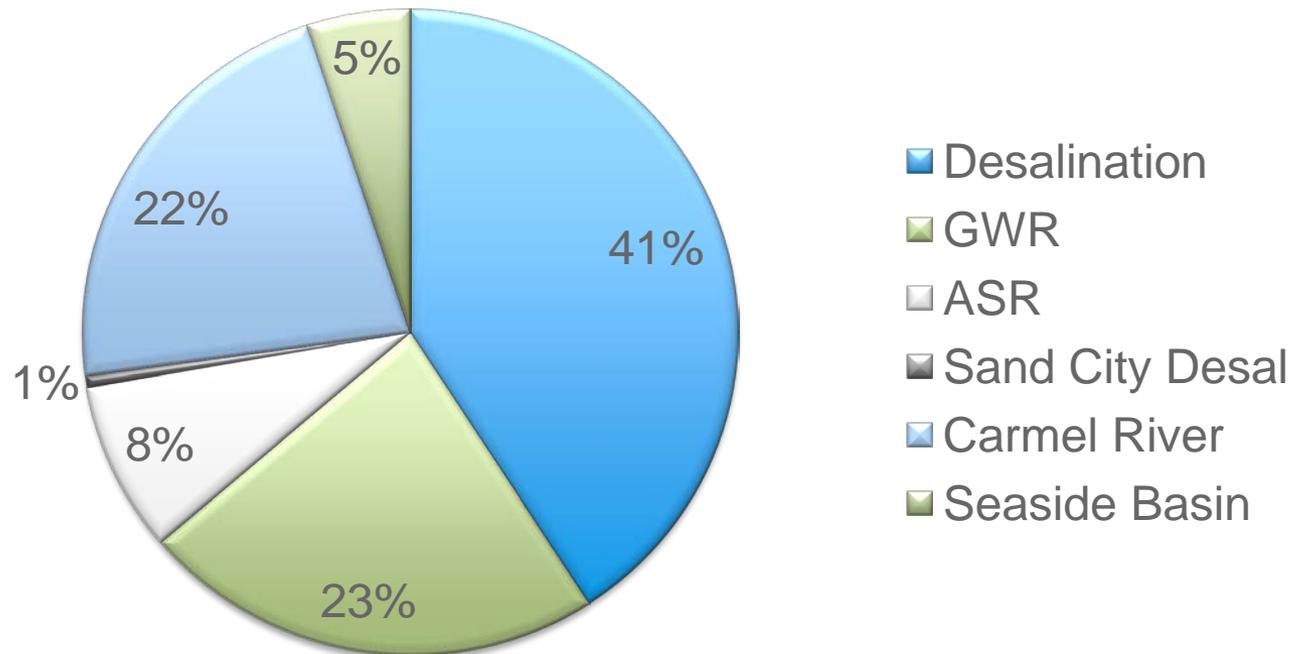


## Updated Project Demand

<b>Estimated Demand – Mid Range (AFY)</b>	<b>15,296</b>
5 yr Average (AFY)	13,290
Pebble Beach (AFY)	325
Tourism Bounce Back (AFY)	500
Lots of Record (AFY)	1,181

## Diversification of Supply, 59% of water from sources other than desalination

### Proposed Water Sources



## Updates to Application

Item	Application – April, 2012	Supplemental Testimony – January, 2013
Slant Well Location	180' Aquifer	Shallow Aquifer and/or 180' Aquifer
Desalination Plant Size	9006 AFY or 5500 AFY with GWR	9752 AFY or 6252 AFY with GWR

## Cost Impact of Application Updates

MPWSP Original Application	Capital Cost <sup>1</sup>	O&M Cost <sup>2</sup>	1 <sup>st</sup> Year Revenue Requirement
9.0 MGD Plant	\$260.4M	\$12.8M	\$32.2M - \$33.5M
5.4 MGD Plant	\$213.3M	\$18.6M - \$20.4M	\$31.7M - \$33.8M

