

CHAPTER 1

Introduction

The California Public Utilities Commission (CPUC or Commission) as the Lead Agency, has prepared this Draft Environmental Impact Report (EIR) for the Coastal Water Project (CWP) in compliance with the California Environmental Quality Act (CEQA) and the CEQA Guidelines. The EIR is a public document for use by CPUC, other governmental agencies, and the public in identifying and evaluating the potential environmental consequences of a project, identifying mitigation measures to lessen or eliminate adverse impacts, and examining feasible alternatives to the project. The impact analyses in this report are based on a variety of sources; references for these sources are listed at the end of each technical section. The information contained in this EIR will be reviewed and considered by the CPUC Commissioners prior to the ultimate decision to approve, deny, or modify the proposed project.

This chapter contains the following sections:

- 1.1 Purpose of CWP EIR
- 1.2 Project Background and the CWP EIR
- 1.3 California American Water Company
- 1.4 California Public Utilities Commission
- 1.5 Regulatory and Legislative History
- 1.6 Project Setting
- 1.7 Coastal Water Project History
- 1.8 Regional Project

1.1 Purpose of CWP EIR

This EIR has been prepared to analyze the potential environmental impacts of a proposed new water supply project for the Monterey Peninsula. The proposed project is called the Coastal Water Project and is being proposed by the California American Water Company (CalAm) (see Chapter 3, Project Description). In an application before the Commission (A.04-09-019), CalAm has filed to construct, own, and operate the proposed CWP. CalAm prepared a Proponent's Environmental Assessment (PEA) for the Coastal Water Project in 2005 at the direction of the CPUC's Administrative Law Judge (ALJ) and included an analysis of an alternative regional project that would provide for the supply needs beyond those of CalAm. The CPUC (and other agencies) may use this EIR in deciding whether to approve the project.

The proposed water supply is needed to replace existing supplies that are constrained by recent legal decisions affecting the Carmel River and Seaside Groundwater Basin water resources: State

Water Resources Control Board (SWRCB) Order No. WR 95-10 (Order 95-10) and the Monterey County Superior Court adjudication of water rights in the Seaside Groundwater Basin. Both rulings reduce CalAm's use of its two primary sources of supply for the Monterey District and provide the most immediate impetus for the CWP. Information about these two decisions, with a brief overview of the water supply system for context, is presented in Chapter 2, Section 2.2.

The CWP would produce desalinated water, convey it to the existing CalAm distribution system, and increase the system's use of storage capacity in the Seaside Groundwater Basin. The CWP would consist of several distinct components: a seawater intake system; a desalination plant; a brine discharge system; product water conveyance pipelines and storage facilities; and an aquifer storage and recovery (ASR) system.

1.2 Project Background and the CWP EIR

The EIR analyzes at an equal level of detail three water supply projects that can each satisfy the objectives of the Coastal Water Project. The Proponent's Environmental Assessment (CalAm and RBF Consulting, 2005) described the CWP assuming the proposed desalination plant would be situated at Moss Landing (this is referred to as the Applicant's Proposed Project, or the Moss Landing Project) to take advantage of the existing cooling water intake system at the Moss Landing Power Plant (MLPP) for source water, and the existing MLPP ocean outfall for the disposal of brine. Since that time, two alternative projects have been developed that are also capable of satisfying the objectives of the CWP.

The first alternative, known as the North Marina Project, includes most of the infrastructure improvements proposed for the CWP. The main differences are that the North Marina Project's desalination facility would be constructed at a different site (in North Marina) and the desalination facility's production capacity would be slightly greater than that of the Moss Landing facility. The North Marina Project would also utilize subsurface seawater intakes for the desalination plant source water (slant wells at the end of Reservation Road), and would require fewer miles of product water conveyance pipeline than the Moss Landing Project. The North Marina Project was initially identified in the PEA and subsequently refined by CalAm and the CPUC. The North Marina Project would meet all of the project objectives of the CWP and is analyzed in this EIR at a level of detail equal to that devoted to the CWP. Both the Moss Landing and North Marina Projects are described in Chapter 3, and both projects are analyzed in Chapter 4 of this EIR. CalAm would be the owner and operator of either of these two projects. The CPUC, as the Lead Agency under CEQA, will use this document to approve one of them to implement the CWP if it decides to approve either of these two projects.

