LANDWATCH
MONTEREY COUNTY

Press Release

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Smaller Plant, Bigger Bill: Cal Am Shrinks Its Desal Plant by a Quarter and Asks Ratepayers to Pay 3½ Times More

Buried in Friday's CPUC filing: a request to raise the desalination cost cap from $239.2 million to $825 million — for a plant 25% smaller than the one regulators approved in 2018.

MONTEREY, Calif. — On Friday, California American Water sent local leaders a cheerful note about "updated project cost estimates" and a "low-cost financing framework" for its desalination plant. The note did not mention the original price. Neither did the company's press release. You have to get to page three of the filing itself to find it.

There, Cal Am asks the California Public Utilities Commission to find it "reasonable to increase the cost cap for the MPWSP desalination project costs from $239.2 million to $825 million." That is nearly three and a half times the amount the Commission approved in 2018. And that is before financing charges: both figures exclude the interest Cal Am books during construction, which ratepayers also pay. Per gallon of capacity, the plant now costs about 4.6 times what the Commission approved.

"In 2018 the Commission approved a 6.4 million-gallon-a-day plant for $239 million. Cal Am now wants $825 million for 4.8 million gallons a day—three and a half times the price ratepayers were promised," said Michael DeLapa, Executive Director of LandWatch Monterey County. "Only Cal Am could ask for a plant 25% smaller and 3½ times more expensive, then call its request merely an update."

In addition to construction cost increases, annual operating costs would rise from $11.6 million to $14.85 million, for less plant.

With almost no tangible construction, Cal Am has already spent $182 million through June 2026, about three-quarters of the entire original cap. Most of this was spent on what Cal Am calls "increased legal and permitting expenses," with some small amount spent on site preparation work that began in August.

Different project, same permission slip

Cal Am insists the 4.8 mgd plant "[is] not a different project" from the 6.4 mgd plant the Commission approved, only its "initial phase." That claim does a lot of work. It is how Cal Am avoids asking the Commission to approve a different project, one that has changed in size, cost, and timing. It is also how the company concludes that "no additional CEQA review is required" for the phased project the Commission expressly *denied* in 2018 precisely because it would have unacceptable environmental impacts, as well as costing more. The City of Marina, Marina Coast Water District, and the Monterey Peninsula Water Management District have already filed a complaint at the CPUC alleging that Cal Am's phased construction violates the 2018 decision. Cal Am has moved to dismiss it.

"Cal Am's position comes down to this: shrinking the plant and adding previously unacceptable environmental impacts doesn't need the Commission's permission, but more than tripling its price does, but the Commission should just rubber-stamp it," DeLapa said. "If a 4.8 mgd plant at $825 million is the same project as a 6.4 mgd plant at $239 million, words have stopped meaning anything."

Who pays for excess capacity?

CalAm's filing assumes the plant will produce 4.2 million gallons a day beginning in 2030. But based on the CPUC's analysis of existing supply and projected demand, no additional capacity is needed until 2040. Desalinated water would cost many times more than existing supply. Why would the CPUC allow Cal Am to replace existing supplies with exorbitantly expensive water? And if the CPUC does not permit this, who would pay for the idle desalinated capacity? The complaint by the City of Marina, Marina Coast Water District, and the Monterey Peninsula Water Management District asks the CPUC to resolve this critical question before letting Cal Am go any further.

The $588 million question

Cal Am's press release boasts that its financing plan will "reduce the impact on customers by $588 million over the 40-year life of the project." DeLapa noted the obvious follow-up. "When the

discount alone is $588 million, ask how big the bill is. Cal Am didn't say." The bill-impact estimate sits in an attachment the company did not include with its press materials.

The press release blames "continuous legal challenges" for the delays. "Cal Am has spent two decades proposing desal projects that collapsed under their own weight, from Moss Landing to the Regional Desalination Project," DeLapa said. "The people who pointed out the problems are not why this plant costs $825 million."

What happens next

The application now goes to the CPUC, where protests are due 30 days after it appears on the Commission's Daily Calendar. LandWatch urges Monterey Peninsula ratepayers, local governments, and water agencies to demand evidentiary hearings, an independent audit of the $182 million already spent, and a full public accounting of what this plant will cost every household before another dollar goes into rates.

"Peninsula residents have been told for years that desal was the responsible choice," DeLapa said. "Responsible choices don't come with a 3½ fold price increase revealed on page three."

About LandWatch Monterey County. Founded in 1997, LandWatch Monterey County is a nonprofit 501(c)(3) organization whose mission is to create a blueprint for sustainability, using Monterey County as a model. Through public education, policy analysis, and citizen action, LandWatch promotes sustainable and equitable land use, housing, water, and climate policy that serves every community in the county. Learn more at landwatch.org.

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