MPWSP Updated Application	Capital Cost <sup>1</sup>	O&M Cost <sup>2</sup>	1 <sup>st</sup> Year Revenue Requirement
9.6 MGD Plant	\$277.0M	\$11.0M	\$32.4M - \$34.0M
6.4 MGD Plant	\$223.5M	\$17.8M - \$19.5M	\$32.1M - \$33.9M

<sup>1</sup> Capital cost includes test well

<sup>2</sup> O&M cost is 2012 cost, and excludes avoided costs

No changes to the CAW Only Facilities

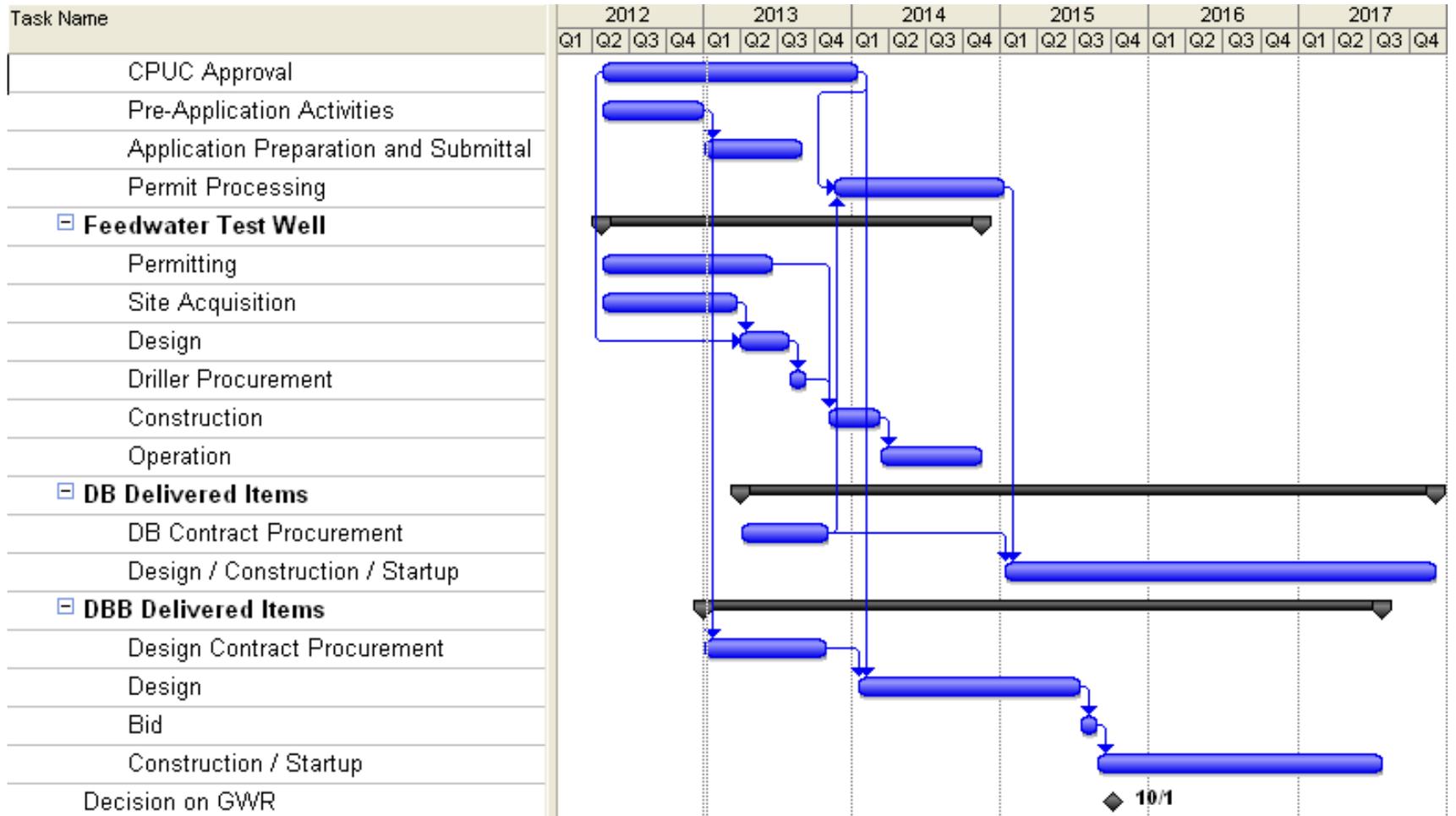
## Finance and Expenses – As Filed

- Surcharge 2, which would raise \$99 million, reducing interest during construction
- SRF funding may be available at 2.5%
- \$15 - \$20 million from short term line of credit at an interest rate of 1.0%
- The surcharge and SRF amounts are exempt from real property taxes, at an annual savings of \$2.5M
- Approximately 2/3 of the project cost will be outside our ratebase, meaning shareholders will not earn a return on this amount
- Weighted average cost of financing, with contributions estimated at 3.46% to 4.73%

## Updates to Financing and Expenses

- Based on meetings with PG&E we have been able to reduce our power costs estimate by approx. \$1M per year on the smaller desal plant and \$1.9M per year on the larger desal plant