The second alternative project analyzed in this EIR is the Monterey Regional Water Supply Project (Regional Project), which is proposed by Water for Monterey County (formerly known as the Regional Plenary Oversight Group, or REPOG) as a community-developed long-term water supply alternative. The Regional Project, which is described separately in Chapter 5 and analyzed in Chapter 6, would integrate the development and allocation of several water supply sources, including desalination, to address existing and projected future demands within the CalAm

service area, as well as existing and future demands in other areas of northern Monterey County. (See Chapter 5, Sections 5.1 and 5.2 for further explanation about the origins and evaluation of the Regional Project.) The Regional Project as proposed would be implemented in phases and would incorporate most of the components of the North Marina Project. ~~Specifically, the Regional Project would utilize the existing Salinas River Diversion Facility (SRDF), and would include a new surface water treatment plant.~~ However, instead of employing slant wells for source water as would the North Marina Project, the Regional Project would employ vertical wells to draw water from beneath the inland side of the beach dunes ~~and would add capacity to store additional water in the Seaside Groundwater Basin.~~ As proposed in the Regional Project alternative, the Marina Coast Water District (MCWD) would be the owner of the regional desalination facility and Monterey County Water Resources Agency (MCWRA) would be responsible for the source water wells and the surface water treatment plant. To be implemented, it is assumed the MCWD and MCWRA (and the Monterey Regional Water Pollution Control Agency [MRWPCA]) would use this EIR in considering approval of some of the Regional Project facilities.

1.3 California American Water Company

The California American Water Company has served the Monterey Peninsula since it acquired properties from California Water and Telephone Company in 1966. CalAm's Monterey District service area is located in the semi-arid central California coastal area and is entirely dependent on local rainfall for its water supply; imported water is not a viable option. By reason of its geography and rainfall patterns, the area is prone to severe droughts. Wells located along the Carmel River that draw water from the Carmel River Aquifer are the primary source of water for CalAm. An additional source of water for CalAm is a network of eight wells located in the Seaside Basin, which CalAm shares with a number of users and purveyors. CalAm's supply storage facilities include two small reservoirs on the Carmel River: the Los Padres Dam and Reservoir and the San Clemente Dam and Reservoir. In 1987, CalAm's water production peaked at approximately 18,000 AFY. (See Section 2.1, Introduction, for further detail regarding the CalAm service area and infrastructure.)

1.4 The California Public Utilities Commission

The California Public Utilities Commission is a constitutionally-established state agency charged with providing regulatory oversight of investor-owned utilities in the transportation, energy, communications, and water industries. The Commission consists of five commissioners who are appointed for six-year terms by the Governor. The commissioners are served by an Executive Director and a staff of professional engineers, economists, policy and industry analysts, attorneys and administrative law judges. The CPUC provides regulatory oversight in the areas of purpose and need; economic cost; ratemaking; safety and reliability; and customer service; among others. The Commission is located in San Francisco and makes decisions by vote of its commissioners at regularly scheduled public business meetings. More information on the CPUC may be found at: <http://www.cpuc.ca.gov>.

1.4.1 The Draft EIR

In accordance with Sections 15063 and 15082 of the CEQA Guidelines, the CPUC prepared a Notice of Preparation (NOP) for this EIR. The NOP was circulated to local, state, and federal agencies on September 29, 2006. Comments were requested by November 9, 2006. The NOP provided a description of the Coastal Water Project, a discussion of possible alternative projects being considered, a map of the project location and the area, and a summary of the probable environmental effects of the project to be addressed in the EIR. During the scoping period, the CPUC held a series of four scoping meetings in Monterey County to discuss the project and to solicit public input as to the scope and content of this EIR. **Appendix A** of this Draft EIR includes the NOP and presents a description of public outreach efforts.

This Draft EIR ~~will be~~ was available to local, state, and federal agencies and to interested organizations and individuals who may have wanted to review and comment on the report. Notice of this Draft EIR ~~will~~ was also ~~be~~ sent directly to every agency, person, or organization that commented on the NOP. The publication of the Draft EIR ~~marked~~ s the beginning of a ~~60~~75-day public review period, ending April 1, 2009¹. During the ~~60~~75-day review period, written comments ~~should be~~ were mailed or hand delivered to:

Andrew Barnsdale, CPUC
c/o Environmental Science Associates
225 Bush Street, Suite 1700
San Francisco, CA 94104
Or visit www.cwp-eir.com/notify.html

During this ~~60-day~~ review period, the CPUC ~~will~~ conducted four public participation meetings on March 2-4, 2009 to answer questions about, and to receive oral comment on, the Draft EIR. The meetings ~~will be~~ were held at three locations in the local Monterey area.

