

**DESALINATION PROJECTS:
WATER FROM THE SEA THIS SUMMER?; Possible forerunner
of large desalination plant
Monterey Herald – 3/30/06
By Kevin Howe, staff writer**

Fresh water from the sea could be pumping out of Moss Landing by early summer, according to developers of a desalination process they plan to show off as a prelude to building a major saltwater purifying plant to serve the Central Coast.

An administrative permit to operate a pilot demonstration of two reverse-osmosis desalination plants at the former Kaiser Refractories site at Moss landing -- now the Moss Landing Commercial Park -- has been granted by Monterey County to the Pajaro-Sunny Mesa Community Services District.

The permit is for "a small version of a big plant," said Alana Knaster, interim county Planning and Building Department director, "to test the technology on what could be a larger plant."

If the Coastal Commission and the county are asked for permits for a large, permanent plant, she said, there would be "a very big process out there" that would likely require public hearings, detailed plans, an environmental impact report and approval by the Coastal Commission and the state Public Utilities Commission.

The administrative permit, issued March 21, allows operation of a skid-mounted, 4,000-square-foot temporary facility to collect data and let potential customers sample the water, said Peter MacLaggan, senior vice president of Poseidon Resources of San Diego, developers of the plant.

The facility consists of two plants on modular mounts now operating in Carlsbad, which would be trucked to Moss Landing and set up at the site at Highway 1 and Dolan Road, he said.

"They are containerized and ready to go," he said.

MacLaggan said permits will be needed from the Coastal Commission for drawing water from Moss Landing Harbor for the desalination plant, and for

discharging fresh water into Monterey Bay, as well as a building permit from the county for setting up the plant.

He said Poseidon hopes to have the permit process completed by the end of April, and begin assembling equipment and testing by May 1.

"We hope to be pushing water out the door before the end of June," he said.

One of the demonstration plants has been running in Carlsbad for two months to confirm that it is working, he said, and another pilot plant there has been running for the past three years. The two pilot plants together would produce 40,000 gallons of fresh water per day, amounting to 44.8 acre feet of water per year, when they are installed in Moss Landing.

Some water will go to Sunny Mesa customers in Prunedale, said district manager Joe Rosa.

"We've been able to show in three years improvements in technology that have shaved the electrical consumption cost by about 20 percent," MacLaggan said.

The reduction in energy costs makes desalination a competitive process for producing water, he said, and even though well water is now cheaper to produce, the Monterey Bay area's issues with water shortages, seawater intrusion and damage to the Carmel River steelhead fishery by water well pumping "will make the additional energy demand probably a small price to pay" for adequate water.

Poseidon envisions a full-scale desalination plant on the site that would produce 20 million gallons per day, he said, or 2,240 acre feet per year, operating 24 hours a day, seven days a week.

California American Water Co. had hoped to build its own desalination plant at the Duke Energy power plant in Moss Landing, but that project has been stalled over an argument between the county and Duke Energy about whether the power company has completed a wetlands mitigation management plan and posted a \$250,000 bond to clear oil storage tanks from the property.

Cal Am spokeswoman Catherine Bowie said the water company has no intention of protesting Pajaro-Sunny Mesa's pilot plant permit, adding that "we hope that it reflects an understanding on the part of the county about their desperate need for a new water supply, and that the progress Sunny Mesa's making will be extended to us in (the) process of going after a permit ourselves."

"We don't view this as a competitive process," MacLaggan said. "We're looking forward to working with Cal Am on the Coastal Water Project and merging it into one regional solution. It doesn't make sense to build multiple desalination projects."

Reverse-osmosis plants, which run seawater at high pressure through extremely fine filters to take out the salt and other impurities, require a lot of common facilities, including intakes and outflows, he said. Building them bigger and combining them can achieve significant economies of scale and produce a common solution for the region, according to MacLaggan. #

<http://www.montereyherald.com/mld/montereyherald/news/local/14221124.htm>

CAL AM:

Cal Am takes issue with appraisal; Group says public purchase more favorable than rate hikes

Monterey Herald – 4/12/06

By Kevin Howe, staff writer

An appraisal commissioned by a group campaigning to have a public agency take over the California American Water system on the Peninsula puts its value at \$50.7 million.