- We have reduced the Long Term Debt Rate from 5% to 4.3% based on current market conditions.

# Update to Schedule



## Public Involvement / Ownership

- **Aquifer Storage & Recovery is a partnership project with the Monterey Peninsula Water Management District (MPWMD)**
- **California American Water working cooperatively with the Monterey Peninsula Regional Water Authority and the MPWMD in regard to a governance proposal and their efforts to develop potential financing alternatives**
- **Groundwater Replenishment is a project publicly owned by the Monterey Regional Water Pollution Control Agency. California American Water proposes to purchase water from that project**



# Monterey Peninsula Groundwater Replenishment Project

*Providing A Safe And Sustainable Water Supply*



**Cal-Am Water Project for Monterey Peninsula  
CPUC Public Participation Meeting  
January 9, 2013**



**Monterey Regional Water Pollution Control Agency**

Keith Israel, General Manager & Bob Holden, Principal Engineer

# Proposed Schedule

	2013				2014				2015				2016			
	1Q	2Q	3Q	4Q												
<b>CEQA+</b>	█	█	█	█	█											
<b>Pilot</b>				█	█	█	█									
<b>Design</b>						█	█	█	█							
<b>Construction</b>										█	█	█	█	█	█	█
<b>Outreach</b>			█	█	█	█	█	█	█	█	█	█	█	█	█	█