1.4.2 The Final EIR

Following circulation of this DEIR and incorporation of public comments and responses to comments, a Final Environment Impact Report (FEIR) ~~will be~~ was published by the CPUC and submitted into the formal record of the Commission's Certificate of Public Convenience and Necessity (CPCN) proceeding for CalAm (A.04-09-019). The FEIR will then be reviewed by a CPUC administrative law judge, who will submit a proposed decision to the Commission concerning certification of the EIR and approval of the CWP. In addition to environmental impacts, the ALJ will consider any other issues that have been established in the formal proceeding record, including but not limited to economic issues, social impacts, specific routing and alignments, and the need for the project. During this process the ALJ will also take into account testimony and briefs from parties who have formally intervened in A.04-09-019, as well as the formal record of any hearings held by the ALJ in this case.

¹ The CPUC initially circulated the Draft EIR for review for a 60-day public comment period, starting January 30 and scheduled to close on April 1. At the request of several agencies and members of the public, CPUC extended the public comment period by 15 days, and written comments on the Draft EIR were accepted through April 15, 2009.

1.4.3 Alternative Selection and The Proposed Decision

The ALJ and the commissioners have the discretion to select any alternative or combination of project components they deem most appropriate. In order to allow the ALJ and the commissioners to make an informed decision, and in order to provide them with a variety of options to select from in case a component proves to be infeasible or is undesirable for environmental or other policy reasons, this EIR and alternatives analysis has been set up to allow for “mixing and matching” components that may not have originally been proposed together. Almost all potential project components put forth in the Applicant’s Proposed Moss Landing Project, the North Marina Project, and the Regional Project, as well as the options presented in Chapter 7, Section 7.6, can be interchanged with components from other projects. If, for example, the ALJ finds that the North Marina Project is the best proposal but that slant wells have become infeasible, she may issue a proposed decision to proceed with the North Marina Project but with a substitution of vertical wells for the source water. Alternately, the ALJ could find that the Moss Landing Project is the best proposal for infrastructure, but that the size of the desalination plant should be scaled down and pieces of the Regional Project should be implemented to make up the difference in volume of water produced.

After an independent review of the FEIR, the ALJ will issue a proposed decision on the application and project. The ALJ’s proposed decision will provide a review of the formal record before the Commission in A.04-09-019, including the non-environmental issues presented by parties to the proceeding. This proposed decision will include a decision of approval or denial of the CWP, or some alternative variant thereof. During this general time period the CPUC Assigned Commissioner, as well as any other CPUC commissioner, may issue an alternate decision on the application and proposed project.

1.4.4 A Final CPUC Decision

Upon FEIR certification, the CPUC may proceed with project approval actions. Should the ALJ CPUC decide in favor of the CWP, as proposed or as modified, the ~~judge will~~ CPUC must make findings on each significant environmental impact that remains significant after mitigation. As to each such impact, the lead agency must find that either (1) the environmental effect has been reduced through mitigation measures to a less-than-significant level, essentially “eliminating, avoiding, or substantially lessening” the expected impacts, or (2) the residual significant adverse impact that cannot be mitigated to less-than-significant level is outweighed by project benefits. This latter finding is called a Statement of Overriding Considerations.

The ALJ may also deny the proposed project, but decide in favor of an alternative that may require further action on the part of other parties and public agencies. The Commission’s final decision may therefore include an order for CalAm to return to the Commission at a later time for approval of either a specific project or some form of water supply agreement, either of which would resolve at a minimum the water supply issues raised by SWRCB Order 95-10 and the Seaside Basin adjudication. In either event, if the proposed decision (or an alternate) finds the FEIR adequate for the Commission’s decision making purposes, the Commission as the Lead

Agency for CEQA may certify the FEIR by formal vote and direct that CalAm take the necessary steps to implement the Commission's final decision.

~~Upon FEIR certification, the CPUC may proceed with project approval actions. CEQA requires that the Lead Agency neither approve nor implement a project unless the project's significant environmental effects have been reduced to less than significant levels, essentially "eliminating, avoiding, or substantially lessening" the expected impacts unless specific findings are made. If the Lead Agency approves the project despite residual significant adverse impacts that cannot be mitigated to less than significant levels, the agency must state the reasons for its action in writing. This Statement of Overriding Considerations must be included in the record of project approval.~~ In addition, State law requires Lead Agencies to adopt a mitigation monitoring and reporting program for those changes to the project that it has adopted or made a condition of project approval in order to mitigate or avoid significant effects on the environment. ~~The CEQA Guidelines do~~does not require that the specific reporting or monitoring program be included in the EIR. Throughout this EIR, however, proposed mitigation measures have been clearly identified and presented in language that will facilitate establishment of a monitoring program. All adopted measures will be included in a mitigation monitoring and reporting program to verify compliance.

