MONTEREY PENINSULA
WATER SUPPLY PROJECT

NEWSLETTER
2022 Q3-Q4

PROJECT UPDATE

Coastal Commission Approves Desalination Slant Well Permit
Additional Infrastructure Projects Coming Online

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PROJECT UPDATE

COMMISSION APPROVES SLANT WELL PERMIT

On November 17, 2022, the California Coastal Commission supported its staff recommendation and approved a development permit for intake slant wells needed to provide source water to California American Water's proposed desalination plant. With this approval, the Monterey Peninsula is a critical step closer to finally solving the region's decades-long water supply crisis.

California American Water held more than 24 community workshops and meetings around Monterey County in the last three months to answer questions and receive feedback from community members. More than 100 local elected officials, customers, environmental, business and labor leaders sent letters and spoke at the Coastal Commission hearing to advocate for the need to develop new water supplies for new housing, jobs, and environmental protection. The company offered solutions the to major concerns that were raised in these meetings, including future system demands, public access to coastal resources and habitat protection.

Additional conditions required by the Commission include California American Water agreeing to expand and improve affordability programs for customers and ongoing outreach and reporting to the City of Marina. A $3 million community benefit for Marina residents to address concerns about the location of the intake wells in the city was also included as a condition.

With the Commission's approval, California American Water expects to receive the remaining customary permits. Construction is expected to begin in 2024 and be in service by the end of 2027. California American Water expects to maximize State Revolving Fund financing and other available grants to help reduce the cost impact to customers.

The plant has an initial 4.8 million-gallons-per-day capacity and will rely on greenhouse gas-free renewable energy sources.

The project is designed to accommodate a phased increase in capacity to provide for future needs for the Peninsula and region. This added flexibility in design was in response to concerns regarding future supply needs.