Red Border - Cal Am Anticipated Decision Point

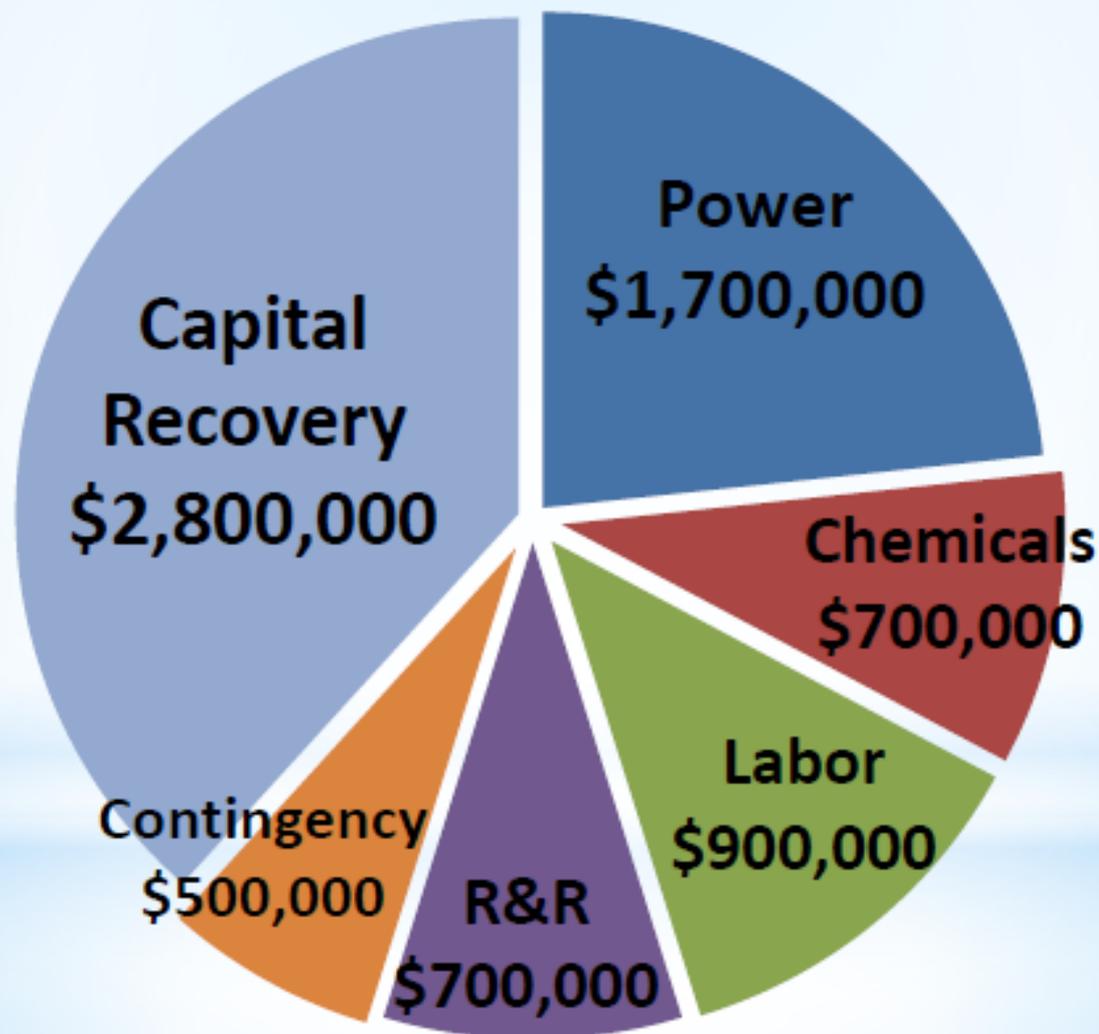
# Projected Costs

## 12 month Annual Operation

	<u>Worst Case</u>	<u>Best Case</u>
<b>Capital Expense</b>	<b>\$87 M</b>	<b>\$58 M</b>
<b>Base Facilities</b>	<b>\$67 M</b>	<b>\$56 M</b>
<b>Supplemental Water</b>	<b>\$12 M</b>	<b>\$0 M</b>
<b>Contingency</b>	<b>\$8 M</b>	<b>\$2 M</b>
<b>O/M Cost (incl. Capital Recovery &amp; Contingency)</b>	<b>\$11 M</b>	<b>\$7 M</b>
<b>Water Cost (per AF)</b>	<b>\$2,600</b>	<b>\$2,000</b>

# O&M Cost Breakdown-\$7,000,000

BEST CASE



**12 mo. \$2,000/AF**

# Project Cost Challenges

---

- **Negotiations with parties on most feasible project**
  - **Water Rights**
  - **Win-Win-Win Options**
  - **Project Budget Delayed**
  - **Goal: Project Clarity by February**

# Project Cost Challenges continued

---

## ● Groundwater Replenishment Goals

- Water Safety
- Cost Effective ( $\leq$  \$2,500/AF)
- Reliable Drought Proof Resource
- Low Carbon Footprint
- Online by December 2016



# Monterey Peninsula Groundwater Replenishment Project

*Providing A Safe And Sustainable Water Supply*



## *Thank You!*



Monterey Regional Water Pollution Control Agency  
Keith Israel, General Manager & Bob Holden, Principal Engineer

**For more information visit:**  
**[www.watersupplyproject.org](http://www.watersupplyproject.org)**  
**[www.cpuc.ca.gov](http://www.cpuc.ca.gov)**  
**[www.mrw pca.org](http://www.mrw pca.org)**  
**[www.californiaamwater.com](http://www.californiaamwater.com)**