1.5 Regulatory and Legislative History

The water supply challenges facing CalAm and the Monterey Peninsula are long-term, significant and have been well-documented in a number of venues including the SWRCB, the Monterey County Superior Court, the Commission, and the California Legislature. SWRCB Order 95-10 and the Seaside Basin adjudication are discussed in more detail below. During CalAm's previous attempt to propose a dam and storage reservoir on the Carmel River (the Carmel River Dam and Reservoir Project (CRDRP) – discussed below in Section 1.7.1), the legislature passed Assembly Bill 1182 which mandated that the CPUC conduct a study to review water supply alternatives for the Monterey Peninsula. This study was completed in 2002, became known as "Plan B" and is discussed below in Section 1.7.1. Plan B provided the technical foundation and point of departure for the analysis of the CWP in the PEA and in this EIR. In 2003, the CPUC issued a decision that dismissed CalAm's CRDRP application without prejudice, ordered CalAm to file a new application for the CWP, and determined that the CPUC should be the Lead Agency for the CWP EIR. CalAm responded to the CPUC's decision by filing an application for a Certificate of Public Convenience and Necessity (A.04-09-019) and proposing the Coastal Water Project.

1.5.1 SWRCB Order 95-10

The SWRCB Order 95-10 (SWRCB, 1995) substantially reduces diversion of all supplies along the Carmel River. The Order states that CalAm has been diverting approximately 10,730 afy from the Carmel River or its underflow without a valid basis of right and directs CalAm to diligently undertake the following actions: obtain appropriative rights to the Carmel River water that was being unlawfully diverted; obtain water from other sources and make one-for-one reductions of the unlawful diversions; and/or contract with other agencies having appropriative rights to divert

and use water from the Carmel River. In the interim, while CalAm is pursuing the development of an alternative supply, Order 95-10 directs CalAm to implement conservation measures to offset 20 percent of demand and restricts CalAm to an annual diversion from Carmel Valley sources, representing a 20 percent reduction from CalAm's historic usage. The Order also prohibits water from being diverted from the San Clemente Dam when stream flows reach a predetermined low flow. The Order directs CalAm to maximize use of the Seaside Basin for the purpose of serving existing connections – while honoring existing allocations – to reduce diversions from the Carmel River to the greatest practicable extent. Development of the replacement supply required in Order 95-10 is part of the proposed CWP.

1.5.2 Seaside Basin Groundwater Adjudication

Another purpose of the proposed project is to reduce CalAm's reliance on the Seaside Basin, currently CalAm's other principal source of supply for the Monterey District. The Monterey County Superior Court recently issued a final decision in the case, *California American Water v. City of Seaside, et al.*, Case No. 66343 (Monterey County Superior Court, 2006) (Decision) for the adjudication of water rights of the various parties who produce groundwater from the Seaside Basin. The establishment of adjudicated water rights of all the users of the Basin is intended to avoid long-term damage to the basin, including potential seawater intrusion, subsidence, and other adverse impacts of over-pumping.

The Decision establishes a physical solution to Basin management that is “intended to ultimately reduce the drawdown of the aquifer to the level of the Natural Safe Yield; to maximize potential beneficial use of the Basin; and to provide a means to augment water supply for the Monterey Peninsula.” Although CalAm submitted its application and PEA (CalAm, 2005) for the proposed project before the final Decision was issued, CalAm expected its Seaside Basin allocation to be reduced and therefore included in the proposed CWP 1,000 afy to be used to replace that amount of the current Seaside Basin allocation.

1.6 Project Setting

The Monterey Peninsula and coastal areas of Monterey County have long suffered from water supply challenges and the constant threat of drought conditions. Water sources consist of surface water from the Salinas and Carmel Rivers as well as groundwater from the Seaside Basin aquifer. Rainfall is the primary source of water and groundwater recharge within coastal Monterey County. In addition, the river courses in the County serve as habitat for two federally-listed endangered species, both of which appear to be highly vulnerable under current conditions.

1.6.1 Existing Supply Infrastructure – Monterey County Water Resources Agency

Coastal Northern Monterey County has long faced water supply challenges (Chapter 3, Figure 3-1 shows the area referred to as Coastal Northern Monterey County). The problems of seawater intrusion and excess diversion have existed for decades. Seawater intrusion was identified in

Monterey County in the late 1930s and documented by the State in 1946 as part of Bulletin 52. This report discussed methods to combat future seawater intrusion. As one of the primary custodians of potable water supplies in North Monterey County, Monterey County Water Resources Agency (MCWRA) took action based on these recommendations and has developed four important projects: Nacimiento and San Antonio Reservoirs; the Castroville Seawater Intrusion Project; and the Salinas Valley Water Project.

