

## **Public Water Now / LandWatch Monterey County**

February 22, 2024

Environmental Justice and Tribal Liaison Executive Office

CALIFORNIA STATE LANDS COMMISSION

### **Environmental Justice Outreach: Application for a General Lease – Industrial Use, Monterey Peninsula Water Supply Project**

Making a community's water unaffordable is the epitome of environmental injustice.

The cost of water from this desal project would be added to already extremely high water costs.

In 2017, the national environmental watchdog, Food & Water Watch, rated the cost of Cal Am water on the Monterey Peninsula as the most expensive water in the country of the 500 largest water providers. [https://www.foodandwaterwatch.org/wp-content/uploads/2023/06/FS\\_Top-Ten-Most-Expensive-Water-Providers-June-2017.pdf](https://www.foodandwaterwatch.org/wp-content/uploads/2023/06/FS_Top-Ten-Most-Expensive-Water-Providers-June-2017.pdf)

Peninsula water costs have risen more than 50 percent since then. The cost for 5,000 gallons a month is now over \$150.

The CPUC Public Advocates Office estimates that if this desal plant were built it would add 60 to 70 percent to our bills. This is likely a very significant underestimate. As Coastal Commission staff acknowledged in their staff report, there will likely be no demand for water in excess of the expected supply from Pure Water Monterey until at least 2040. The Monterey Peninsula Water Management District's analysis demonstrates that running a desalination facility at 20% of its full capacity would quadruple the unit costs for water, from at least \$7,981 to \$32,398 per acre-foot. (LandWatch Monterey County LandWatch Nov. 11, 2022 letter to Coastal Commission).

There are egregious and unresolved environmental justice concerns for Marina as well. These were readily acknowledged by the Coastal Commission and were compelling in the Commission's original recommendation of denial for this project. If built, Cal Am's desal would result in a much higher burden of industrial footprint and the loss of public open space for Marina with no benefit.

"...the Project raises the most significant environmental justice issues the Commission has had to address since the 2019 adoption of the Commission's environmental justice policy. At both its reduced 4.8 mgd scale and its full 6.4 mgd scale, the Project would result in the most costly water of any of the desalination projects the Commission has considered recently and would involve locating some of the Project components in a community that has a long history of having a disproportionate share of industrial facilities and uses. Staff conducted in depth analyses of these issues and identified several communities of concern that would be affected by Cal-Am's proposed

Project – including the cities of Marina, Seaside, Sand City and Castroville. Overall, the analysis shows that Cal-Am's Project creates several serious environmental justice issues...Additionally, the City and the Marina Coast Water District, which provides water to City residents, are deeply concerned that the Project would adversely affect the groundwater aquifers that the District relies on." (p. 4-5 , CCC staff report 2022, Attachment A)

The Monterey Peninsula, especially Seaside, a lower-income, predominantly non-Caucasian city with a poverty rate of 12.9% (source: City of Seaside 2024), would be heavily impacted by extraordinary water costs.

"According to Cal Am, the average single-family customer in the Monterey service area will have a monthly rate increase of approximately \$47 to \$50 due to Project construction and operation costs once the Project is put into service." (CCC Staff Report 2022, page107)

Today, this 50% monthly rate increase would be \$59 added to Cal Am's current average bill of \$117 for 3,483 gallons per month, resulting in a total monthly bill of \$176 for a minimal amount of water.

Cal Am uses an extremely low average that includes all the empty homes on the Peninsula that use no water to figure cost increases, which makes them look lower than they are for most people. Cal Am is presenting a deceptively low increase with its example.

According to the CPUC Public Advocates Office, typical Peninsula water use is 5,000 to 6,000 gallons a month. The current bill for 5,000 gallons costs over \$150 and would see an increase of \$75 to \$105 a month if Cal Am's desal were built.

Cal Am's stated 50% increase added to future 2026 rates would be even higher. Using the CPUC Public Advocate's estimate of a 60 to 70% increase with desal, the typical bill for a modest use of 5,500 gallons could easily reach \$300 a month.

These rates would cause extreme economic hardship for low-income families, forcing many residents to move from the Peninsula or endure a diminishing quality of life. This would be especially hard for seniors and others living on a fixed income who already face a higher cost of living on the Peninsula, including a 9.25% sales tax, along with increasingly higher utility, insurance rates and inflated prices for goods and services.

### **Why would this water be so expensive?**

The question that should have been asked long ago by the CPUC is why is this desal plant and the water it would provide so expensive.

When you compare Cal Am's project to the Doheny Desal plant currently under construction, the costs just don't make sense. Both plants are about the same size and produce about the same amount of water. Both use slant wells. But Doheny will deliver water at about \$2,000 per acre-foot, while Cal Am's water would cost an estimated \$7,000 or more per acre-foot.

