



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

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Receive a report from the Monterey Peninsula Water Management District on potentially providing the County of Monterey with a proposed water allocation from the Monterey One Water Pure Water Monterey Expansion project and provide direction to staff.

PROJECT INFORMATION:

Receive a presentation from MPWMD on proposed water allocations for the County of Monterey within the unincorporated areas of the MPWMD jurisdiction.

RECOMMENDATION:

It is recommended that the Board of Supervisors Receive a report from the Monterey Peninsula Water Management District (MPWMD) on potentially providing the County of Monterey (County) with a proposed water allocation from the Monterey One Water (M1W) Pure Water Monterey Expansion project (PWMx) and provide direction to staff.

SUMMARY:

MPWMD has requested an opportunity to present a proposed water allocation to the Board of Supervisors. Staff at Housing & Community Development (HCD), the Monterey County Water Resources Agency (Agency), and the County Administrative Offices (CAO) have coordinated to facilitate the presentation. Any new water allocation would impact water availability and development potential in the California American Water (CalAM) main water service area which generally includes the Monterey Peninsula and Carmel Valley areas.

Responsible Agencies and Utility providers

State Water Board: The State Water Resources Control Board (State Water Board) Division of Water Rights is a state agency that oversees water rights from lakes, rivers, streams, creeks, and unground water supplies.

MPWMD: The Monterey Peninsula Water Management District (MPWMD) is responsible for groundwater management, water supply, water control, and water distribution within their territory which includes Carmel-by-the Sea, Del Rey Oaks, Monterey, Pacific Grove, Seaside, Sand City and unincorporated areas including Pebble Beach, Carmel, and Carmel Valley. MPWMD has adopted a series of rules and regulations in carrying out their duties and purposes.

CalAm: California American Water (CalAm) is a private utility company and the largest water purveyor on the peninsula. Water provided to customers in the CalAm system has historically come

from the Carmel River and the Seaside Groundwater Basin.

M1W: Monterey One Water (M1W) is a public wastewater treatment agency serving multiple jurisdictions in Monterey County. They provide regional sewer system treatment and management and produce recycled water through the current Pure Water Monterey base project (PWMB) and the Salinas Valley Reclamation Project (SVRP), the latter under an agreement with the Agency. M1W is also responsible for the construction of the PWMx, which is expected to become operational in the fall 2025.

Agency: The Monterey County Water Resources Agency (Agency) is a public agency created by the State of California, that provides services related to the control of flood and storm waters in Monterey County, conservation, protection of water quality, reclamation of water and the exchange of water. Fundamental to the Agency's mission to sustainably manage water resources while minimizing impacts from flooding. As it relates to the proposed MPWMD allocation of anticipated, new water from the PWMx project, the source water supplies for both the PWMB and PWMx are subject to an agreement between the Agency and M1W - the 2015 Amended & Restated Water Recycling Agreement.

Background

In 1995 the State Water Resources Control Board (State Water Board) adopted Order WR 95-10. Among other matters, the order found that Cal-Am was diverting water from the Carmel River above and beyond their recognized water rights and directed that Cal-Am should diligently implement actions to terminate its unlawful diversion from the river. This order was modified in 2009 with Order WR2009-0060. In effect, the State Water Board order (also known as the cease-and-desist order or "CDO") prohibits the setting of new water meters and the intensification of water use within the Cal-Am service area. This order remains in place today and has significantly limited the ability to build new units on the Monterey Peninsula. Additionally, rules have been promulgated by MPWMD with the State Water Board orders in mind. Another source of water for Cal-Am is the seaside groundwater basin. The seaside groundwater basin was in overdraft and is the subject of an adjudication which provides a physical solution for use of water in the Seaside groundwater basin.

Since 1995, there have been limited instances where new water supplies have been made available for development in unincorporated areas: Paralta wells, Robles Del Rio water credit sales, Pebble Beach Company golf course water recycling and irrigation, and Mal Paso water. With the exception of the Paralta well discovery, which resulted in the allocation of water credits to the County, the other water sources have come from private sources and made available to private buyers at a substantial cost.

Since 2020, M1W has been treating wastewater and pumping the treated water into the Seaside groundwater basin through the PWMB. PWMx is under construction and anticipated to be operational in the fall 2025. Recycled water provided from PWMB that is injected into the Seaside groundwater basin is essentially an exchange supply that helps CalAm rely on increased extractions from the Seaside groundwater basin, which reduces CalAm's reliance on water from the Carmel River to meet the total system demands. According to MPWMD, the increased water availability from PWMB has resulted in a reduced need for CalAm to divert water from the Carmel River to the extent that CalAm has remained within their recognized water diversion rights for the past 3 years. With the additional

supply anticipated from PWMx, new water would be available after accounting for that the Carmel River offset, a portion of which is being proposed for allocation to the MPWMD's political jurisdictions, including the County.

Staff Analysis

If water is made available for allocations to jurisdictions by MPWMD, the County of Monterey would benefit from receiving such allocation. A new allocation of water could support housing goals and economic development in the CalAm service. There are, however, a few important details to consider.

Cease and Desist Order - The cease and desist order from the State Water Board remains in place for now. This means that no new water meters and new water connections can be provided by CalAm. MPWMD intends to apply to the State Water Board to have the order lifted. Until the order is lifted, the water allocation provided by MPWMD to the County could only be used for remodels of structures already served by CalAm. In this scenario, it is likely that requests for suballocation of the County's water allocation would be received by those residences and businesses who wish to expand and add water fixtures to their existing connections.