The first two projects, the Nacimiento and San Antonio Reservoirs, were put in place in the late 1950s and mid-1960s, respectively, to develop a new source of water for the needs of Monterey County. These dams are now owned and operated by MCWRA. The third project is the Castroville Seawater Intrusion Project (CSIP), developed by MCWRA in conjunction with the Monterey Regional Water Pollution Control Agency (MRWPCA). This project delivers up to 14,000 acre-feet per year (AFY) of recycled water to approximately 12,000 acres of agricultural lands surrounding Castroville. The recycled water is blended with groundwater to provide a supply adequate to meet the needs of the irrigation requirements of the CSIP service area.

The fourth project is the Salinas Valley Water Project (SVWP), which consists of modifying the Nacimiento Dam spillway, reoperating the storage and release schedules of the Nacimiento and San Antonio reservoirs, and the construction and operation of the Salinas River Diversion Facility (SRDF). The SRDF is under construction and is anticipated to become operational in 2010. The SRDF will direct Salinas River water for delivery to CSIP customers to replace the current use of groundwater. These four projects provide critical infrastructure that will stop seawater intrusion, provide adequate water supplies to meet current and future (year 2030) needs in the Salinas basin, and improve the hydrologic balance of the groundwater basin in the Salinas Valley.

1.6.2 Existing Supply Infrastructure – California American Water

The San Clemente Dam was constructed on the Carmel River in 1921 and continues to be the major point of surface water diversion from the river. Diversion from the San Clemente reservoir was the sole water supply for the Monterey Peninsula until the 1940s when customer demand exceeded that source of supply. CalAm's predecessor installed wells at the upper end of the Carmel Valley to produce water to meet summer demand. The Los Padres Dam was constructed about six miles upstream of the San Clemente Dam in 1949. The Los Padres reservoir is operated in conjunction with the San Clemente reservoir and controls inflow into it. Both dams have been owned and operated by CalAm since 1965. Over the years, sedimentation has reduced the usable storage at both the San Clemente and Los Padres reservoirs. By 1995 the primary source of water supply for CalAm was multiple wells located along the lower Carmel River, which supplied approximately 70 percent of CalAm's customer demand. The balance of the water supply was provided by storage at the Los Padres reservoir, diversions from San Clemente reservoir and water pumped from the Seaside Basin. In addition to the Carmel River sources, CalAm's main distribution system includes eight wells in the Coastal subarea of the Seaside Basin. The Seaside Basin encompasses a 24-square mile area and consists of several subareas. CalAm also has nine wells in the Laguna Seca subarea (CalAm, 2006a).

1.6.3 Water Supply Issues

The Carmel Valley Aquifer, which underlies the Carmel River, presently supplies approximately 70 percent of the Monterey Peninsula's water through CalAm's system. As a result of State Water Resources Control Board Order 95-10, California American Water is required to find a new source of water to replace the supply that it historically diverted from the Carmel Valley Aquifer. CalAm was also ordered by the SWRCB to reduce pumping in the Carmel Valley by 20 percent from historic levels. Since 1995 CalAm customers have managed to reduce water use on the Monterey Peninsula from more than 17,000 AFY to 14,000 AFY, a reduction of more than 20 percent. However, conservation efforts alone cannot adequately address the water demand and supply issues faced by the community.

Water resources in the Carmel Valley and the greater Monterey Peninsula are regulated by the MPWMD. In addition to restrictions on CalAm's use of its Carmel Valley wells by NOAA Fisheries and the US Fish and Wildlife Service (see below), CalAm is also restricted by an annual Memorandum of Agreement (MOA) between CalAm, MPWMD and the California Department of Fish and Game (DFG). Based on SWRCB Order WR 95-10 and the Seaside Basin adjudication, CalAm must develop a replacement water supply in the first instance to meet existing water demands within its service area. In addition, based on the level of growth envisioned to occur in the adopted general plans of jurisdictions within the service area, additional water supply will be needed to meet approved future service area demand.

1.6.4 Endangered Species

There are two federally-listed endangered species present in the CalAm Monterey District service territory. The presence of these species in the Carmel Valley Aquifer area has resulted in agreements between CalAm and State and Federal agencies that restrict pumping and withdrawals from the Aquifer and therefore limit available water supplies. These agreements are outlined below.