That makes buying the system more affordable to the ratepayers than the rate hikes Cal Am is seeking, said Ron Weitzman of Monterey Friends of Locally Owned Water (FLOW).

"Based on this appraisal, we could purchase the system at 6 percent interest for less than \$8 a month over 30 years added to each water bill," he said.

"This is substantially less than the rate hikes of around \$78 a month on a typical bill that Cal Am has requested in perpetuity from the California Public Utilities Commission."

Neither the appraisal nor the rate increases cited by FLOW are accurate, said Cal Am spokeswoman Catherine Bowie.

"We'd like to know on what basis they developed this appraisal," she said. "It appears to have no relationship whatever to the value of our system."

The company's rate base on the Peninsula is approximately \$100 million per year, Bowie said; the appraisal doesn't consider the value of the company's property, and it does not include Cal Am's liability for San Clemente Dam on the Carmel River.

FLOW estimates that liability at \$30 million to reinforce the dam and \$70 million to \$175 million to remove it from the Carmel River but didn't include it in the appraisal.

Bowie said the water company estimates the cost of strengthening San Clemente Dam at \$40 million, taking it down and removing the silt behind it

at \$80 million, and is looking at a third option of "notching" the dam and leaving some of the silt behind it.

"It's inconceivable," she said, "to have any study that eliminates a major component."

Finally, Bowie said, the system is not for sale. Cal Am's German parent company, RWE, has announced its intention to pursue a public offering of stock on the American Stock Exchange and return Cal Am to the status of a publicly-traded company. "They are not engaging in a piecemeal sale of the company."

As for rate hikes, she said, Cal Am has two proposals pending before the PUC, including a general rate increase for three years and a six-year increase to cover the \$106 million Coastal Water Project that is to provide aquifer recharge and storage.

These are not "in perpetuity," Bowie said. Both increases have expiration dates.

She added that, in the peak year when the two increases coincide, the average water bill for a family of three would go up about \$40 a month.

The appraisal by Beacon Valuation Group examined at least three industry standard valuation approaches to estimate the fair market value of the water system, according to FLOW.

The organization has worked with state Sen. Abel Maldonado, R-Santa Maria, to sponsor Senate Bill 1630, which would give local public agencies the right of first refusal to buy the water system if the company is sold. That bill passed the Senate Energy, Utilities and Communications Subcommittee on April 4 and is scheduled for another Senate hearing in May. #

<http://www.montereyherald.com/mld/montereyherald/news/14323218.htm>

Mañana Woods hearing Wednesday

The Local Agency Formation Commission will hold a public hearing Wednesday regarding the annexation of Mañana Woods — a development of 119 homes outside the Scotts Valley City limit — to the San Lorenzo Valley Water District.

The hearing will be held to receive and tabulate any protest from voters living within the proposed Mañana Woods annexation and from owners of property within the proposed annexation area. Following state law, an election will be called if 25 percent of the registered voters or property owners within the annexation area file protests. If fewer protests are received, the annexation will become effective without an election.

The development is currently in the Mañana Woods Mutual Water Co. service area.

Benzene appeared in 1992 in a private well for the development, and in 1999, MTBE was found in the Mañana Woods well. Homeowners sued the oil companies that supplied fuel to four gas stations on Mount Hermon Road. The case was settled out of court, and the terms kept confidential.

In 2005, the Mañana Woods Mutual Water Co., the San Lorenzo Valley Water District and the oil companies entered into an annexation agreement that included the parties' intent to proceed with annexing Mañana Woods to the San Lorenzo Valley Water District, and that included a payment to the SLVWD to be used for connection fees and infrastructure improvements for the district to serve Mañana Woods.

The hearing will be 8:30 a.m. Wednesday in Room 525, 701 Ocean St., Santa Cruz.