Cal Am has not updated costs for this project in many years, making it hard to trust any figure Cal Am gives for the cost of water.

## **The Return Water Agreement**

One of the major problems with this desal project is the fact that its slant wells draw water from the edge of the Salinas River Groundwater Basin in the Marina Coast Water District, not the ocean.

The Monterey County Water Resources Agency Act, Sec.21, prohibits any export of groundwater from the basin because it is critically over drafted.

To get around this law, Cal Am developed the Return Water Agreement:

<https://www.mpwmd.net/asd/board/boardpacket/2016/20160620/21/Item-21-Exh-E.pdf>

This agreement returns the freshwater component of the brackish groundwater to the Basin. Cal Am plans to calculate the percentage of freshwater drawn in the brackish groundwater and then return that amount of desalinated water to Castroville. There is no certainty as to what this percentage will be. Cal Am currently estimates it to be 4% to 5%. But some have pointed out that the freshwater percentage could be much higher. In that case, even more extremely expensive desalinated water would need to be returned to the Basin, raising the cost to Peninsula ratepayers.

## **Monterey Peninsula ratepayers would be asked to subsidize water for Castroville**

The Return Water Agreement states that 690 AFY of desalinated water will be returned to Castroville at \$110 an acre-foot, with a promise to Castroville ratepayers to ensure a monthly average of \$42.50. But this desal water would cost \$7,000 or more per acre-foot to produce. Who pays the difference? This agreement forces Cal Am's Monterey Peninsula customers to subsidize the cost of this water to Castroville. Cal Am's ratepayers certainly did not agree to this, and for the most part, are completely unaware of this agreement.

A major Environmental Justice issue with this project is that it would force low-income customers on the Monterey Peninsula to pay millions of dollars every year to subsidize Castroville's water.

In 2020, 17% of Monterey Peninsula residents had disadvantaged income levels. Those 15,710 people would have to subsidize 4,504 disadvantaged people in Castroville if this desal plant were built.

The US Census Quick Facts 2021 shows there are over five times more people living in poverty in Seaside on the Monterey Peninsula than in Castroville. Castroville has a population of 7,515, with 766 people (10.2%) living in poverty. Seaside, with a population of 32,085, has 3,914 people (12.9%) living in poverty.

Cal Am's Return Water Agreement forces Peninsula residents living in poverty to pay for another disadvantaged community's water.

## **Cal Am's Low Income Assistance Programs**

Cal Am's Monterey Peninsula district has 18,000 residents living within 200% of the poverty level. Many residents are low income by State HCD criteria but don't qualify for assistance under Cal Am's programs.

Cal Am serves 33,159 Peninsula households. Currently only 2,997 of those households are enrolled in its low-income Customer Assistance Program (CAP).

Cal Am's low-income assistance programs do not cover many low-income residents on the Peninsula. To qualify you must have a Cal Am water bill in your name. A family of four must have an annual income of \$60,000 or less to qualify. A family of two must have an income of \$39,440 to qualify. At these income levels, most would be renting.

But renters don't qualify unless they have a water bill in their name, and most tenants of multi-family units do not have separate water meters. Instead, their landlord passes on the water cost through their rent. Thus, Cal Am's low-income assistance programs are not available to many who need them.

One of our members with a \$ 26,000-a-year income is on Cal Am's CAP program. Her January water bill was \$53.87. The CAP discount was \$12.50 off her bill. But she reports that on her income, she can't afford her water bill even with the \$12.50 discount. She worries that if Cal Am were to add a 50% increase for the cost of desal she simply could not afford water.

When asked how people would be able to afford water if the desal costs were added to our current bills, Cal Am's Ian Crooks responded that there would be no tiers. Currently the Peninsula has a four-tier water pricing system.

The problem which Cal Am does not to recognize is that the current higher tiers subsidize the lower tiers. If the tiers were gone and everyone paid the same price per gallon for water, the low-income users would see their bills rise dramatically even before the cost of desal was added.

Another problem is that Cal Am passes the Customer Assistance Program (CAP) Surcharge onto ratepayers, further burdening lower income ratepayers who don't qualify for assistance.

While Cal Am offered a few modest options to alleviate the high cost to low-income households, Coastal Commission staff agreed none of them addressed the long-term effects of the higher costs endured by lower income ratepayers for this expensive water option. (CCC Staff Report, 2022, page 110).

Cal Am consistently continues to increase its rates to its Monterey district on an annual basis, raising them 50% since 2018. A current low-income resident in Seaside who does not qualify for the CAP program reported she pays \$121 for 3,216 gallons, a minimal low use of 45 gallons a day per person.