California Red Legged Frog. In 1996, the California Red-Legged Frog (CRLF) was listed as threatened under the Federal Endangered Species Act (ESA). In 1997, the U.S. Fish and Wildlife Service (USFWS) issued an ESA-4(d) ruling that allowed it to prosecute for a "take" of the frog. The Carmel River is inhabited by the California Red-Legged Frog. In 1997, CalAm entered into an agreement with USFWS to further regulate its well production activities in an attempt to avoid and/or mitigate impacts on the CRLF and has renewed that agreement several times.

Steelhead Trout. In 1997 the South Central California Coast Steelhead Trout (steelhead) was listed as threatened under the ESA, and in 2000 the National Oceanic and Atmospheric Administration Fisheries (NOAA Fisheries) issued an ESA-4(d) rule allowing it to prosecute for take of steelhead. The steelhead inhabits the Carmel River. The USFWS and NOAA Fisheries have taken the position that any entity that pumps water from the Carmel Valley Aquifer may be liable for a "take" because the pumping may alter the habitat, affect the steelhead's ability to migrate in the river, and affect the CRLF's ability to grow to maturity.

In 2001, CalAm negotiated a Conservation Agreement with NOAA Fisheries that included various changes in operations, with the long-term goal of procuring an alternative water supply source to reduce withdrawals from the Carmel River Aquifer. Failure of CalAm to satisfy USFWS and NOAA Fisheries' concerns regarding ESA compliance could subject CalAm and its customers to enforcement actions for take, including further reduction of the water supply obtained from the Carmel Valley Aquifer and fines that could be in the millions of dollars.

1.7 Coastal Water Project History

The CWP is the result of a multi-year planning effort that has entailed thorough consideration of many alternatives in the context of several different proposed projects and various related documents. Since 1989, several options have been proposed that proponents have hoped would meet the water supply needs of the Monterey Peninsula and address the impacts on the Carmel River underlying SWRCB Order 95-10, as well as the Seaside Basin adjudication. Following is a brief summary of the various proposals/projects and the environmental documentation prepared for those proposals.

1.7.1 Other Water Supply Proposals and EIRs

New Los Padres Dam and Reservoir EIR. The New Los Padres Dam and Reservoir (NLP) was originally proposed by the MPWMD in 1989. The MPWMD prepared the required CEQA documentation in 1994-1995, obtained a Section 404 permit under the federal Clean Water Act in 1995, and obtained a water right permit from the SWRCB in June and July 1995. In November 1995, however, the MPWMD voters failed to pass a measure authorizing funding of the NLP.

Carmel River Dam and Reservoir Project Supplemental EIR. In 1996, California American Water proposed to construct a "no growth" dam and reservoir as a means to comply with Order 95-10. The new proposal was called the Carmel River Dam and Reservoir Project (CRDRP). The project was physically the same as the NLP project, but would have been operated to serve only existing community needs (estimated at 17,641 AFY) rather than the 21,000 AFY envisioned in the NLP. CalAm submitted an application for a Certificate of Public Convenience and Necessity to the CPUC in 1997 to construct and operate the project (A.97-03-052), and the MPWMD acted as Lead Agency and prepared a draft Supplemental EIR in 1998 based on the NLP EIR. Completion of the final environmental documents was delayed because of state legislation (Assembly Bill 1182, passed in 1998) that mandated the CPUC to identify an alternative or alternatives to the dam (Jones and Stokes 1998).

CPUC Water Supply Contingency Plan Evaluation ("Plan B"). In response to Assembly Bill 1182, the CPUC in 1999 began evaluating alternatives to the CRDRP. In 2002 the CPUC, working with CalAm and others, completed a water supply contingency plan (also known as Plan B) for the Monterey Peninsula. The Plan B evaluation concluded that a combination of

desalination and aquifer storage and recovery (ASR) could produce 10,730 AFY². The desalination component of the project would be located adjacent to the Moss Landing Power Plant and would produce 9,430 AFY. Treated water would be transported to the CalAm service area through a new pipeline. The ASR element would provide 1,300 AFY by diverting surplus water from the Carmel River during periods of high flow and storing this water in the Seaside Groundwater Basin for later use.

1.7.2 Plan B and The Coastal Water Project

After considering public opposition to dams on live streams, NOAA Fisheries' opposition to the CRDRP, the results of the Plan B research, and other factors, CalAm concluded that the CRDRP was not feasible. In 2003 CalAm requested the CPUC to allow it to amend its application for a CPCN to substitute in a new water supply project called the Coastal Water Project. In 2003 the CPUC dismissed CalAm's CRDRP application without prejudice, ordered CalAm to file a new application for the CWP, and determined that the CPUC should be the Lead Agency for the CWP EIR.

