



June 3, 2025

California Public Utilities Commission  
Public Advisor's Office  
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San Francisco, CA 94102  
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Re: Application 21-11-024, Application of California-American Water Company (U210W) to Obtain Approval of the Amended and Restated Water Purchase Agreement for the Pure Water Monterey Groundwater Replenishment Project, Update Supply and Demand Estimates for the Monterey Peninsula Water Supply Project, and Cost Recovery.

Dear Members of the Commission:

LandWatch is a non-profit organization advocating better land use planning, more housing, and sustainable water supplies. LandWatch has been an active participant in the Commission's prior decision-making processes related to the Monterey Peninsula Water Supply Project because we believe that a sufficient and sustainable water supply is essential to providing needed housing on the Monterey Peninsula. However, we also believe that this supply can and should be provided without the wasteful and costly desalination project being pursued by California American Water Company, which, if approved, will dramatically drive up the cost of living on the Monterey Peninsula. Affordable water is a prerequisite to affordable housing.

We write to object to the proposed "Phase 2 Decision Approving Demand and Supply Estimates for the Monterey Peninsula Water Supply Project" released on May 9, 2025 (the "PD"), noting the parties' written comments, filed May 29, 2025.

Unfortunately, the PD would commit a grievous error by reaching unreasonable conclusions regarding future water demand estimates for the Monterey District of the California American Water Company ("Cal Am"). It would do so by failing to consider the weight of evidence and expert analysis that was provided by multiple intervenors, as summarized in their written comments. It would do so by ignoring ratepayer behavior and conservation trends, and by relying instead on the speculative, unsupported opinion testimony of Cal Am witnesses.

In 1995 the State Water Resources Control Board ("SWRCB") issued Order WR 95-10, directing Cal Am to cease illegal diversions of Carmel River water and replace 10,730 AFY of illegal supply with alternate sources, including conservation. Cal Am's average demand at the time in its Monterey District was 17,000 AFY, according to Order WR 95-10. LandWatch understands that the record in A.21-11-024 indicates demand is now about 9,000 AFY. Readily available public information, including Cal Am's quarterly reports to the SWRCB and its own project website confirm this

conclusion.<sup>1,2</sup> In other words, over the past thirty years Cal Am's Monterey District customers have replaced 8,000 AFY of illegal Carmel River supply with conservation alone. Cal Am's new supplies from the Pure Water Monterey ("PWM") Project and soon from the PWM Expansion have been sufficient to deliver the 2,730 AFY balance of supply required to accomplish the SWRCB's required Carmel River pumping reduction and to provide more than an additional 3,000 AFY for future growth.

Even if all housing and commercial development that is projected to occur by the year 2050 actually comes to pass, there is still more than enough water to serve Cal Am's Monterey customers' needs. Projecting an unrealistic demand scenario where customers will become less water-thrifty in the future – as Cal Am does and the PD would do – is contrary to strong ratepayer trends as well as California legislation.

Furthermore, including surplus demand estimates to serve Pebble Beach entitlements, "lots of record," and a supposed tourism rebound from a temporary downturn in the distant past is illogical and incorrect. Even if these categories of demand were useful in 2018 as a stand-in for future demand, they are erroneous surpluses today. That is because Cal Am's – and other parties' – baseline future demand projections already include AMBAG's projected rate of growth in residential and commercial demand that covers these now-surplus categories.

LandWatch strongly recommends the Commission adopt a 2050 demand estimate of no more than 11,200 AFY, which we understand is the professional estimate of the Marina Coast Water District's nationally-recognized expert consultant, Peter Mayer of WaterDM. LandWatch understands that the Mayer/WaterDM estimate is the highest projection for 2050 of the intervenor experts who have provided specific demand estimate testimony to the Commission in this proceeding, which include witnesses for the Monterey Peninsula Water Management District and the Public Advocates' Office. Mayer/WaterDM's reasonable and conservative estimate of 11,200 AFY of demand in 2050 comports with rates of growth predicted by AMBAG's most recent population and business growth projections, in our view.

There is clear evidence that today, even before Pure Water Monterey Phase II is operative, Cal Am and the Monterey Peninsula Water Management District are in compliance with the State Water Board cease-and-desist order. When the additional 2,250 AFY from Phase II comes online, there will be a sufficient water supply for decades. This invites the question: why decide today that there might be additional demand in the future and burden ratepayers with this dubious assumption, when the decision can easily be delayed five, ten or more years? Why not wait until more demand

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<sup>1</sup> Water year ended Sept. 30, 2024, available at [https://www.amwater.com/caaw/resources/PDF/Customer-Service-Billing/Rates-AL/Monterey/2024/SWRCB\\_O4WY\\_2024.pdf](https://www.amwater.com/caaw/resources/PDF/Customer-Service-Billing/Rates-AL/Monterey/2024/SWRCB_O4WY_2024.pdf)

Water year ended Sept. 30, 2023, available at [https://www.amwater.com/caaw/resources/PDF/Customer-Service-Billing/Rates-AL/Monterey/2023/SWRCB\\_O4WY\\_2023.pdf](https://www.amwater.com/caaw/resources/PDF/Customer-Service-Billing/Rates-AL/Monterey/2023/SWRCB_O4WY_2023.pdf)

<sup>2</sup> System delivery, available at <https://www.watersupplyproject.org/system-delivery> (5-year annual average 2020-2024 of 9,011 AFY)

data is available rather than rely on highly disputed demand projections from the one party to the PD that stands to financially profit from demand overestimates?

Finally, we note that unless the Commission adopts findings that demand and supply are in fact sufficient through 2050 without a desalination facility, the Commission will have open Phase 3 proceedings or direct Cal Am to initiate a new application for a CPCN for the desalination project Cal Am now proposes to pursue, i.e., the project for which Cal Am has secured a contingent Coastal Development Permit. Additional proceedings would be required because Cal Am does not have a CPCN for the phased 4.8 MGD facility it now proposes. Indeed, in 2018, the Commission specifically rejected both the 4.8 MGD facility and the phased approach as more costly and more environmentally damaging, based on submissions and arguments from Cal Am.

And the Commission would need to revisit ratemaking because (1) the project cost estimate used for ratemaking is many years out of date and (2) the project would lose its scale economies and burden ratepayers with excess capacity costs. In particular, the Commission would have to address the provisions in its 2018 Decision D.18-09-017 to protect ratepayers from “excessive costs” by imposing “operating restrictions” on Cal Am if Cal Am sources water from both the Pure Water Monterey Expansion and a desalination facility.<sup>3</sup> Those provisions require that (1) CalAm not substitute much higher cost desalinated water for available alternative water supplies and (2) shareholders rather than the ratepayers absorb the fixed costs of the idle desalination facility capacity.

In sum, the PD errs in overestimating water demand. The desalination project is not needed. But if the Commission accepts the erroneous PD demand estimate, it must revisit the CPCN to protect our communities and ratepayers from the unresolved environmental impacts of a phased project and the rate impacts of excessive capacity.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael DeLapa". The signature is stylized with a large, looped "M" and a long, sweeping underline.

Michael DeLapa  
Executive Director

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<sup>3</sup> CPUC Decision 18-09-017, p. 44.