It should be noted that despite conditional approval, there was clear acknowledgement of the severe environmental justice effects of this project. The current chair of the Coastal Commissioners who voted no on the project made this clear.

“...Caryl Hart, one of the two commissioners to vote against the project, echoed this sentiment and said Thursday’s vote was a failure of the values the commission stood for. “You don’t buy off environmental justice concerns,” she said. “I just don’t understand why we’re plowing ahead in this way... this is a violation of our environmental justice policy, in my opinion.” (Los Angeles Times, November 18, 2022)

### **Pure Water Monterey is a more affordable solution**

The Pure Water Monterey potable recycled water project is a much more affordable water supply project. This is a public agency project of Monterey One Water and the Monterey Peninsula Water Management District (MPWMD). It was first proposed in 2014. Pure Water Monterey (PWM) is currently providing 3,500 AFY. That is over one third of the Peninsula’s potable water demand. When the expansion of Pure Water Monterey is completed in 2025, PWM will provide a total of 5,750 AFY (source: Monterey One Water) toward the Peninsula’s demand of approximately 9,500 acre-feet.

Cal Am has attempted to suppress, delay and discredit the PWM Expansion in order to justify its much more expensive desal plant.

Total PWM water recharged into the Seaside basin will approach 14,000 AF by the end of February 2024, equivalent to approximately 4.6 billion gallons of drinking water delivered since start-up. (source: Monterey One, Recycle Water Committee meeting staff report, February 15, 2024)

The Pure Water Monterey expansion is enough water for 30 years at less than half the cost of desal. It’s drought resistant as it uses wastewater as its water source.

Unfortunately, the Coastal Commission under pressure from Governor Newsom granted conditional approval to Cal Am ignoring testimony from our three local public water agencies – Monterey One Water, MPWMD and Marina Coast Water District – who provided this information in detail illustrating that desalination will not be needed for 30 years and there will be better options and technology for desal available in the future.

### **Water Needed for Affordable Housing**

Water for new and affordable housing will be available from the expansion of Pure Water Monterey (Completion 2025). Desal is not needed for affordable housing.

Historic use and studies done by the Monterey Peninsula Water Management District show that with the Pure Water Monterey Expansion the Peninsula will have water for 30 years of growth without desal.

## **CPUC Phase 2 Hearings**

It is premature to consider this application since the CPUC has not given final approval of Cal Am's desal project, an approval mandated by the California Coastal Commission as one of 22 conditions this project must meet. Until a decision on the CPUC Phase 2 Supply and Demand hearing is final, this project cannot move forward. This was clearly stated in the Coastal Commission 2022 Staff Report:

"...Ultimately, the CPUC will determine the longer-term supply and demand estimates after extensive testimony and evidence on this issue, which bears on whether the CPUC would approve the Project. Furthermore, without CPUC approval, the Project cannot proceed. Thus, the Commission's approval is conditioned on final CPUC approval for construction of the Project based on CPUC's findings of supply and demand. Moreover, if the Project does not begin construction within five years, Cal-Am must seek an extension through Executive Director approval or, if necessary, an amended CDP application through which the Commission may review any changed circumstances affecting the Project." (page 4, California Coastal Commission Staff Report, October 2022, Attachment A)

Furthermore, Cal Am is now proposing a phased approach, starting with a smaller 4.8 MGD desalination facility and later increasing that facility to 6.4 MGD. But the CPUC considered and rejected this phased approach in 2018, finding that it would be more expensive to ratepayers and more environmentally damaging. (CPUC Decision D.18-09-017, pp. 69-70.) The CPUC must reconsider these findings and reassess the rate impacts of this more expensive approach. Until then, approval of a lease is premature.

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## **PUBLIC WATER NOW**

Public Water Now is a local non-profit with over 4,000 members. Our interest is an affordable, sustainable water supply for the Monterey Peninsula. That goal cannot be realized under Cal Am's corporate ownership.

In 2018, PWN put Measure J on the ballot asking the public to vote on a public buyout of Cal Am. It passed with 56% of the vote mandating that the Monterey Peninsula Water Management District (MPWMD) pursue a buyout if feasible. It was found to be financially feasible and in December 2023 MPWMD filed its eminent domain court case to buy Cal Am's Monterey Peninsula system.

One reason Cal Am is in a hurry to build an unnecessary \$400 million desal plant is to drive up the price of the buyout in hopes of defeating the will of the community in Measure J.

Over the years we have often found conflict between Cal Am's need for profit and the truth.

## **LANDWATCH**

LandWatch's mission is to inspire Californians to create a sustainable future, using Monterey County as a model.

We work to enhance Monterey County's future by addressing climate change, affordable housing, reliable water supplies, and related land and water use policies.