From a technical perspective, Plan B provided the foundation and point of departure for the analysis of the CWP in the PEA and in this document. Plan B provided an engineering and environmental analysis of fifteen water supply options that were explored as potential opportunities to meet the requirements of SWRCB Order 95-10. Plan B included all of the essential features of the Proposed Project: a desalination project at Moss Landing using the MLPP cooling water system for feedwater; a water conveyance pipeline from Moss Landing to CalAm's Monterey Peninsula service territory; ASR facilities near Seaside; and storage of Carmel River winter flows at the ASR site for recovery in the summer. At 10,730 AFY capacity, Plan B did not include a provision to replace some of the water pumped from the Seaside Basin Aquifer because the over pumping problem was not recognized at that time.

Since the completion of Plan B, significant additional engineering design and environmental analysis has been conducted. That additional work has refined, modified, and focused the results presented in Plan B in order to reduce anticipated significant impacts; improve community support; increase feasibility of each of the CWP project components; and provide for a replacement supply for the Seaside Basin Aquifer. Plan B involved a water supply alternative screening process that was conducted by the CPUC at the behest of the Legislature (AB 1182). A summary of the Plan B alternative screening process is provided in this EIR in Chapter 7. Potential alternatives that were examined and dismissed during the Plan B analysis are not considered further in this EIR. CalAm adopted the Plan B concept in February 2003, when it formally applied to the CPUC to undertake the project, which became known at the time as the

² The draft Plan B Project Report included a desalination plant at Sand City, Seaside Basin ASR, a water reclamation component, and a water rights component. Further analysis, however, found the following: that the water rights component was not currently feasible due to agency policies; that the water reclamation component was not practical due to institutional complexities and project costs; and that a desalination plant at Sand City would be more difficult to implement and less appropriate for the desired scale of production than a desalination plant at Moss Landing. See **Appendix K** for more information.

“Coastal Water Project”. ~~Coastal Water Project~~ in their application and PEA filing A.04-09-019. At the direction of the CPUC ALJ, CalAm included an alternative for a regional project in their PEA.

1.8 The Regional Project

The Regional Project location is defined as the CalAm service area, including the Peninsula Cities of Carmel, Del Rey Oaks, Monterey, Pacific Grove, Sand City, and Seaside, and the unincorporated areas of Pebble Beach, Carmel Valley, and Monterey; the Highway 1 Corridor; the Marina Coast Water District service area, including the former Fort Ord and Marina; the City of Salinas; and the Northern Monterey County rural and urban areas, including Castroville, Prunedale, Moss Landing, and Pajaro.

1.8.1 REPOG: Water for Monterey County

Since January 2007 the Division of Ratepayer Advocates (DRA)³ of the CPUC has been working in conjunction with the University of California Santa Cruz, Center for Integrated Water Research (CIWR) to evaluate whether there is an alternative regional approach that would be less expensive for CalAm ratepayers in the Monterey District by spreading costs over a larger customer base and could be presented as an alternative to the Coastal Water Project. The DRA and the CIWR viewed public participation as critical to the development of an implementable water supply program and facilitated a series of public meetings which led to the establishment of the Regional Plan Technical Work Group, Public Information and Involvement Work Group, and Regional Plenary Oversight Group (REPOG). The meetings⁴ for each group were attended by a wide range of agencies, general public, interest groups, and other parties and provided a forum for identifying project components, confirming criteria, evaluating alternatives, assembling portfolios, and establishing a preferred community-based regional water supply alternative that addresses the regulatory replacement needs of SWRCB Order 95-10 and the Seaside Basin adjudication. Through that process, the Regional Project was developed.

The Regional Project described herein is proposed to provide up to 25,600 AFY to serve the water needs of northern Monterey County, including:

- The CalAm service area, including Carmel, Del Rey Oaks, Monterey, Pacific Grove, Sand City, and Seaside, and the unincorporated areas of Pebble Beach, Carmel Valley, Monterey-Salinas Highway Corridor, and the airport district;
- The Marina Coast Water District service area, including the former Fort Ord and Marina;
- Northern Monterey County rural and urban areas, including Castroville, Prunedale, Granite Ridge, Moss Landing, and Pajaro.