Process for suballocation of water credits - The County of Monterey does not have a written policy or procedure for allocating water credits to end users. In the past (1990's), the Planning and Building Departments provided water credits to property owners on a first come first served basis. Staff at HCD could continue to allocate water credits on a first come-first served basis or, if desired, a water allocation process that with reserves for priority projects could be developed.

Source water and long-term reliability of supply - The water supply for Pure Water Monterey is complex, variable, prone to drought, subject to changes in future demand, particularly that of senior contractual water allocation holders, and subject to an agreement - the 2015 Amended & Restated Water Recycling Agreement (ARWRA) - between the Agency and Monterey One Water. The ARWRA provides Pure Water Monterey two types of water: first is "excess" wastewater and second is "New Incremental and Interruptible Allocations (New Source Water) - Phase I". These waters made available by the Agency are the keystone to development of Pure Water Monterey. The ARWRA also acknowledges that excess wastewater currently available for Pure Water is subject to repurposing in the future for the purpose of curing seawater intrusion and other severe impacts of the groundwater imbalance in the Salinas Valley that threaten the viability of the 180/400 subbasin aquifer.

Regarding excess wastewater, under the ARWRA (which superseded a 1992 agreement and subsequent amendments), the Agency is entitled to all wastewater originating within M1W's boundary as it existed in 2001. There are exceptions enumerated in the ARWRA that limit this entitlement. This wastewater is recycled by M1W at the SVRP for use as irrigation water, in lieu of groundwater pumping in the severely overdrafted 180/400 subbasin aquifer. Demand for this wastewater has historically been high during the spring through fall period, consistent with irrigation demands within the Castroville Seawater Intrusion Project's (CSIP) 12,000 acre service area, and low in the winter period, when irrigation demand has historically subsided. Prior to 2020, when the PWMb came online, wastewater unused by the Agency was treated for discharge into the ocean. In the interest of improving regional water management and recognizing the need to improve water supply on the Monterey Peninsula, the Agency agreed to make this currently excess supply available to the M1W

for treatment at the PWMb and storage in the Seaside Groundwater Basin. This source makes up more than half of the PWMb's supply and nearly all of the anticipated supply for the PWMx.

The New Source Water makes up most of the balance of the PWMb supply and likely provides little for the PWMx. Under the ARWRA, the New Source Water is assigned to M1W by source, including the Blanco Drain and Reclamation Ditch. These supplies have not been realized to the extent anticipated in the ARWRA and are drought sensitive. They are also subject to regulation by the Regional Water Quality Control Board. M1W has lesser, additional supplies to support PWMb, including a portion of the 650 acre-feet of wastewater assigned to it by the Agency under the ARWRA and 50% of any new wastewater originating outside of M1W's 2001 boundary. Water produced by the PWMb has essentially been a replacement supply for reduced diversions from the Carmel River by CalAm under the SWRCB CDO.

Water Demand and Cross Basin needs - The purpose of the CSIP program is to sustain the 180/400 ft subbasin aquifer by slowing the intrusion of seawater through the delivery of alternative water supplies for irrigation within the CSIP service area in lieu of groundwater pumping. At the time the ARWRA was executed, it recognized the potential of Agency assigned wastewater to be repurposed for the further protection of the 180/400 subbasin aquifer. In 2014, the State enacted three laws, commonly referred to as the Sustainable Groundwater Management Act (SGMA) that mandate the sustainability of the 180/400 subbasin aquifer by 2040. Subsequently, the Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA) was formed and produced a SGMA mandated Groundwater Sustainability Plan (GSP), which was submitted to the California Department of Water Resources (DWR) for its review and approval. This GSP, among other things, contemplated several projects and actions to achieve sustainability of the 180/400 aquifer subbasin, including optimization of the existing CSIP, its expansion or development of new, direct delivery projects, and/or development of groundwater recharge projects. To implement these projects timely, the SVBGSA is currently performing several feasibility studies and working to update the 180/400 GSP for additional DWR review and approval. In order to achieve the SGMA mandated sustainability deadline, and avoid potential State interference in regional water supply management efforts, it is highly likely that projects and actions affecting the availability of Pure Water Monterey source supplies will be implemented in the next 5 to 10 years.

Conclusion

The potential allocation of water to local jurisdictions from PWMx would allow for development of housing in the Cal-Am service area that has long been limited with the CDO in place. The plan proposed by MPWMD would be to allocate a relatively small portion of the projected amount of recycled water produced by M1W while reserving the remaining amounts for future consideration and to account for other factors such as droughts, demand variations, and system losses. The approach seems reasonable, but the concern for the long-term sustainability of the source water remains unless it can be demonstrated that there is adequate source water available for PWMb and PWMx in the event that sources from the Blanco Drain and Reclamation Ditch are interrupted and/or that the senior contractual water allocation holders increase their use of wastewater flows resulting in a reduction of currently available excess flows.

OTHER AGENCY INVOLVEMENT:

This report has been prepared by HCD in coordination with the Agency and the CAO.

FINANCING:

Funding for staff time associated with this project is included in the respective FY24-25xx Adopted Budgets for RMA-Planning and the Agency.

This report was prepared by Craig Spencer, Director of HCD, and Ara Azhderian, General Manager of the Agency, and reviewed by Nick Chiulos, Assistant CAO and Kelly Donlon with the Office of County Counsel

The following attachments are on file with the Clerk of the Board:

Attachment A - MPWMD Request

Attachment B - MPWMD Presentation

cc: Front Counter Copy; California Coastal Commission; Craig Spencer, HCD Director, Ara Azhderian, General Manager of WRA; Dave Stoldt, General Manager MPWMD, Paul Shuido, General Manager M1W, California American Water; The Open Monterey Project (Molly Erickson); LandWatch (Laura Davis); John H. Farrow; Janet Brennan.