For information, call 454-2055 or e-mail info@santacruzlafco.org.

Felton Water: Sale of CalAm May Open a New Door to Acquisition

by Michael Thomas

CalAmerican Water may not want to let go of the Felton water system, but RWE now wants to sell CalAm, along with the rest of its water holdings in the United States. The decision to boot CalAm's parent company, American Water Works, out of the RWE fold will, at the very least, provide Felton residents another chance to argue their case for acquisition. It could even provide an opportunity to win control of the water system without the long and expensive process of a forcible seizure.

RWE Aktiengesellschaft is a global utility conglomerate based in Germany. It purchased American Water Works and CalAm in September of 2002, just months after those companies bought the Felton system from Citizen's Utilities.

The acquisitions spurred Felton residents to pursue a public purchase of the system, which is currently well underway. An \$11 million bond was approved by local voters in November of last year, and the San Lorenzo Valley Water District is now working on appraisals and territory annexation to proceed with an eminent domain seizure.

Sale Triggers State Review

Last November, RWE announced that it was seeking a group of investors to purchase American Water Works.

When that announcement was made at a press meeting in Germany, Jim Graham of Felton FLOW stayed up till 1 a.m. to keep tabs on the proceedings.

"They said they weren't getting the profit they expected from the American systems. They had to scale back their revenue projections," Graham reported. "RWE's intent was to sell it to someone else and they couldn't find a buyer."

Then on Mar. 24 this year, the conglomerate announced that it would instead sell American Water as an IPO, returning it to its status as a publicly traded company. The plan is to complete the divestiture of American Water at some point in 2007.

A change in control of the company means they will have to file statements with the California Public Utilities Commission (PUC). Fred Curry, Chief of the Water Branch of the CPUC said that means another round of hearings, both in San Francisco, and in each of CalAm's service districts.

"Felton folks will have an opportunity to participate in that hearing and try to do the same thing that the Montara folks did with that service area of CalAm," Curry said.

The citizens of Montara, near Half Moon Bay, were pursuing an eminent domain seizure similar to the one under way in Felton when CalAm bought their small system as part of a larger purchase.

“They got the administrative law judge to agree that one of the conditions of the sale would be the sale of Montara at a reasonable price,” Curry said.

That decision averted what would have likely been an extended eminent domain battle. Could the same thing happen here?

“If we can get the PUC to pay attention to that, maybe we can get the same kind of treatment,” said County Supervisor Mark Stone. “We’ve got the money. We’ve got the will of the people. It’s an opportunity to make that case. ... [However] it is maybe still a bit of a long shot.”

Nevertheless, it’s an opportunity that FLOW won’t pass up, according to Graham.

“We are going to say, hey you guys did it once before, we want you to do it again.”

CalAm’s local spokesperson, Evan Jacobs, said the pending sale of American Water Works is of marginal significance to Felton.

“Safe to say, it won’t change our operations in Felton,” Jacobs said.

Appraisal of Water System to Begin Soon

In the meantime, the San Lorenzo Valley Water District is taking the steps that would be essential to any public takeover scenario. The District’s Environmental Analyst, Betsy Herbert, said they are currently interviewing appraisers and expect to hire one in the next 30 days.

“It’s important to find someone who is an expert [in water district valuations,]” she said. In addition to placing a value on the water system, separate appraisals will be necessary for watershed lands held by CalAm in Felton. The entire process, once begun, may take three months.

Also, on Mar. 23, the SLVWD Board passed a resolution to initiate an annexation process that would add Felton’s 2.6 square miles and 1,300 customers to the District’s existing 56 square miles and 5,800 customers.

So far, the District has spent just a small amount of the bond funds voters approved in November. Herbert estimates that the SLVWD has spent about \$30,000, and about \$12,000 of that has been charged to the bond account.

Herbert was hired by the District for one year to focus on the eminent domain process. However, half of her contract is paid for by a grant from the Robert and Patricia Switzer Foundation.