³ The Division of Ratepayer Advocates is an independent arm of the California Public Utilities Commission whose responsibilities include formal advocacy before the Commission on behalf of California ratepayers. The DRA is a separate and independent body of staff from the Commission Advisory staff who produced this EIR.

⁴ Appendix I lists the water and wastewater agencies, other government agencies and stakeholders that participated in one or more meetings of the REPOG, Technical Work Group, and/or Outreach Work Group.

1.8.2 Regional Project Objectives

The Monterey Regional Water Supply Program, as defined, will satisfy the requirements of the State Water Resources Control Board (SWRCB) Order 95-10 and the Seaside Basin adjudication; diversify and create a reliable drought-proof water supply that meets the region's needs; and create a diversified water supply portfolio across a larger number of ratepayers. In addition, the Monterey Regional Water Supply Program describes objectives and potential opportunities that could be created by regional partnerships to:

- Satisfy Marina Coast Water District's obligations to provide a water supply adequate to meet the approved redevelopment of the former Fort Ord;
- Satisfy Monterey County Water Resources Agency's obligation to maintain hydrologic balance of the Salinas Groundwater Basin;
- Satisfy Monterey County Water Resources Agency's obligation to protect agricultural water resources;
- Maximize regional reliability;
- Avoid duplicative facilities and infrastructure;
- Maximize use of recycled and freshwater sources;
- Maximize funding opportunities through regional cooperation;
- Minimize energy requirements and greenhouse gas emissions per unit of water delivered; and
- Integrate urban, agricultural and environmental objectives.

The Regional Project would provide a total incremental regional water supply of up to 25,600 AFY for urban users. Due to the schedule constraints of the Seaside Basin adjudication and the Order 95-10 mandate ordering CalAm to pursue a new water supply source to replace the water it currently produces above from the Carmel River, the "regulatory replacement" supply is the first priority for project implementation. Delivery of new water supplies would be phased with the first priorities being the 12,500 AFY of regulatory replacement water and the 2,700 AFY of Fort Ord demands.

The Regional Project would have two phases. Phase 1 of the Regional Project, which would provide a total regional water supply of up to 15,200 AFY, is described in more detail in Chapter 5, Section 5.2. Phase 2 Project components, which would provide the remaining 10,400 AFY for the Monterey Peninsula and North Monterey County, are summarized in Chapter 5, Section 5.3. The needs of the City of Salinas were considered as a part of this planning effort⁵. However, the incremental water supply needs for the City of Salinas are being addressed outside of the regional project described here.

⁵ The increased groundwater pumping required to meet the City of Salinas' projected future needs has been included in the hydrologic analyses of the Salinas Groundwater Basin.

1.8.3 Regional Project Overview

The Regional Project would be developed in two phases to ultimately provide up to 25,600 acre-feet per year (AFY) to serve the water needs for parts of northern Monterey County. The Phase 1 Monterey Regional Water Supply Program (the Phase 1 Project) includes 15,200 AFY to meet the immediate needs of the Monterey Peninsula, the former Fort Ord, and Marina. The Phase 1 Project consists of components that have been approved and are underway by local agencies, expansion of some existing projects, as well as the proposed regional desalination facility. Implementation of the Phase 1 Project components would occur in phases over a time span of three years. The Phase 1 Regional Project includes the following components and is presented in Chapter 5, Table 5-1-1-2:

- Conservation
- Sand City Desalination Facility
- Regional Urban Water Augmentation Project (RUWAP)
- Seaside Basin Aquifer Storage and Recovery (Seaside ASR)
- ~~Seaside ASR Expansion I~~
- ~~Surface Water Delivery to Urban Users (Salinas River diversions and surface water treatment plant)~~
- Regional Desalination Facility (including conveyance and storage facilities)

The second phase of the Regional Project (the Phase 2 Project) would include some combination of the following components to supply an additional 10,400 AFY of water to meet the anticipated regional water demand. The actual components and their contribution to the water supply will be determined in the future. The Phase 2 Project components ~~may~~ will require further evaluation of cost-effectiveness, technical, and implementation issues, as well as further environmental review. These Phase 2 project components are described in Section 5.3, and include:

- Pacific Grove Stormwater Collection and Treatment Project;
- Surface Water Delivery to Urban Users (Salinas River diversions and surface water treatment plant)
- Salinas River Diversion Facility Expansion;
- Castroville Seawater Intrusion Project (CSIP) Expansion;
- Regional Desalination Facility Expansion;
- Seaside Groundwater Basin Replenishment Project;
- Seaside ASR Expansion I
- Seaside Basin ASR Expansion II; and
- Salinas Basin Groundwater for North Monterey County.