



5/16/2017

City of Salinas Update

Please see below responses to common questions submitted to DWD by offtake agencies.

1. What is the status of public ownership or participation?

***Response: The project is moving forward as a Public Private Partnership using the Design, Build, Own, Operate, Transfer model. With this model the plant is built using private funds and payment for the Capital Expense is included in the water cost over the debt service repayment period. At the end of this period, the plant will be transferred to either a public JPA or agency acting as a wholesaler. While the plant will be built with private funds, freeing up offtakers bonding capacity, we hope to have our partner agencies apply for grants or low interest loans such as those available through the Clean Water State Revolving Fund (CWSRF). We applied for a loan through the Water Infrastructure Finance and Innovation Act (WIFIA) through EPA with Salinas and Monterey County providing recommendation letters. The benefit of this arrangement is that the project can move forward more quickly in the private sector and in addition to bonding capacity benefits, operational risks are placed on the private sector rather than our public partners.***

***DWD expects to approach our partners with conditional Water Purchase Agreements identifying an appropriate range for the cost of water in the next few months. Final agreements will not be required until late 2018.***

2. What is the status of support/approval for project source water prior to exhausting all alternatives for sub surface intake as required by the CCC, SWRCB and CPUC?

***Response: Approval of the project will not take place until all alternatives for subsurface intake have been ruled infeasible. In 2016 DWD met with California State Water Resources Control Board (CSWRB), California Coastal Commission (CCC), Regional Water Quality Control Board***

*(RWQCB), California State Lands Commission (CSLC) and Monterey Bay National Marine Sanctuary (MBNMS) in a joint meeting to present subsurface findings and receive input on additional study activities they would like us to undertake. As feedback we received direction from CSWRCB on additional activities they would like us to include in our study. Upon completion of those additional items, which include some groundwater model scenarios, they will accept our application for determination of feasibility.*

*The additional subsurface work is underway currently and expected to be completed in June of 2017. This information, although not required to be, will be rolled into the EIR/EIS in order to assure the most complete and thorough review possible. DWD expects to apply for a feasibility determination upon completion of the study. We hope to have the determination by the end of the year.*

3. What is the CEQA/NEPA status and timeline?

*Response: The decision to include the subsurface study in the EIR/EIS resulted in a new draft publication date. The current schedule reflects a draft publication date of February 2018, but DWD is exploring options with the lead agencies to expedite the schedule.*

4. What is status of discussions with state/local permitting agencies?

*Response: In January DWD entered into an agreement with the California Marine Sanctuary Foundation to provide funds as a third party to the California Coastal Commission (CCC) for their review of all marine related permit material as part of the EIR/EIS process. In the past the CCC's review has taken place when the applicant applies for a Coastal Development Permit. This often caused delays because the CCC may ask for modifications or for additional studies to be completed that were not part of the EIR/EIS process. We believe MBRWP is the first project to have the CCC staff review take place as a part of the EIR/EIS process instead of after certification/record of decision.*

*As reported in Item 2, DWD has met and presented our subsurface feasibility analysis and plan to CSWRCB along with the other permitting agencies for feedback and direction. They provided very thorough feedback which is directing additional activities related to subsurface studies in order to streamline the determination process. We are currently undertaking those additional activities.*

*In early 2016 DWD started early coordination with California Department of Fish and Wildlife (CDFW) and U.S. Fish and Wildlife Services (USFW). Upon a joint site visit, we worked with them to develop a focused species survey protocol for protected species on or near the proposed plant site. DWD has worked closely with them through a sampling and monitoring process that is required prior to receiving biological permits for the project.*

*DWD had met with the Department of Drinking Water for a preliminary discussion of activities required to complete source water characterization and the Watershed Sanitary Survey required prior to obtaining a Drinking Water Permit. This is a multiyear process and DWD will be moving forward with a formal application and regulatory meetings early this year.*

*DWD met with Monterey County late last year and discussed project permitting. They have agreed to cede jurisdiction of permitting to the CCC.*

What is the overall schedule for delivery of water to end user?

*Response: Current projections show water available to end users in 2022. A detailed schedule has been completed for both permitting and construction and it reflects the very complicated task dependencies of the permitting period. This projection does not include delays related to legal challenges.*

5. New information/developments pertinent to the project?

*Response: DWD has established a price range of \$2,000 - \$2,500 per acre foot for water at the fence before any possible payments from the data center. Currently we are at a 10% - 20% design level. At this design level, estimates have a +/- 30% probable accuracy range. The range reflects this accuracy. While in the past, DWD has presented a cost that reflected the savings resulting from collocating a data center at the site, this number reflects 100% of the infrastructure cost, so it is the cost as if there was no data center. We understand that while agencies appreciate the financial benefits of sharing infrastructure with the data center, their planning process requires then to assume the worst case scenario which would be a desalination plant alone. We are now presenting our cost per acre foot in this manner while pointing out that there will be additional savings as a result of collocating with the data center. In order to establish the final water cost within the range presented, contracts for power purchases, construction and operations and maintenance must be negotiated and signed and the cost of capital has to be determined. While predictions can be made, it is too far out to finalize these costs. This is what attributes to the +/-30% accuracy. Contracts will be signed and final cost will be identified in 2018, after which binding Water Purchase Agreements will be signed.*

*In late 2016, EPA representatives visited DWD to find out about the MBRWP. They were in the process of launching the first WIFIA funding round. We met with them as they were developing the initial application materials. WIFIA is a program that will provide low interest loans for large water infrastructure projects, focusing on Public Private Partnerships. At that time EPA representatives identified MBRWP as the type of project the fund is looking for. We submitted an application for funding with Salinas and Monterey County providing letters of support for the project.*

*In December, General Manager Kim Adamson presented MBRWP in a panel discussion of Public Private Partnership projects at the North American Water Summit in Miami, FL. The presentation generated great interest from firms specializing in building and operating desalination plants worldwide. We are currently in advanced partnership discussions with several of these firms.*