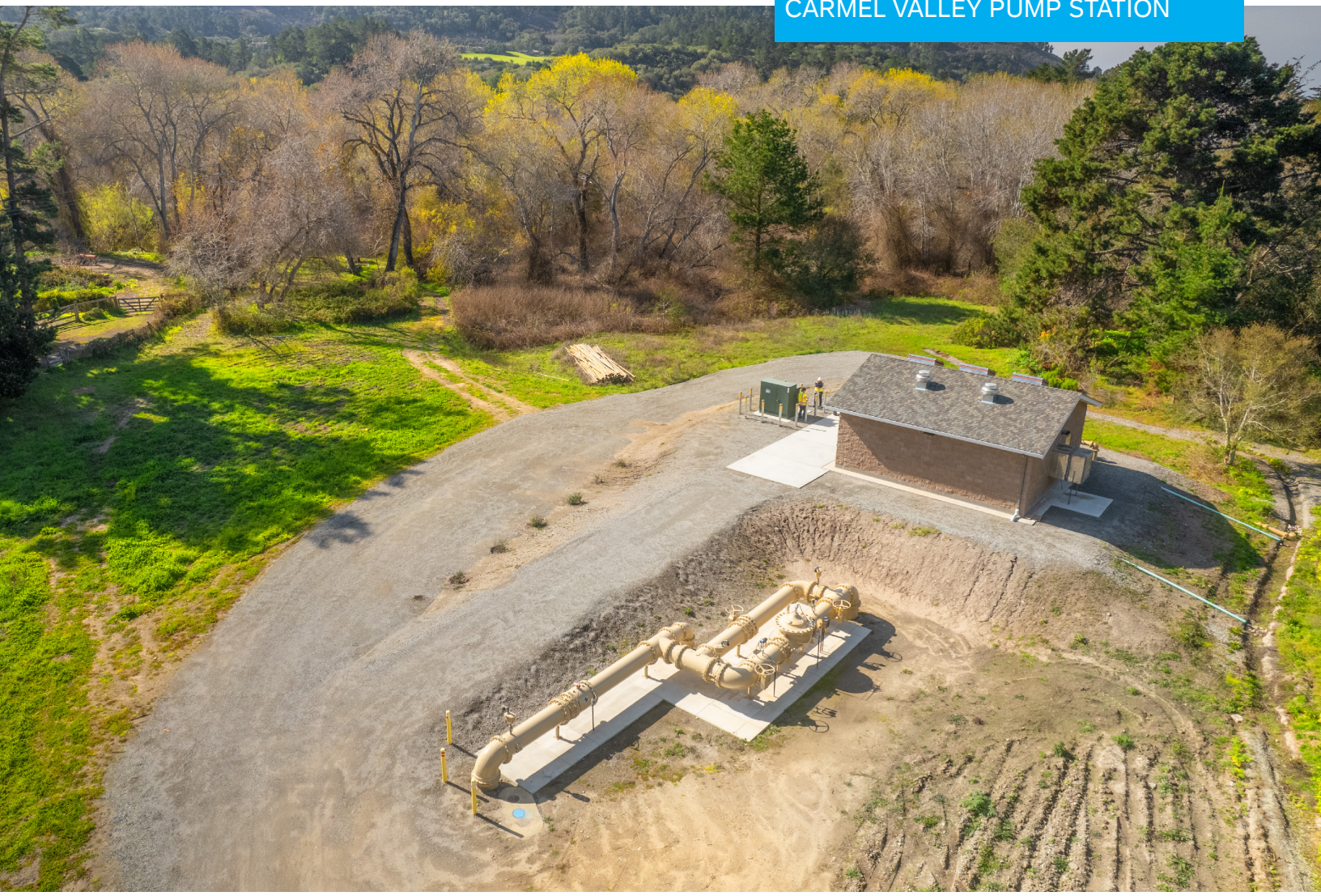
CONSTRUCTION UPDATES

The Forest Lake Pump Station and Carmel Valley Pump station were completed and brought on line in February.

This is a major achievement in our water distribution system. The startup and commissioning of these pump stations was a team effort in the Monterey District involving the Production, Distribution, Water Quality, Customer Service and Engineering Teams.

These pump stations work in coordination with each other and allow us to maximize water produced in the Seaside Basin including Seaside Native Water, Pure Water Monterey and ASR water, storing this water in the Forest Lake Storage tanks and delivering this water to Carmel and Carmel Valley. The use of these pump stations to deliver water into Carmel Valley allows the team to maximize Carmel Valley extractions during the ASR season and deliver it to the Seaside Basin.

CARMEL VALLEY PUMP STATION



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 at full capacity 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 unincorporated Monterey County as the site for the proposed desalination plant.

California American Water has also purchased permanent easements near the coastline in the North Marina area to host its slant intake wells. California American Water's project will use a series of slant wells designed to draw ocean water.

The slant wells will be up to 1000 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.

PURE WATER MONTEREY

The proposed Pure Water Monterey project, a partnership between Monterey One Water and the Monterey Peninsula Water Management District, recycles wastewater through an advanced treatment process. The resulting highly purified drinking water is then injected into the Seaside Groundwater Basin.

A new, advanced water treatment plant has been constructed for the project in addition to a number of supporting facilities. Source water for this project goes through a three-step treatment and purification process of microfiltration, reverse osmosis and oxidation with ultraviolet light and hydrogen peroxide — all commonly used in numerous industries and food manufacturing.

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 Groundwater Basin 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: $80M
(36% spent to date)

Desalination Plant: $132M
(55% spent to date)

Pipeline Facilities: $67M
(67% spent to date)

Pipeline/Pump Station: $50M
(100% spent to date)

*NOTE: These figures are based on a 6.4 MGD desalination facility. These figures include some contingency costs and therefore differ from the capital costs listed in the settlement.

Future editions of this newsletter will contain information on project expenditures, construction progress and milestones. Once collection begins for the Construction Funding Charge (or Surcharge 2), amounts collected by the charge will also be reported. Progress regarding slant well construction and information regarding slant well monitoring data will also be reported in future editions, as well as estimates as to the return water obligation and actual return water obligation calculated.